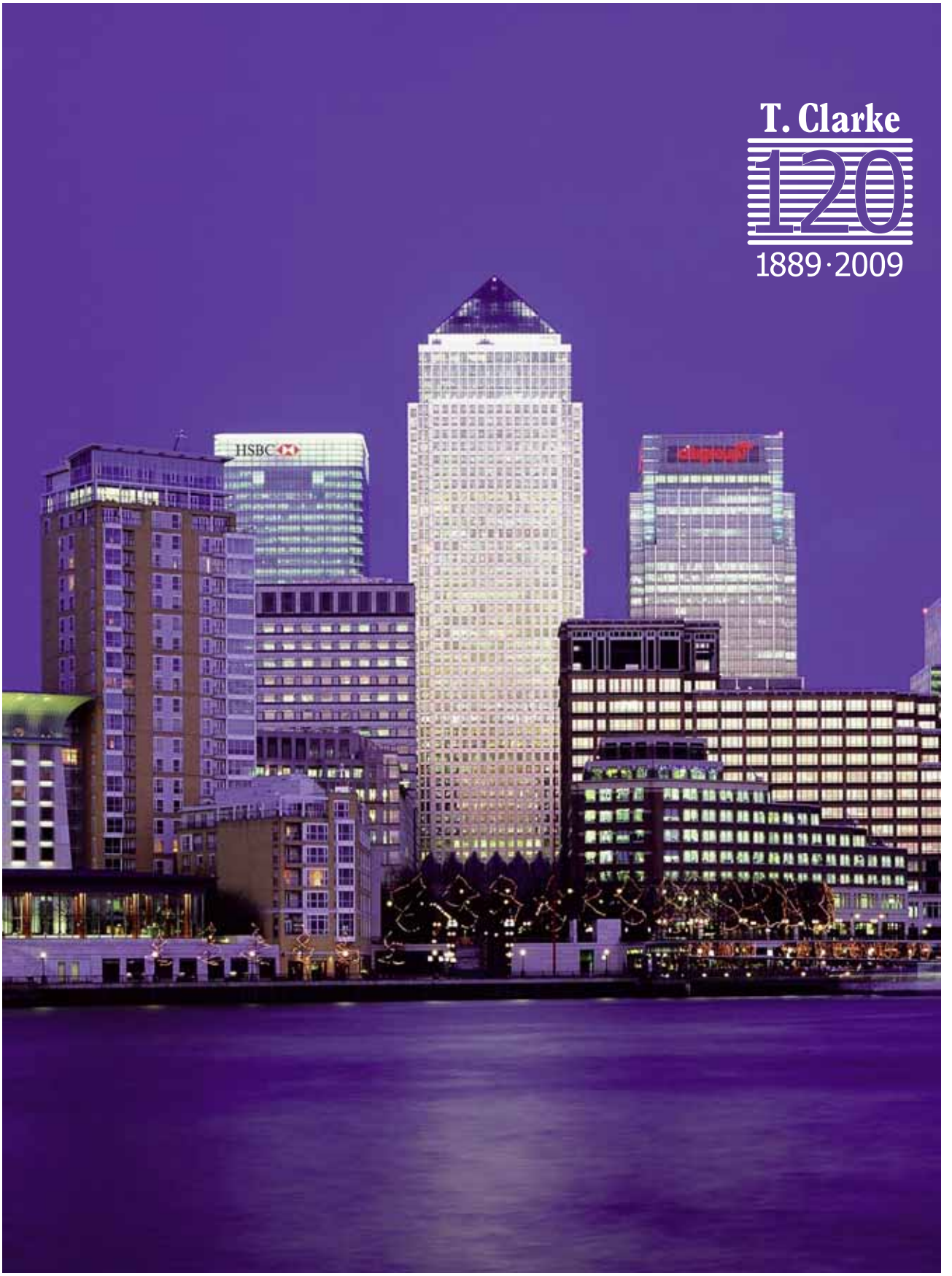
T.Clarke Review & Financial Statements 2008



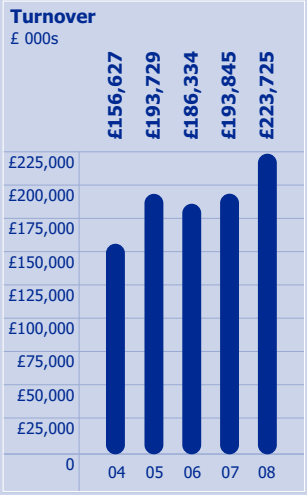
Back cover: The East India Docks around the time T.Clarke started trading. © National Maritime Museum, London.
Front cover: Canary Wharf today

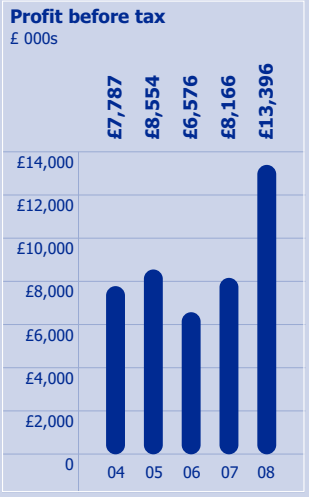
T. Clarke 120 1889·2009

Our unchanging reputation

T.Clarke plc is the UK's oldest electrical contractor.
Our reputation in the market today is for constant innovation and for the consistent quality needed to bring jobs in on time and find new ways to add value. We have a nationwide network, with major operations in London and across the country from Aberdeen to St Austell. We take pride and care of our reputation and our independence. Most of all we are proud of our people; the work they do and the relationships their work has built and sustained.

The headlines of our year





T. Clarke 120 1889·2009

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2009 and beyond

In 2009 Barry Defalco and Mark Lawrence lead the business forward. They set out their strategy of continuity, focusing on the same fundamental principles of innovation and quality for clients, delivered the classic T.Clarke way; by people with commitment and expertise.

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Review

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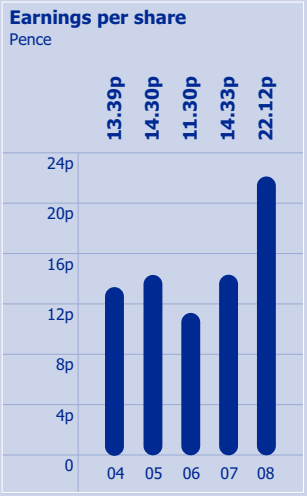

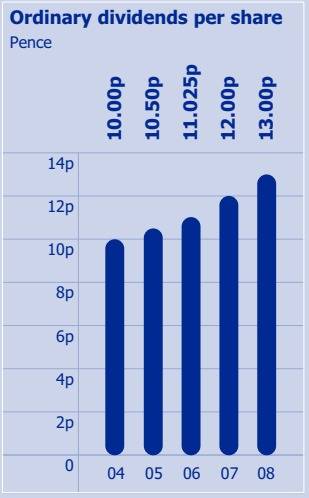

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Financial statements

Chairman's statement

While the business environment is challenging, it is very pleasing to be able to report excellent results for the group in 2008. The London operations benefited from a high level of capacity utilisation and the successful completion of some major projects. In addition there was an overall improvement in the operating performance of our regional businesses.

The current economic problems have been well documented, and this uncertain environment is undoubtedly having an impact on the construction industry. As our skills tend to be used at the latter end of contracts, there is a delayed effect on our order book as the level of new build slows down. Nevertheless we can look to a solid and sustainable level of activity during the current year. Looking to the future we have also the underpinning for our London operations of some long-term, high-profile contracts which are detailed elsewhere in the report. For all our operations, we will continue to focus on positive cash flow and on the reduction of risk.

The difficulties of operating in the present business climate should not be underestimated, and the board is particularly appreciative of the professionalism and dedication of all our staff whose efforts continue to keep T.Clarke as a beacon of excellence in the industry. At the same time, we continue to value highly our long-standing links with our supportive client base.

There have been some changes to our non-executive directors. We are very grateful for the contribution made by Len Arnold who stood down during the year after ten years on the board. Bob Campbell, who joined at the beginning of 2008, brings relevant industry and city skills, and we look forward to working with Iain McCusker, who joined at the beginning of this year, and whose financial background will be particularly appropriate in current times.

The group is well placed to perform to the very best for shareholders in the year ahead, and to face the difficult business climate from a position of financial strength, and, equally importantly, with that unique asset - the T.Clarke team.

Russell Race
Chairman
18th March 2009

Business review

Operational review

With 120 years in business, T.Clarke continues to be a market leader in the electrical contracting industry. The company is widely recognised for its excellent customer service and training of apprentices who become the skilled trades people and engineers of tomorrow.

Maintenance of this position is central to the company's long-term prosperity, which can be expressed in terms of value to shareholders and attracting and retaining the best people.

The T.Clarke group of companies provides services and coverage across the UK, from Aberdeen in Scotland to St Austell in Cornwall.

Our strategy and core objectives across the group are as follows:

- Maintain our excellent reputation in the market place, provide top quality service to our customers and develop long-standing customer partnerships
- Focus on new market sectors to broaden the spread of the business and reduce market risk
- Provide a comprehensive service to all market sectors and achieve leading positions in each sector
- Controlled organic growth and growth by acquisition
- Offer ongoing apprentice schemes and train all staff in new technologies and systems
- Offer industry-leading remuneration packages to help retain and motivate our staff
- Provide a safe and healthy working environment for all our staff and operatives
- Reduce the impact of the group's business on the environment
- Involvement in social and community issues

To enhance its value for shareholders, the group will drive its operations and strategy from these core objectives and will look to improving efficiency, support for our customers and maintaining competitive advantage from having a highly skilled, directly employed labour force.

Key performance indicators - KPIs

It is difficult to establish external benchmarks with which to gauge our performance because, primarily, a significant number of our peers are business units working within larger construction groups and their figures and performance are not separately reported. Secondly, much of the most critical performance data within the construction industry is commercially sensitive and not released.

We monitor our performance against our strategy by reference to:

- Sales per employee - page 9
- Pre-tax profit margins - page 9
- Pre-tax profit per employee - page 9
- Remuneration per employee - page 9
- Customer feedback - page 10
- Health and safety - pages 10 and 41
- Environment - pages 10 and 41

Market development

Since autumn 2008 there has been a well-publicised downturn in new commercial property development, particularly in the City of London. Major developers are cancelling and delaying a number of large schemes. Private residential schemes have been similarly affected throughout the UK. There is however, continued demand in the public sector. Sectors such as health, education, prisons and rail, and also affordable housing and social housing continue to provide the group with work. Our strategy is to build strong relationships with our client base and supply chain, and to enhance our capabilities, skills and finances to operate in the current environment.

Operations

2008 was an excellent year and the group delivered record results. We are very pleased with the integration of our businesses. Operating at almost full capacity, due in the main to the accelerated Westfield Shopping Centre programme, our London operations again contributed to a very strong performance. Our regional business performed well but the results for the year were impacted by significant bad debts. We carefully assess our credit risk but in these uncertain times this is challenging, particularly where established contractors' bankers and other sources of finance take increasingly demanding and short term views.

London

London operations have commenced work with Team Stadium on the construction of the Olympic Stadium which is scheduled for completion in early 2011. Negotiations are continuing with Westfield for the new shopping centre in Stratford City, bordering Olympic Park, due to be opened in late 2010. Contracts have been signed for the Pinnacle Building, Bishopsgate, due for completion in early 2012. These projects, together with other contracts, represent most of the significant business available in the London market.

Regions

A selection of contracts recently secured by our regional operations is included below:
Carstairs State Hospital, Scotland; New Stand Falkirk Stadium; Haymarket Transport Hub, Newcastle; Burnside and Silksworth Swimming Pools, Wallsend and Sunderland, Tyne on Wear; Harrogate Library; Abraham Guest School, Wigan; HMP Norwich; Bell Bird Primary School, Sawston, Cambridge; RAF Bicester, Oxon; Truro Library, Cornwall; five Waitrose supermarkets and additional works at Tidworth Garrison.

Board changes

Bob Campbell, formerly Managing Director of Waterman Group plc (a leading quoted engineering consultancy), was appointed as an additional Independent Non-Executive Director on 1st January 2008. He was appointed Senior Independent Director after Len Arnold, having served a term of 10 years as an Independent Non-Executive Director, stood down from the board on 31st July 2008. It was the board's intention to appoint an additional Independent Non-Executive Director and Iain McCusker was appointed

as an Independent Non-Executive Director on 1st January 2009. Iain McCusker was previously a partner in Coopers & Lybrand (now PricewaterhouseCoopers), has held several senior roles in industry and was also appointed chair of the Audit Committee on 1st January 2009.

Regional board

For reporting and operational efficiency the regional board, consisting of the Regional Managing Directors, supported by the Group Financial Controller, reports to the Managing Director - Regions.

People

The group remains committed to providing the best training for all members of staff and currently employs 233 apprentices and 56 adult trainees. This is a key feature of our business and we are proud of the quality of our people. The group draws on the expertise of its people in thirteen subsidiary companies across the UK; each with its own local brand but with a shared reputation for excellence; see pages 18-25. Health and safety remains of paramount importance to the group and we remain vigilant in this area.

Community and the Environment

We are committed to the community in which we operate and we contribute to a number of charities and fundraising events each year; see pages 43 and 65. Equally important is our focus on minimising any impact caused by our business on the environment and we continue to monitor our progress in this area.
See pages 41 and 43.

Pensions

The risk associated with the defined benefit scheme has to be weighed up against increased staff retention and other benefits to staff as a result of the scheme. During 2008, T.Clarke conducted a consultation with members and bonuses were removed from pensionable salary with effect from 1st January 2009. In order to contribute towards scheme funding, the group is granting a charge to the value of the greater of £1.5 million or half the value of our London property (current valuation £2.7 million) to the pension fund, before 31st March 2009. An advantage to the group would be the related reduction in the risk-based levy paid to The Pensions Protection Fund and the ability to spread deficit contributions over a longer period. T.Clarke will continue to monitor the scheme and consult with members as required.

Principal risks and uncertainties

The main areas of uncertainty facing the group relate to market conditions, acquisitions, operational risk, cost inflation, people and health and safety. These are the main risk factors that could potentially impact the group's performance.

Market conditions

During 2009, market conditions have been more difficult as a result of the downturn. There is the possibility that projects may be delayed and there may be increased pressure on margins. However, whilst our business will always be subject to economic cycles, risk is reduced by the diversity of our markets, both in terms of geography and sector. There could also be opportunities because, although we are a clear leader in our industry, we still have a relatively small share of our target market and we may have the ability to exploit opportunities and bolt-on acquisitions at the appropriate time.

Acquisitions

We are not currently pursuing acquisitions; we will act only when opportunities advance our strategy at sensible prices.

Operational risk

We are continually assessing and managing operational risks through the bidding stage to the final commissioning of an installation and handover to the client. We have experienced teams of estimators and all bids are reviewed by a director and checks are carried out to avoid incorrect or non-competitive pricing. Inadequate supervision would result in poor quality and low productivity, both of which would result in loss of reputation and profit. Our contract engineers, supervisors, surveyors and skilled trade's people receive regular training to meet our demanding standards.

Cost inflation

Commodity prices of copper and steel, which are major component parts within our industry, are near to an all-time low as a result of the global downturn in demand. However, UK prices could be affected by the weakness of Sterling. We have in place formal supplier framework agreements to manage this risk.

People

Providing a high quality service to our clients is only possible with the right people, and attracting and retaining high calibre staff is key to our success. This is achieved through a remuneration system linked to performance and strongly embedded training schemes throughout the group. However, in the event of sharp downturns in the group's businesses or major contract slippages, having a large directly employed labour force could prove costly in the short term. We have continuous dialogue with the trades unions and continue to review our policies and procedures in managing this risk.

Health and safety

We need to ensure that we provide safe working conditions for our employees, sub-contractors and the public. We recognise that any lack of commitment in our health and safety approach will have a negative impact on individuals, attract financial penalties and adversely impact our reputation. The group has a comprehensive framework in place to manage health and safety risks. See accident statistics on page 10.

Financial results

Overview of performance	**2008 £m**	2007 £m	Change
Group revenue	223.73	193.85	+15.4%
Adjusted operating profit*			
London operations*	9.75	5.15	+89.3%
UK regions*	4.23	2.51	+68.6%
Property rental income*	0.40	0.46	–11.8%
Total	**14.38**	**8.12**	**+77.2%**
Goodwill impairment	-1.80	0.00	–
Operating profit after goodwill impairment	12.58	8.12	+55.0%
Investment income	0.97	0.27	+262.8%
Finance costs	-0.15	-0.22	–30.1%
Profit before tax	13.40	8.17	+64.0%
Adjusted profit before tax*	**15.20**	**8.17**	**+86.1%**
Basic earnings per share (pence)	22.12p	14.33p	+54.4%
Adjusted earnings per share (pence) *	**26.63p**	**14.33p**	**+85.8%**

* Adjusted figures are calculated before goodwill impairment of £1.8 million

Financial Key Performance Indicators - KPIs

Achieved target of above average sales per employee compared to selected peer group. 2008 showed an improvement over 2007.

Sales (£000s) per employee	2008 £000s	2007 £000s	2006 £000s	2005 £000s
T.Clarke plc	**156**	**126**	**122**	**124**
Lorne Stewart plc		118	121	110
Bailey Limited		151	123	132
Emcor Group (UK) plc		120	124	106
Rotary Group Limited		80	98	104
Average		119	118	115

Achieved target of above-average pre-tax profit margins compared to peer group in each of the previous three years. 2008 showed a significant improvement over 2007.

Pre-tax profit margin %				
T.Clarke plc	**5.99**	**4.21**	**3.53**	**4.42**
Lorne Stewart plc		3.85	2.82	2.05
Bailey Limited		1.34	3.31	2.71
Emcor Group (UK) plc		-1.21	1.39	1.57
Rotary Group Limited		4.69	4.68	4.88
Average		1.93	2.83	2.78

Achieved target of above-average pre-tax profits per employee in each of the previous three years. Pre-tax profit per employee in 2008 improved significantly relative to 2007.

Pre-tax profit (£000s) per employee				
T.Clarke plc	**9**	**5**	**4**	**5**
Lorne Stewart plc		4	3	2
Bailey Limited		2	4	4
Emcor Group (UK) plc		(1)	2	2
Rotary Group Limited		4	4	5
Average		3	3	4

Achieved target of above-average remuneration per employee in order to retain and attract high quality employees.

Remuneration (£000s) per employee				
T.Clarke plc	**39**	**34**	**33**	**30**
Lorne Stewart plc		34	31	29
Bailey Limited		33	31	31
Emcor Group (UK) plc		33	31	29
Rotary Group Limited		26	30	26
Average		32	31	29

Base data: **Sales**	2008 £000s	2007 £000s	2006 £000s	2005 £000s
T.Clarke plc	**223,725**	**193,845**	**186,334**	**193,729**
Lorne Stewart plc		206,079	225,428	216,793
Bailey Limited		413,254	406,616	425,222
Emcor Group (UK) plc		378,699	415,304	390,418
Rotary Group Limited		216,773	150,431	163,316

Pre-tax profit (£000s)				
T.Clarke plc	**13,396***	**8,166**	**6,576**	**8,554**
Lorne Stewart plc		7,936	6,367	4,440
Bailey Limited		5,546	13,455	11,531
Emcor Group (UK) plc		(4,595)	5,760	6,116
Rotary Group Limited		10,166	7,045	7,976

* After goodwill impairment of £1.8 million

Source: Companies House

Non-financial Key Performance Indicators

Customer feedback

In 2008 we have had a disappointingly low response rate to our customer feedback forms. So although the trend is positive, we do not believe it provides a useful measure of performance. Going forward we have decided to review the current mechanism and evaluate alternative ways to capture customer feedback on our work. However, the strength of our long-term client relationships, expressed in on-going project wins year on year, is in itself a measure of positive customer feedback.

BS EN ISO 14001
Certificate No. E912

FTSE4Good

Environment

In November 2008, T.Clarke completed its third successful annual audit for IS0 14001. We are delighted to have once again achieved this substantive and internationally recognised measure of good environmental practice.

Health & safety

Accident statistics

	2008	2007	2006	2005
T.Clarke London	49	79	129	141
T.Clarke Bristol	12	5	11	1
T.Clarke Midlands	7	14	9	–
Anglia AES	4	15	5	–
Aylward EMS	10	7	17	11
JJ Cross	7	10	5	3
GDI	1	1	1	–
Kestrel	2	2	2	6
WE Manin	9	9	6	4
Mitchell & Hewitt	7	4	6	4
H&C Moore	19	11	13	9
SCS	8	7	7	18
Veale-Nixon	1	2	10	5
Waldon	5	9	8	6
	141	175	229	208

Customers, partners and suppliers

A selection of key customers

British Land, Hammerson, Land Securities, Stanhope, Canary Wharf, RBS, Credit Suisse, Bank of America, Deutsche Bank, ABN Amro, John Lewis Partnership, Waitrose, Westfield Shoppingtowns, Cala Homes, Berkeley Homes, Barratt Homes, Newcastle University, Durham University, Leeds University, Home Office Prisons, MOD, British Energy, Imperial College and Kent International Airport.

A selection of key suppliers

Siemens, Schneider Electric, Chloride, ADT, Edmundsons Electrical, W.F. Electrical and GR Switchgear.

Summary

Given the current economic climate 2008 was an exceptional year. Our core business is in 'late cycle' within the commercial property development cycle and our revenues were also increased due to the accelerated programme on Westfield Shopping Centre. We have tough challenges ahead and must face them head on. Whilst seeking sensible cost savings and new initiatives it is essential that we retain our skills base for future workload and for the upturn in the market when it comes.

Prospects

Despite these uncertain and challenging times we remain cautiously optimistic. The group is in very good shape and we have a very strong cash position. Our order book at the year end stood at £160m (2007: £215m) plus £30m of contracts currently under negotiation; £140m is due for completion in 2009 (2007: £180m). As previously announced, we anticipate revenues for 2009 to be at more modest levels. We will however seek to exploit growth opportunities where they arise.

Pat Stanborough
Chief Executive
18th March 2009

Financial review

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). There have been no changes in accounting policies during the year.

Summary of financial performance

Group financial performance was exceptional in 2008 in terms of revenue, profit and earnings per share. Revenue increased by £29.9m (15.4%) to £223.7m, operating profit increased by £4.5m (55.0%) to £12.6m, profit before tax increased by £5.2m (64.0%) to £13.4m and earnings per share increased by 7.79p (54.4%) to 22.12 pence per share.

Revenue and operating profit

The group's revenue increased by 15.4%, or £29.9m, to £223.7m (2007: £193.8m). Turnover in the London business increased by 32.3% to £102.1m (2007: £77.2m) as a result of the acceleration of major projects in London. Revenue in the UK regional businesses increased 4.3% to £121.6m (2007: £116.6m).

Group operating profit increased 55.0% to £12.6m (2007: £8.1m) and group operating margin increased to 5.6% (2007: 4.2%), after goodwill impairment of £1.8m (2007: £0m) relating to three regional subsidiaries.

Before goodwill impairment, group operating profit increased by £6.3m to £14.4m in 2008 and group operating margin was 6.4%.

The London business showed a £4.6m (89.3%) increase in operating profit to £9.8m (2007: £5.2m) due to favourable completions on contracts and the operating margin was 9.6% (2007: 6.7%).

Regional operating profit, before £1.8m of goodwill impairment, was £4.2m (2007: £2.5m) due to a greatly improved performance across a number of subsidiaries. Regional operating margin, before goodwill impairment, increased from 2.1% to 3.5%. After goodwill impairment, regional operating profit was £2.4m and operating profit margin was 2.0%.

Group administrative expenses increased by £5.5m to £26.0m (2007: £20.5m) due to increases in salary costs, bad debt and other operating expenses. Group bad debt expense totalled £1.4m in the year (2007: £0.1m) including a charge of £0.6m in London and a £0.8m charge from the regional businesses due to a number of regional customers experiencing difficulties.

Profit before tax

Group profit before tax before goodwill impairment was £15.2m (2007: £8.2m), a £7m (86.1%) increase on the previous year.

After goodwill impairment, group profit before tax increased £5.2m or 64.0% to £13.4m, uplifted by £0.9m of net interest income (2007: £0.1m) due to substantially higher levels of cash deposits held.

Profit after tax

Group profit after tax increased £3.1m (54.4%) to £8.8m (2007: £5.7m) after taxation of £4.6m (2007: £2.4m). The effective tax rate increased to 34.0% (2007: 29.9%) mainly due to £1.8m of tax disallowable goodwill impairment. Excluding goodwill impairment, the effective tax rate was 30.0% (2007: 29.9%).

Net profit margin was 3.95% in 2008 (or 4.75% excluding goodwill impairment), compared with 2.95% in prior year.

Earnings per share

Earnings per share increased 7.79p (54.4%) for 2008 to 22.12 pence per share (2007: 14.33p). Earnings per share, excluding goodwill impairment, were 26.63p.

Dividend

The board proposes a final dividend of 8.75p (2007: 8.10p). The total dividend in 2008 is 13p (2007: 12p), an 8.3% increase from 2007. The dividend per share is covered 1.7 times by earnings per share (2007: 1.2 times). The final dividend will be paid, subject to shareholder approval on 13th May 2009 to shareholders on the register as at 14th April 2009. The shares will go ex-dividend on 8th April 2009. Further information regarding a dividend reinvestment plan (DRIP) which is available to shareholders, is included in Note 17 on page 106.

Cash flow

Cash generation was very strong, with net cash from operating activities increasing £15.3m during the year to £26.3m as at 31st December 2008 (2007: £11m). The increase in cash was partly due to increased cash collection from debtors and a different business mix with payments being received directly from end user clients. Cash and cash equivalents (net of overdrafts) as at 31st December 2008 was £30.4m compared with £9.0m as at 31st December 2007. The improved cash position has prompted the board to increase the dividend for the year. Remaining cash will be held by the group to mitigate against the uncertain economic environment going forward and will also be available if an acquisition opportunity were to arise in the future.

Pension obligations

An actuarial gain before tax of £0.3m, in relation to the defined benefit scheme, (2007: gain of £3.2m) has been recognised in reserves on the balance sheet.

The pension scheme deficit before taxation has decreased by £0.6m (2007: decrease of £3.0m) to £2.7m (2007: £3.3m) due to the 0.9% increase in the discount rate assumptions from 5.8% to 6.7% (2007: an increase from 5.10% to 5.8%), offset by a lower return on scheme assets and an increase in the mortality assumptions from the medium to the long cohort projection.

In order to contribute towards the scheme funding, a contingent asset (to the value of the greater of £1.5m or half the current £2.7m value of the group's London property) is in the process of being granted to the T.Clarke pension scheme as outlined in the Section 'Pensions' on page 7.

The security documentation in this regard is expected to be completed prior to 31st March 2009.

Treasury and funding

The group currently manages its funding so that cash generated is used in day to day operations, invested in growth or in acquisitions. The group does not currently have any long-term debt apart from finance leases and similar hire purchase arrangements.

Financial risks

Credit risk

There is the risk that a counterparty will fail to discharge its obligations which may result in a financial loss. The group has procedures for mitigating the credit risk on trade receivables prior to accepting a contract and during the progression of the contract. The counterparty risk on cash and bank deposits is managed actively by the regular review of the credit-worthiness of the relevant banking institutions.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and by matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. At the year end the group had £30.4m of net cash (2007: £9.0m).

Cash flow interest rate risk

The group is exposed to changes in interest rates on its bank borrowings and deposits. Surplus cash is placed on instant access, short-term or long-term deposit at fixed or floating rates of interest.

The group's financial instruments comprise cash and cash equivalents (short term deposits), overdraft facilities, contract and other trade receivables, trade payables and similar balances arising directly from its operations. The group does not trade in speculative financial instruments.

Victoria French
Finance Director
18th March 2009

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Financial statements

Directors and advisers

Shareholder information and company advisers

Registered office
Stanhope House
116-118 Walworth Road
London SE17 1JY
Registered in England
No. 119351

Registrar
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
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Auditors
Moore Stephens LLP
Chartered Accountants
St Paul's House
Warwick Lane
London EC4M 7BP

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

Corporate broker
Arbuthnot Securities Ltd
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR
Tel: 020 7012 2000

Executive Directors

Pat Stanborough
Chief Executive
64 years old,
45 years with the company
Accountant, appointed Finance Director 1973, Managing Director 1977 and Chairman 1992. Chief Executive from 2000.

Barry DeFalco
Managing Director
UK Regional Operations
53 years old,
36 years with the company
Electrical Engineer, Member of The Institution of Engineering and Technology (MIET), Technical Director 1991, Executive Director 1998, Managing Director - UK Regions 2007.

Mark Lawrence
Managing Director
London Operations
41 years old,
24 years with the company
Electrical Engineer, Technical Director 1997, Executive Director 2003, Managing Director - London Operations 2007.

Mike Crowder
Executive Director
44 years old,
23 years with the company
Electrical Engineer, Technical Director 1997, Executive Director 2007.

Victoria French
Finance Director
Company Secretary
42 years old,
two years with the company
Master of Science degree, Chartered Accountant (ICAEW), Finance Director and Company Secretary T.Clarke 2007.

Non-Executive Directors

Russell Race
Chairman
Independent Director
62 years old,
11 years with the company
Retired stockbroker with Hoare Govett. Chairman of Chatham Maritime Trust; on the Court of Assistants, Rochester Bridge Trust and Glaziers Company; Trustee, Mathematical School; Trustee, RMBI; and a Court Chairman, North Kent Magistrates. Appointed Non-Executive Director of T.Clarke 1998, appointed Chairman 2000.

Beverley Stewart
Independent Director
48 years old,
four years with the company
Degree in building economics, qualified Chartered Surveyor in 1988. Co-owner of a partnership since 1993 providing building services, cost planning and asset management consultancy. Appointed Non-Executive Director of T.Clarke 2005.

Bob Campbell
Senior Independent Director
66 years old,
second year with the company
Degree in Engineering. Formerly Managing Director of Waterman Group plc. Appointed Non-Executive Director of T.Clarke 2008.

Iain McCusker
Independent Director
57 years old,
first year with the company
A Chartered Accountant, previously a Partner in Coopers & Lybrand (now PricewaterhouseCoopers) until 1994. He then held senior Managing Principal and Director positions within Unisys and Xerox, respectively, and was Managing Director of ACCA (the Association of Chartered Certified Accountants) from 2004 to 2007. Appointed Non-Executive Director of T.Clarke 2009.

Senior Management

Paul Brown
Divisional Director
39 years old,
21 years with the company
Electrical Engineer,
Technical Director 1997,
Divisional Director 2007.

Mike Enticott
Divisional Director
49 years old,
32 years with the company
Electrical Engineer,
Technical Director 1997,
Divisional Director 2008.

Barrie Nightingale
Divisional Director
40 years old,
24 years with the company
Electrical Engineer,
Technical Director 1997,
Divisional Director 2008.







Mark Preston
Technical Director Design
46 years old,
27 years with the company
Design Engineer, Technical
Director Design 2002.

Andy Griffiths
Commercial Director
40 years old,
23 years with the company
Quantity Surveyor,
Commercial Director 2007.

Alan Crozier
HR Director
57 years old,
38 years with the company
Administration, Payroll
Manager, Quality Assurance
Manager, HR Director 2007.

Martin Walton
Group Financial Controller
44 years old,
two years with the company
Chartered Accountant (ICAEW),
Group Financial Controller 2007.

Report of the directors

The directors present their annual report and the audited financial statements of the group for the year ended 31st December 2008.

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 business is included in the Business Review and Financial Review on pages 5 to 13.

Results and dividends

The results for the year ended 31st December 2008 are set out in the Consolidated Income Statement on page 80.

Profit after taxation for the year was £8,837,000 (2007: £5,725,000).

The directors recommend the payment of a final dividend for the year of 8.75p per share, which together with the interim dividend of 4.25p paid on 10th October 2008, makes a total distribution of 13p for the year (2007: 12p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 13th May 2009 to shareholders on the register as at 14th April 2009. The shares will go ex-dividend on 8th April 2009.

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 in more detail in the Corporate Governance Report on pages 68 to 73.

Mr R.H. Campbell was appointed to the board as a non-executive director with effect from 1st January 2008. Mr L.J. Arnold, non-executive director, resigned from the board on 31st July 2008 after more than nine years on the board.

Mr I.C. McCusker was appointed to the board as a non-executive director with effect from 1st January 2009. Mr I.C. McCusker is the chair of the audit committee and is a member of the nomination and remuneration committees.

Mr I.C. McCusker will, in accordance with the company's Articles of Association, offer himself for
re-election at the Annual General Meeting on 8th May 2009. Mr R.J. Race, having served on the board for more than nine years, will in accordance with the Combined Code, retire each year and being eligible will offer himself for re-election. Neither Mr I.C. McCusker nor Mr R.J. Race have a service agreement with T.Clarke plc.

Mr P.E. Stanborough and Mr M. Lawrence will, in accordance with the company's Articles of Association, retire by rotation and being eligible will offer themselves for re-election at the Annual General Meeting. Both Mr P.E. Stanborough and Mr M. Lawrence have a service agreement with T.Clarke plc which expires on 31st December 2009 and may be determined thereafter by 12 calendar months prior notice in writing.

Beneficial interests

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

	T.Clarke plc ordinary shares		
	1.1.2008	31.12.2008	18.3.2009
P.E. Stanborough	160,000	170,000	170,000
B.V. DeFalco	81,000	86,000	86,000
R.H. Campbell	–	15,000	25,000
V.R. French	2,000	7,000	12,000
R.J. Race	6,000	6,000	6,000
M. Lawrence	6,000	10,000	10,000
B.A. Stewart	6,000	6,000	6,000
M.C. Crowder	4,000	4,000	4,000
I. McCusker			2,000

Mr D.J. Stewart, the husband of Mrs B.A. Stewart, non-executive director, had an interest in 15,000 shares as at 18th March 2009.

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 of 3% or more in its issued ordinary share capital:

	% of issued ordinary share capital	Number of shares
AXA S.A.	18.39%	7,347,193
Aberforth Partners LLP	6.17%	2,463,106
Liontrust Investment Services Ltd	5.33%	2,130,228
Barclays Plc	5.16%	2,060,523
Henderson Global Investors	4.12%	1,647,437
Legal & General Group Plc	4.06%	1,623,350

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 materially in excess of the book value of £5.9m as at 31st December 2008 (2007: £5.7m) in spite of a marked decrease in property values during the year.

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, which supported causes such as the Leukaemia Research Fund, The Caring and Sharing Trust, St Christopher's Hospice, The Royal Marsden Hospital and The Salvation Army during the year amounted to £13,100 (2007: £10,818).

Stock exchange transactions

Members are advised that trading in the company's equity is conducted via the Stock Exchange SETS service. For further information we would refer you to our corporate broker Arbuthnot Securities Limited (020 7012 2000). The daily price of company shares continues to be listed in the Financial Times under the construction and building materials 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 until 5th April 2008 after which capital gains are taxable at a flat rate of 18%. Shareholders are, however, advised to seek professional advice in this regard.

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 employees 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 2008 the company's trade creditors represented 44 days (2007: 57 days) of annual purchases.

Indemnity provision

The company is a party to an insurance contract whereby Chubb Insurance Company of Europe S.A. will indemnify the directors and officers against claims up to a limit of £10,000,000 in respect of their actions on behalf of the company.

Special Resolutions

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

Takeover Directive disclosures

As a result of the implementation of the Takeovers Directive into UK law, disclosures are required for public companies that have securities carrying voting rights trading on a regulated market at the end of the reporting period. The following disclosures are relevant to T.Clarke plc and are required by law, irrespective of whether or not a bid is contemplated:

- The company's capital comprises ordinary shares of 10 pence each. Further details are shown in note 16 to the accounts.
- There are no restrictions on the transfer of shares or on voting rights.
- Details of each person with a significant direct or indirect holding of shares and the size of the holding is shown in the section 'Substantial Shareholdings', above.
- The company has rules regarding the appointment of directors with regard to their election at the first AGM which are detailed in the section on Corporate Governance on pages 68 to 73. The Articles of Association state that a maximum of twelve directors may sit on the board of the company. There are no specific rules relating to the replacement of directors.
- The directors have shareholder approval for the issue of ordinary share capital up to a maximum nominal amount of £1,005,211.
- The directors have shareholder approval for the buyback of ordinary shares up to a maximum aggregate of 10% of the issued ordinary share capital.
- The company does not have an employee share scheme.
- There are no significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid.
- There are no known agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Auditors

Moore Stephens LLP have expressed their willingness to continue in office as auditors of the company and group and a resolution for their re-appointment will be proposed at the Annual General Meeting. A resolution will also be put forward, proposing that the directors be authorised to fix the auditors remuneration.

Disclosure of information

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

Statement of directors' responsibilities

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, the Companies Act 1985, and as regards the group financial statements, Article 4 of the IAS Regulation.

The directors confirm, to the best of their knowledge, that the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and group as at the end of the financial year. 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; and
- 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 also confirm, to the best of their knowledge, that the Business and Financial Review includes a fair review of the development and performance of the business and position of the company and the group, together with a description of its principal risks and uncertainties.

The directors are responsible for keeping proper accounting records that 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 safe-guarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's and group's website.

On behalf of the board

Victoria French
Finance Director
18th March 2009

Russell Race
Chairman

Corporate governance

Introduction

The board is committed to high standards of corporate governance and continues to embrace the principles contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2003 and updated in June 2008. The Listing Rules require listed companies to disclose how they have complied with the code by applying its principles and whether they have complied with its provisions. This section of the report demonstrates how T.Clarke plc has complied with the principles of the code and explains any non-compliance with its provisions.

Board of directors

The company is managed by the board of directors, which is comprised of five Executive Directors and four Independent Non-Executive Directors, including the Chairman. (Brief biographies of each director, including the Chairman, Chief Executive and Senior Independent Director are provided on page 60). The Chairman provides leadership to the board members and facilitates board effectiveness by the provision of timely, accurate and relevant information.

The board meets once a month to consider and decide on matters specifically reserved for its attention. Board papers are circulated sufficiently in advance of board meetings to enable time for review.

The attendance of individual directors at board and sub-committee meetings during the year ended 31st December 2008 was as follows:

	Number of meetings attended			
	Board	Audit	Nomination	Remuneration
R.J. Race[1]	12	1	1	1
P.E. Stanborough	12	–	–	–
B.V. DeFalco	12	–	–	–
L.J.D. Arnold[2]	6	1	–	–
M. Lawrence	12	–	–	–
B.A. Stewart	11	1	1	1
M.C. Crowder	12	–	–	–
V.R. French	12	–	–	–
R.H Campbell	12	2	1	1
Total held:	12	2	1	1

Notes:

1. Resigned from the audit committee on 16th October 2008; attending all meetings up to that date.
2. Resigned from board on 31st July 2008; attended 6 out of 7 board meetings and all audit committee meetings to 31st July 2008.

– indicates the person is not a member of the sub-committee.

Board changes

A number of board changes have been made during 2008 and in 2009 to date.

Bob Campbell was appointed to the board as an Independent Non-Executive Director on the 1st January 2008 and was appointed to the audit, remuneration and nomination sub-committees.

The Senior Independent Director, Len Arnold, having served a term of 10 years, stood down from the board on the 31st July 2008. Bob Campbell was subsequently appointed Senior Independent Director with effect from 28th August 2008.

Iain McCusker was appointed to the board as an Independent Non-Executive Director on the 1st January 2009 and was appointed to the remuneration and nomination sub-committees and was appointed as chair of the audit committee. Iain McCusker has sufficient and relevant financial experience, previously having been a Partner in Coopers & Lybrand (now PricewaterhouseCoopers) and having held various senior roles in industry and as Managing Director of the Association of Chartered Certified Accountants (ACCA).

Russell Race, the Chairman, having served on the board for more than nine years and due to his position as Chairman of the board, is deemed not to be independent according to the Combined Code (A.3.1). Russell Race is, however, deemed by the board to be independent, in spite of his length of service, as he operates as an independent member of the board and is not tied to the company in any way. In accordance with the Combined Code, Russell Race will retire each year and being eligible, will offer himself for re-election.

Pat Stanborough has previously announced his intention to retire from the Board and the Board is in the process of considering timing and succession plans. The Board is currently of the opinion that an appointment from within the company is most likely to best suit shareholders' interests.

The Articles of Association require that one-third of the directors shall retire by rotation each year and become eligible for re-election. This excludes those directors who may be newly appointed during the year, who are eligible for re-election at the next AGM. Iain McCusker, who is newly appointed, will be eligible for re-election and Pat Stanborough and Mark Lawrence will offer themselves for retirement and re-election at the next Annual General Meeting on 8th May 2009. As outlined above, Russell Race, due to his length of service, will retire each year and being eligible, will offer himself for re-election.

Performance Evaluation

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

The chief executive primarily, but acting in conjunction with the chairman, undertakes the task of annual evaluation of performance and commitment of individual members of the board and the board of directors as a whole and its committees.

Regional Board

The Regional Board is responsible for controlling the subsidiary company operations and meets formally every quarter. The Regional Board is chaired by Barry DeFalco, the managing director - regional operations, and the other members of the Regional Board are managing directors of subsidiary companies of T.Clarke plc. The independent directors make periodic visits to the subsidiary companies in order to acquaint themselves with the regional businesses and the senior management.

Company Secretary

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

The board has decided to make the role of the Company Secretary independent from that of the Finance Director, at a future date.

Audit Committee

The audit committee is comprised of the non-executive directors Iain McCusker (Chairman), Beverley Stewart, and Bob Campbell. Len Arnold resigned from the audit committee on 31st July 2008 and Bob Campbell, assumed the temporary position of Chairman from that date to the end of 2008. In addition, Russell Race, the Chairman, who has served on the main board for over nine years, stood down from the audit committee on 16th October 2008, in accordance with Combined Code guidelines. With effect from 1st January 2009, Iain McCusker was appointed as the chair of the audit committee.

The committee meets at least twice a year and each meeting is attended by the Group's auditors. The board of T.Clarke plc are satisfied that at least one member of the audit committee has relevant financial experience.

The roles and responsibilities of the audit committee are to:

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

In light of the procedures outlined in the section 'Internal Control' and after allowing for the internal procedures performed under the group quality control system, the committee do not currently consider the need for a separate internal audit function, primarily because many elements of this role are covered by the quality control audit procedures. In addition, the appointment of a Group Financial Controller has resulted in the improved quality of financial reporting by the subsidiary companies in the Group, although that role is not one of internal audit.

An analysis of the nature and amount of non-audit work undertaken by the group auditors is shown in Note 4 to the accounts. During the year, the only significant non-audit work undertaken comprised tax compliance advice and the audit of the company pension scheme. The audit committee believes that the independence of the auditors is not compromised by the level of non-audit work performed, as the levels are low and do not conflict with the audit.

The terms of reference of the various sub-committees of the board are available on the company's website.

Remuneration Committee

During 2008, the remuneration committee was comprised of the non-executive directors Beverley Stewart (Chair), Len Arnold (to 31st July 2008), Russell Race and Bob Campbell. Iain McCusker joined the committee from 1st January 2009. The committee meets as required.

The roles and responsibilities of the remuneration committee are to:

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

The committee and the board followed the principles and provisions in Section B and Schedule A of the Combined Code in designing performance related remuneration packages and disclosing relevant information apart from the provisions in Schedule A.6 where only basic salary should be pensionable. However, the company consulted with pension scheme members during 2008 and with effect from 1st January 2009, bonuses have been removed from the pensionable salary definition.

Nomination Committee

During 2008, the nomination committee was comprised of the non-executive directors Beverley Stewart (Chair), Len Arnold (to 31st July 2008), Russell Race and Bob Campbell. Iain McCusker joined the committee from 1st January 2009. The chair of the nomination committee, Beverley Stewart, is an independent non-executive director.

The role of the committee is to lead the process for succession planning and board appointments and to make recommendations to the main board of T.Clarke plc.

During 2008, the nomination committee considered a number of candidates for the role of independent non-executive director. External consultants were not used for the appointment because the board considered the candidates available to it, via contacts of the company, were of a sufficiently high quality and public reputation to justify direct recruitment. Following the recruitment process, Iain McCusker was recommended to the board by the nomination committee and his appointment was approved by the board with effect from 1st January 2009.

Shareholder relations

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

It is usual that Pat Stanborough, Mark Lawrence and Victoria French are present at these meetings in either a team of two or three and that feedback reports provided by the company's broker are communicated to the non-executive directors so that they can be informed regarding shareholder opinion. In addition, the Chairman is available to meet with major shareholders periodically to discuss board governance and strategy.

The board has always invited communication from private investors and encouraged participation by them at the Annual General Meeting. All board members present at the AGM are available to answer questions from shareholders, as are the chairs of the audit, remuneration and nomination committees. Notice of the AGM is given in accordance with best practice and the business of the meeting is conducted with separate resolutions, each being voted on initially by a show of hands, with the results of the proxy voting being provided at the meeting.

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 2008 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 in 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 or subsidiary assesses the level of authorisation appropriate to its decision-making process after the evaluation of potential benefits and risks. The board monitors monthly progress on contracts formally.

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

The board'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. It receives similar reports from the Regional Board meetings which also take place quarterly. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting on 18th March 2009, the board carried out the annual assessment of the year ended 31st December 2008 by considering documentation from the audit committee and reviewing the need for an internal audit function. It was considered unnecessary to establish an internal audit function because the regular site audits under the quality control procedures provide a similar assurance that internal control systems are being properly adhered to. In addition, the ongoing implementation of a group-wide IT system, which will promote consistency and quality of reporting, was deemed to be a key area of improvement in internal control.

Going concern

After making reasonable enquiries the board are satisfied that the group has adequate resources to continue its operations for the foreseeable future. The Group continues to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf

Victoria French
Company Secretary
18th March 2009

Remuneration report

Remuneration committee

The remuneration committee comprises the independent non-executive directors Beverley Stewart, Bob Campbell and Iain McCusker and is chaired by Beverley Stewart. Russell Race, the Chairman, is also a member of the remuneration committee. Len Arnold resigned from the committee on 31st July 2008, after ten years on the main board. Iain McCusker was appointed to the board of T.Clarke plc and to the remuneration and other sub-committees on 1st January 2009.

The remuneration committee took advice during the year from its solicitors, Hamlins LLP, in connection with the terms of service contracts for executive directors and matters concerning the appointment of a non-executive director and other members of senior management. The Committee have considered any potential conflicts of interest and have decided that there are none and will continue to monitor the position.

Information relating to the emoluments and pension contributions of directors on page 76 has been audited.

Policy on directors' remuneration

The objective is to develop remuneration packages that enable the company to attract and retain executive directors and senior managers of the necessary calibre and experience to manage the company successfully. The objective is to design packages that motivate individuals to perform at the highest level and to advance the interests of shareholders.

Basic salary

Salaries are reviewed annually and any increase takes effect from 1st 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 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 and does not consider that salaries awarded fall outside the median for companies of a similar size in the same sector.

Benefits

Benefits 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 (see Note 5 to the accounts).

Pensions

The company operates a defined benefit pension and death benefits scheme (see Note 22 to the accounts) of which all the executive directors are members. The company contribution is 16% (2007: 16%) of pensionable salary of which 5.2% relates to the deficit removal contribution and the individual director contributes 10% (2007: 10%). Until 31st December 2008, averaged

bonuses were included in pensionable salary under the rules of the scheme, but the rules changed with effect from 1st January 2009 to exclude executive directors' bonuses from pensionable salary going forward. Details of the accrued pension benefits are shown on page 76. The life insurance benefit is between 2.25 and 4 times pensionable salary, depending on length of service.

Annual bonuses

Executive directors are entitled to performance related remuneration, which is based on the group profit before taxation. A percentage of the adjusted profits above a reference level is paid to each director. The individual percentages are shown in the table overleaf. The reference level for the year ended 31st December 2008 was £7,500,000 (2007: £7,500,000), with a maximum reference level of £12,500,000 (2007: £12,500,000).

Bonuses paid are capped, with the maximum bonus achievable being the percentage shown in the table on page 76 multiplied by the difference between the lower and upper reference levels, being £5,000,000 (2007: £5,000,000). Bonuses payable in respect of the year ended 31st December 2008 totalled £262,500 (2007: £34,532).

Long-term equity incentive plan

The remuneration committee has previously considered the implementation of a long-term equity incentive plan in order to align more closely the interests of shareholders and executive directors. The plan has been put on hold for the time being but it may be put to shareholders in the future for further consultation.

Independent directors

The board determines the fees payable to the independent directors. None of the independent directors are entitled to any other benefits, bonuses or membership of the group pension scheme.

Directors' notice periods

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

All of the independent directors are elected for a period of office as determined by the Articles of Association, which do not confer any period of notice on either party.

Key management remuneration

The remuneration of key management, excluding directors, was £3,694,000 (2007: £3,520,128). Pension contributions in respect of key management, excluding directors, were £449,000 (2007: £410,000).

Remuneration totals

Directors' remuneration for the year ended 31st December 2008 was as follows:

	Salary and fees £	Bonus Percentage %	Bonus £	Benefits in kind £	**2008 Total £**	2007 Total £
P.E. Stanborough	210,000	1.25	62,500	12,352	284,852	218,946
B.V. DeFalco	175,000	1	50,000	20,346	245,346	185,244
M. Lawrence	175,000	1	50,000	13,773	238,773	162,357
M.C. Crowder	140,000	1	50,000	13,304	203,304	134,255
V.R. French[1]	140,000	1	50,000	7,915	197,915	56,511
R.J. Race	40,000				40,000	35,000
R. Campbell[2]	31,667				31,667	–
B.S. Stewart	30,000				30,000	25,000
L.J.D Arnold[3]	23,333				23,333	30,000
	965,000		262,500	67,690	1,295,190	874,313

Notes

1. Prior year comparative lower as appointed 1st August 2007
2. No prior year comparative as appointed 1st January 2008
3. Resigned 31st July 2008

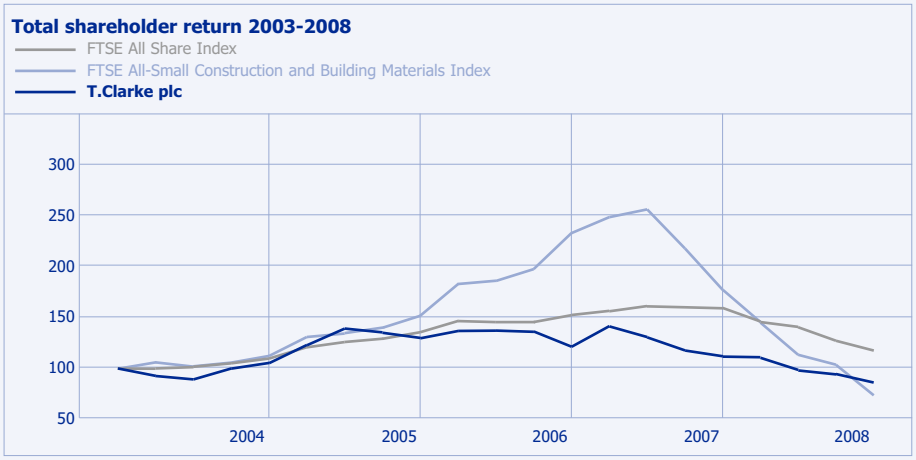
Details of the accrued pension benefits that the directors would be entitled to on leaving service are as follows:

	Total pension accrued at 31.12.07 **£ p.a.**	Increase in accrued pension (including inflation) **£ p.a.**	Increase in accrued pension (excluding inflation) **£ p.a.**	Transfer value of increase in accrued pension less directors' contributions **£**	Total pension accrued at 31.12.08 **£ p.a.**	Transfer value of accrued pension at 31.12.07 **£**	Increase in transfer value **£**	Transfer value of accrued pension at 31.12.08 **£**
M. Lawrence	16,920	2,680	1,834	7,660	19,600	172,810	32,709	205,519
M.C. Crowder	19,466	3,439	2,466	16,400	22,905	216,517	44,143	260,660
V.R. French	1,253	2,014	1,951	10,152	3,267	13,725	22,901	36,626

Performance graph

The graph shows the total shareholder return that would have been obtained over the past five years by investing £100 in shares of T.Clarke plc on 31st December 2003 and £100 in a notional investment in the FTSE All-Share Index and the FTSE All-Small Construction and Building Materials Index on the same date. In all cases it has been assumed that all income has been re-invested.

The FTSE All-Share Index and the FTSE All-Small Construction and Building Materials Index are considered to be the most appropriate broad equity indices to use as a comparison because the company is a constituent of both.



By order of the board

B.A. Stewart

Chair of the Remuneration Committee

18th March 2009

Independent auditors' report

to the shareholders of T.Clarke plc

We have audited the group and parent company financial statements (the "financial statements") of T.Clarke plc for the year ended 31st December 2008 which comprise the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, company balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, company cash flow statement, company statement of changes in equity and Notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. 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 the auditors' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland).

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 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Business Review that is cross referred from the Business Review and Operations section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 FRC 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, unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Business Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31st December 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31st December 2008;
- 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 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion, the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31st December 2008 and of its profit for the year then ended.

Moore Stephens LLP
Registered Auditors
Chartered Accountants

St. Paul's House
Warwick Lane
London EC4M 7BP

18th March 2009

Consolidated income statement

for the year ended 31st December 2008

	Notes	2008 £000	2007 £000
Revenue	1e	223,725	193,845
Cost of sales		(185,242)	(165,326)
Gross profit		38,483	28,519
Other operating income		100	90
Administrative expenses		(26,001)	(20,493)
Profit from operations	4	12,582	8,116
Investment income	3	965	266
Finance costs	3	(151)	(216)
Profit before taxation		13,396	8,166
Taxation	6	(4,559)	(2,441)
Profit for the period from continuing operations		8,837	5,725
Earnings per share	7	22.12 pence	14.33 pence

All the revenue and profit arose from continuing operations.

Consolidated statement of recognised income and expense

for the year ended 31st December 2008

		2008 £000	2007 £000
Actuarial gains on defined benefit pension scheme	22	324	3,173
Tax on items taken directly to equity		(91)	(1,006)
Net income recognised directly in equity		233	2,167
Profit for the period		8,837	5,725
Total recognised income and expense for the period		9,070	7,892

Consolidated balance sheet

at 31st December 2008

	Notes	2008 £000	2007 £000
Non current assets			
Goodwill	8	12,584	14,385
Property, plant and equipment	9	7,747	7,768
Deferred taxation	15	90	88
		20,421	22,241
Current assets			
Inventories	11	292	287
Construction contracts	12	11,255	11,096
Debtors	13	14,220	25,072
Cash and cash equivalents	18	34,363	10,762
		60,130	47,217
Total assets		80,551	69,458
Current liabilities			
Bank overdraft and loans	20	4,002	1,811
Creditors and accruals	14	40,907	36,934
Corporation tax liabilities		2,954	1,660
Obligations under finance leases	23	216	259
		48,079	40,664
Net current assets		12,051	6,553
Non current liabilities			
Retirement benefit obligation	22	1,938	2,395
Obligations under finance leases	23	221	222
		2,159	2,617
Total liabilities		50,238	43,281
Net assets		30,313	26,177
Equity			
Share capital	16	3,995	3,995
Share premium	17	1,234	1,234
Profit and loss account	17	25,084	20,948
Total equity		30,313	26,177

These financial statements were approved and authorised for issue by the board on 18th March 2009.

Pat Stanborough
Director

Russell Race
Director

Company balance sheet

at 31st December 2008

	Notes	2008 £000	2007 £000
Non current assets			
Property, plant and equipment	9	36	52
Investments	10	20,970	23,978
Deferred taxation	15	50	60
		21,056	24,090
Current assets			
Construction contracts	12	1,472	4,160
Debtors	13	8,320	10,682
Cash and cash equivalents	18	31,703	7,495
		41,495	22,337
Total assets		62,551	46,427
Current liabilities			
Bank overdraft and loans	20	2,937	–
Creditors and accruals	14	28,203	17,707
Corporation tax liabilities		2,449	1,160
		33,589	18,867
Net current assets		7,906	3,470
Non current liabilities			
Retirement benefit obligation	22	1,938	2,395
Total liabilities		35,527	21,262
Net assets		27,024	25,165
Equity			
Share capital	16	3,995	3,995
Share premium	17	1,234	1,234
Profit and loss account	17	21,795	19,936
Total equity		27,024	25,165

These financial statements were approved and authorised for issue by the board on 18th March 2009.

Pat Stanborough
Director

Russell Race
Director

Consolidated cash flow statement

for the year ended 31st December 2008

	Notes	2008 £000	2007 £000
Net cash from operating activities	18	26,314	10,998
Investing activities			
Interest received		905	266
Purchase of property, plant and equipment		(1,024)	(595)
Receipts on disposal of property, plant and equipment		320	122
Net cash from / (used in) investing activities		201	(207)
Financing activities			
Equity dividends paid		(4,934)	(4,494)
Repayments of obligations under finance leases		(171)	(254)
Net cash used in financing activities		(5,105)	(4,748)
Net increase in cash and cash equivalents		21,410	6,043
Cash and cash equivalents at beginning of period		8,951	2,908
Cash and cash equivalents at end of period	18	30,361	8,951

Consolidated statement of changes in equity

for the year ended 31st December 2008

	Notes	2008 £000	2007 £000
Balance at start of period		26,177	22,779
Profit for period		8,837	5,725
Interim dividend paid	17	(1,698)	(1,558)
Prior year final dividend paid	17	(3,236)	(2,936)
Actuarial gain on defined benefit pension scheme	22	324	3,173
Corporation tax provision on pension benefits		(91)	(888)
Effect of change in tax rate on deferred tax recognised through equity		–	(118)
Balance at end of period		30,313	26,177

Company cash flow statement

for the year ended 31st December 2008

	Notes	2008 £000	2007 £000
Net cash from operating activities	18	22,844	4,854
Investing activities			
Interest received		721	97
Dividends received from subsidiary companies		2,650	5,036
Purchase of property, plant and equipment		(12)	(6)
Receipts on disposal of property, plant and equipment		2	–
Investment in / acquisition of subsidiaries		–	(5)
Net cash from investing activities		3,361	5,122
Financing activities			
Equity dividends paid		(4,934)	(4,494)
Net cash used in financing activities		(4,934)	(4,494)
Net increase in cash and cash equivalents		21,271	5,482
Cash and cash equivalents at beginning of period		7,495	2,013
Cash and cash equivalents at end of period	18	28,766	7,495

Company statement of changes in equity

for the year ended 31st December 2008

	Notes	2008 £000	2007 £000
Balance at start of period		25,165	19,991
Profit for period		6,560	7,501
Interim dividend paid	17	(1,698)	(1,558)
Prior year final dividend paid	17	(3,236)	(2,936)
Actuarial gain on defined benefit pension scheme	22	324	3,173
Corporation tax provision on pension benefits		(91)	(888)
Effect of change in tax rate on deferred tax recognised through equity		–	(118)
Balance at end of period		27,024	25,165

Notes to the financial statements

for the year ended 31st December 2008

Note 1 – Accounting policies

a. General information

T.Clarke plc is a public limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is disclosed in the introduction to the annual report on page 59. The nature of the group's operations and its principal activities are described in Note 2 and in the Business Review on page 5.

b. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have been prepared on the historic cost basis. They comprise the parent company financial statements of T.Clarke plc and the consolidated financial statements of T.Clarke plc and all its subsidiaries made up to 31st December 2008 and have been presented in £000s.

During the year the group has adopted IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of a pension fund surplus that can be recognised as an asset, and explains how a pension asset or liaibility may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements as the group has a pension fund deficit and is not subject to any statutory or contractual minimum funding requirements.

The group elected to adopt IFRS 8 'Operating Segments' in the financial statements for the year ended 31st December 2007, which was earlier than its effective date (accounting periods beginning on or after 1st January 2009). The impact of adopting this standard has been to increase the level of disclosure concerning the group's operating segments. Information on operating segments is disclosed in Note 2.

A summary of new standards and interpretations issued but not yet in force is included in Note 28.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31st December each year.

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

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

d. Segmental reporting

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

Notes continued for the year ended 31st December 2008

Note 1 – Accounting policies (continued)

e. Revenue recognition

Sales revenue is measured at the fair value of work done and goods and services provided in the normal course of business, net of discounts and VAT. Revenue from construction contracts is recognised in accordance with the group's policy on construction contracts (see Note 1f).

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

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

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

f. Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured based on the proportion of contracts costs (prime costs and overheads) incurred for the work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. The earliest point at which profit has been taken is that at which the outcome of the contract, based on an assessment by officials of the company, can be reliably foreseen, taking into account the circumstances of each contract. Full provision is made for any foreseeable losses to completion, but no account is taken of claims receivable until agreed. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The group has taken advantage of the transitional provisions of IFRS 1 to use previous valuation as deemed cost on the move to IFRS. Depreciation is calculated on a straight line basis using the following rates:

Freehold properties 2%	Plant and machinery 10%-25%
Improvements to property 10%	Motor vehicles 25%-33%

h. Acquisitions and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets.

Purchased goodwill, being the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised and classified as an asset on the balance sheet. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment.

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

Notes continued for the year ended 31st December 2008

Note 1 – Accounting policies (continued)

i. Impairment of goodwill and other non-financial assets

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

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

Impairment charges are included in the administrative expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

j. Inventories

Stocks of raw materials and consumables are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

k. Leasing and hire purchase commitments

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

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

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

l. Financial instruments

The group's financial instruments comprise trade debtors, trade creditors, finance leases and similar hire purchase contracts, and cash and cash equivalents net of overdrafts. The group does not trade in any financial derivatives.

Trade debtors and receivables

Trade debtors, which are non-interest bearing, are measured on initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired, measured as the difference between the asset's carrying value and the fair value of the estimated recoverable amount, if any.

Notes continued for the year ended 31st December 2008

Note 1 – Accounting policies (continued)

Insolvency or significant financial difficulties of the debtor, late payments and disputes are considered indicators that a receivable is impaired. The carrying amount of the trade debtor is reduced to its estimated recoverable amount through the use of an allowance account and the expense recognised in the income statement in administrative expenses. When a trade debtor is uncollectible it is written off against the allowance account for trade debtors.

Cash and cash equivalents

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

Trade creditors

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

m. Taxation

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

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

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

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

n. Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

o. Dividends

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

Notes continued for the year ended 31st December 2008

Note 1 – Accounting policies (continued)

p. Retirement benefit costs

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

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

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation in the balance sheet represents the fair value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

q. Significant judgements and sources of estimation uncertainty

In the application of the group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenue and expenses incurred during the period. Actual results may differ from these estimates. The estimates and assumptions that have the most significant impact are set out below.

Revenue and margin

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit giving rise to the goodwill, including the estimation of the timing and amount of future cash flows generated by the cash generating unit and a suitable discount rate. Further details are provided in Note 8.

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

Retirement benefit obligations

The costs, assets and liabilities of the defined benefit scheme operated by the group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in Note 22. The group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated income statement, consolidated statement of recognised income and expense and the balance sheet.

Notes continued for the year ended 31st December 2008

Note 2 – Segmental analysis

The group considers that it has only one business segment, being mechanical and electrical contracting.

For management and internal reporting purposes the group is organised into two operating divisions, London and UK Regions, and an internal property division. All assets and liabilities of the group have been allocated to divisions, apart from the retirement benefit obligation and tax assets and liabilities.

All the group's operations are carried out within the United Kingdom, and there is no significant difference between turnover based on the location of assets and turnover based on location of customers.

Segment information about the group's continuing operations is presented below:

Year ended 31st December 2008	London **£000**	UK Regions **£000**	Property **£000**	Elimination **£000**	Total **£000**
Revenue	102,132	121,593	637	(637)	223,725
Profit from operations	9,753	2,425	404	–	12,582
Investment income	781	275	–	(91)	965
Finance costs	(97)	(145)	–	91	(151)
Profit before tax	10,437	2,555	404	–	13,396
Taxation					(4,559)
Profit for the period from continuing operations					8,837

Profit from operations for the UK regions is stated net of a goodwill impairment charge of £1,801,000 (2007: £nil). Further details are given in Note 8.

Year ended 31st December 2007	London **£000**	UK Regions **£000**	Property **£000**	Elimination **£000**	Total **£000**
Revenue	77,210	116,635	610	(610)	193,845
Profit from operations	5,152	2,506	458	–	8,116
Investment income	97	218	–	(49)	266
Finance costs	(141)	(124)	–	49	(216)
Profit before tax	5,108	2,600	458	–	8,166
Taxation					(2,441)
Profit for the period from continuing operations					5,725

Notes continued for the year ended 31st December 2008

Note 2 – Segmental analysis (continued)

Other segment information:

	2008		2007	
	Capital additions **£000**	Depreciation **£000**	Capital additions **£000**	Depreciation **£000**
London	12	28	5	42
UK Regions	677	658	793	681
Property	463	142	–	134
	1,152	828	798	857

	2008		
	Assets **£000**	Liabilities **£000**	Net assets **£000**
London	41,532	(31,140)	10,392
UK Regions	38,996	(15,236)	23,760
Property	6,027	(5,064)	963
Unallocated	90	(4,892)	(4,802)
Eliminations	(6,094)	6,094	–
Consolidated	80,551	(50,238)	30,313

	2007		
	Assets **£000**	Liabilities **£000**	Net assets **£000**
London	22,389	(17,708)	4,681
UK Regions	45,012	(20,196)	24,816
Property	5,846	(5,199)	647
Unallocated	88	(4,055)	(3,967)
Eliminations	(3,877)	3,877	–
Consolidated	69,458	(43,281)	26,177

Total revenue comprises:	2008 **£000**	2007 **£000**
Sales revenue - construction contracts	223,725	193,845
Other operating income:		
Rents	68	90
Other	32	–
	100	90
	223,825	193,935

Notes continued for the year ended 31st December 2008

Note 3 – Investment income / finance cost	2008 £000	2007 £000
Investment income		
Interest on bank deposits	890	256
Other interest receivable	75	10
	965	266
Finance cost		
Interest on bank overdrafts and loans	(17)	(73)
Interest on obligations under finance leases	(46)	(47)
Other interest (including finance charge related to pension obligations)	(88)	(96)
	(151)	(216)
Net total of investment income and finance cost	814	50

Note 4 – Profit from operations	2008 £000	2007 £000
Operating profit is stated after charging / (crediting):		
Goodwill impairment charge (see note 8)	1,801	–
Depreciation of property, plant and equipment	828	857
Loss on sale of fixed assets	25	16
Auditor's remuneration: Moore Stephens LLP		
– statutory audit fee	145	109
– compliance taxation services	16	13
– tax advisory services	4	4
– pension scheme audit	5	5
– other	3	9
Other group company auditors		
– statutory audit fee	120	89
– compliance taxation services	7	7
– tax advisory services	–	6
– other services	18	33
Operating lease charges		
– land and buildings	134	122
– plant, machinery and vehicles	1,004	894
Raw materials and consumables	84,523	77,278
Rent receivable	(68)	(90)
Bad debt expense	1,480	135

Notes continued for the year ended 31st December 2008

Note 5 – Directors and employees

	2008 £000	2007 £000
Directors' emoluments		
Staff costs include the following emoluments in respect of the qualifying service of directors of the company:		
Emoluments	1,295	926

The directors (other than the independent non-executive directors) receive company cars and medical insurance, the taxable benefits of which amount to £68,000 (2007: £72,000) and are included above.

The number of directors to whom retirement benefits are accruing under a defined benefit scheme is three (2007: five). There are no accrued lump sum benefits.

Additional information concerning directors' remuneration is included in the remuneration report on page 74.

	2008 £000	2007 £000
Staff costs		
Staff costs during the year were as follows:		
Wages and salaries	55,690	52,081
Social security costs	5,568	5,164
Other pension costs	1,209	1,634
	62,467	58,879
Average number of employees		
– staff (including directors)	331	345
– operatives	1,102	1,196
	1,433	1,541

Notes continued for the year ended 31st December 2008

Note 6 – Taxation

Taxation expense	2008 £000	2007 £000
Current tax expense		
UK corporation tax payable on profits for the year	4,451	2,653
Adjustment for under / (over) provision in prior periods	23	(81)
	4,474	2,572
Deferred tax expense		
Arising on:		
Origination and reversal of temporary differences	85	(137)
Effect of change in tax rates on brought forward deferred tax balances	–	6
	85	(131)
Total income tax expense	4,559	2,441
Reconciliation of tax charge		
Profit before tax	13,396	8,166
Tax at standard UK tax rate of 28.5% (2007: 30%)	3,818	2,450
Tax effect of:		
Permanently disallowable items	718	66
Changes in deferrred tax arising from change in tax rates	–	6
Under / (over) provision in prior years	23	(81)
	4,559	2,441

£87,000 of the deferred tax charge (2007: deferred tax credit £35,000) to the income statement has been included within the retirement benefit obligation (see Note 22).

Note 7 – Earnings per share

The earnings per share represents the profit for the period from continuing operations divided by the weighted average number of ordinary shares in issue. The number of ordinary shares for the purpose of this calculation is 39,947,889 (2007: 39,947,889).

Notes continued for the year ended 31st December 2008

Note 8 – Goodwill

	2008 £000
Cost:	
At 1st January 2007, 31st December 2007 and 31st December 2008	14,385
Impairment:	
At 1st January 2007 and 31st December 2007	–
Impairment charge	1,801
At 31st December 2008	1,801
Net book value at 1st January 2007 and 31st December 2007	14,385
Net book value at 31st December 2008	12,584

Goodwill relates to the purchase of subsidiary undertakings. The carrying value of goodwill has been compared to its recoverable amount based on the value in use of the cash generating units to which the goodwill has been allocated. Each subsidiary has been assessed as a separate cash generating unit.

The key assumptions to which the assessment of the recoverable amounts of cash generating units are sensitive are the projected turnover, projected operating margin and the discount rate. In assessing the value in use, the directors have considered the trading history, business plans, management actions and trading forecasts for 2009, reflecting the level and quality of secured work, in each business. In respect of future periods beyond 2009, no growth has been assumed. A discount rate of 9.3% (2007: 8.15%) has been applied to the extrapolated cash flow projections.

Following the annual impairment review undertaken at 31st December 2008, the Directors concluded that the goodwill arising on the acquisitions of JJ Cross Limited, Kestrel Electrical Systems Limited and GDI Electrical Company Limited, all of which form part of the UK Regions operating division, had been impaired. Goodwill in respect of these cash generating units has been written down to £nil in the consolidated balance sheet. No other class of asset other than goodwill was impaired. The impairment charge has been included in 'Administrative expenses' in the consolidated income statement.

The carrying value of the Company's investment in certain subsidiary undertakings has also been impaired to their estimated recoverable amount (see Note 10).

The significant elements of goodwill at 31st December 2008 are as follows:

Mitchell & Hewitt Limited	£	4,076,000
SCS Building Services Limited	£	2,546,000
Aylward EMS Limited	£	1,995,000

The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of each cash generating unit.

Notes continued for the year ended 31st December 2008

Note 9 – Property, plant and equipment

GROUP	Freehold properties £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1st January 2007	6,797	5,774	12,571
Additions	–	798	798
Disposals	–	(559)	(559)
At 1st January 2008	6,797	6,013	12,810
Additions	463	689	1,152
Disposals	(141)	(908)	(1,049)
At 31st December 2008	7,119	5,794	12,913
Accumulated depreciation and impairment			
At 1st January 2007	994	3,612	4,606
Charge for the year	134	723	857
Disposals	–	(421)	(421)
At 1st January 2008	1,128	3,914	5,042
Charge for the year	142	686	828
Disposals	(11)	(693)	(704)
At 31st December 2008	1,259	3,907	5,166
Net book value at 1st January 2007	5,803	2,162	7,965
Net book value at 31st December 2007	5,669	2,099	7,768
Net book value at 31st December 2008	5,860	1,887	7,747

The net book value of group plant, machinery and vehicles includes an amount of £658,000 (2007: £762,000) in respect of assets held under finance leases. Depreciation of £233,000 (2007: £244,000) was charged during the year on assets held under finance leases.

Notes continued for the year ended 31st December 2008

Note 9 – Property, plant and equipment (continued)

COMPANY	Freehold properties £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1st January 2007	–	708	708
Additions	–	6	6
At 1st January 2008	–	714	714
Additions	–	12	12
Disposals	–	(35)	(35)
At 31st December 2008	–	691	691
Accumulated depreciation and impairment			
At 1st January 2007	–	620	620
Charge for the year	–	42	42
At 1st January 2008	–	662	662
Charge for the year	–	28	28
Disposals	–	(35)	(35)
At 31st December 2008	–	655	655
Net book value at 1st January 2007	–	88	88
Net book value at 31st December 2007	–	52	52
Net book value at 31st December 2008	–	36	36

Notes continued for the year ended 31st December 2008

Note 10 – Investments

COMPANY	2008 £000	2007 £000
Investments in subsidiaries comprise:		
Cost:		
At 1st January	24,550	24,545
Additions	–	5
At 31st December	24,550	24,550
Impairment:		
At 1st January	572	572
Impairment charge	3,008	–
At 31st December	3,580	572
Net book value:		
At 1st January	23,978	23,973
At 31st December	20,970	23,978

Details of the impairment charge are disclosed in Note 8.

Notes continued for the year ended 31st December 2008

Note 11 – Inventories

GROUP	2008 £000	2007 £000
Raw materials	292	287

Note 12 – Construction contracts in progress

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Contract work in progress comprises:				
Contract cost incurred plus recognised profits less recognised losses to date	182,842	140,056	102,200	67,499
Less: progress payments	(180,075)	(133,889)	(108,134)	(65,451)
	2,767	6,167	(5,934)	2,048
Contracts in progress at the balance sheet date:				
Gross amounts due from customers	11,255	11,096	1,472	4,160
Gross amounts due to customers, included in creditors and accruals	(8,488)	(4,929)	(7,406)	(2,112)
	2,767	6,167	(5,934)	2,048

Notes continued for the year ended 31st December 2008

Note 13 – Debtors

GROUP	2008 £000	2007 £000
Trade debtors - gross	14,736	23,953
Trade debtors - allowances for credit losses	(1,291)	(639)
Trade debtors	13,445	23,314
Other debtors	188	600
Prepayments and accrued income	587	1,158
	14,220	25,072
Movements in allowances for credit losses are as follows:		
At 1st January	(639)	(697)
Provided in year	(1,252)	(132)
Recovered in year	227	189
Written off in year	373	1
At 31st December	(1,291)	(639)

Trade receivables (including retentions) are due as follows:		
Overdue	3,938	2,102
Due within 3 months	7,035	16,766
Due in 3 to 6 months	788	1,655
Due in 6 to 12 months	2,129	2,897
Due after more than one year	846	533
	14,736	23,953
The ageing of overdue debtors is as follows:		
Less than 30 days	661	124
31-60 days	639	89
61-120 days	718	459
Greater than 120 days	1,920	1,430
	3,938	2,102

Notes continued for the year ended 31st December 2008

Note 13 – Debtors (continued)

COMPANY	2008 £000	2007 £000
Trade debtors - gross	2,822	3,450
Trade debtors - allowances for credit losses	(619)	–
Trade debtors	2,203	3,450
Owed by group companies	5,955	6,792
Other debtors	139	155
Prepayments and accrued income	23	285
	8,320	10,682
Movements in allowances for credit losses are as follows:		
At 1st January	–	–
Provided in year	(619)	–
At 31st December	619	–

Trade receivables (including retentions) are due as follows:		
Overdue	929	1,229
Due within 3 months	1,289	1,405
Due in 3 to 6 months	107	257
Due in 6 to 12 months	497	559
	2,822	3,450
The ageing of overdue debtors is as folows:		
Less than 30 days	–	–
31-60 days	106	34
61-120 days	160	254
Greater than 120 days	663	941
	929	1,229

As of 31st December 2008 allowances of £1,291,000 (2007: £639,000) are held against trade debtors of the group and allowances of £619,000 (2007: £nil) are held against trade debtors of the company. The allowance has been assessed against each individual debtor balance. Where overdue balances are still considered to be recoverable in full no allowance has been made. The impairment mostly relates to small building contractors who have become insolvent or are facing severe financial difficulties at present.

Notes continued for the year ended 31st December 2008

Note 14 – Creditors

	Amounts falling due within one year	
GROUP	2008 **£000**	2007 **£000**
Payments received on account	8,488	4,929
Trade creditors	19,759	21,861
Other taxation and social security payable	5,012	4,407
Accruals and deferred income	7,648	5,737
	40,907	36,934

COMPANY		
Payments received on account	7,406	2,112
Trade creditors	9,178	9,030
Owed to group companies	6,684	2,916
Other taxation and social security payable	2,688	2,203
Accruals and deferred income	2,247	1,446
	28,203	17,707

Trade creditors payments terms are as follows:

GROUP	2008 **£000**	2007 **£000**
30 days or less	9,809	12,078
31-60 days	8,255	8,231
Greater than 60 days	1,695	1,552
	19,759	21,861

COMPANY		
30 days or less	5,226	4,636
31-60 days	3,191	3,712
Greater than 60 days	761	682
	9,178	9,030

Notes continued for the year ended 31st December 2008

Note 15 – Deferred taxation

GROUP	Accelerated tax depreciation £000	Other £000	Total £000
Liability at 1st January 2007	(8)	–	(8)
Credit to income	61	35	96
Asset at 1st January 2008	53	35	88
Credit / (charge) to income	8	(6)	2
Asset at 31st December 2008	61	29	90

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes.

	2008 £000	2007 £000
Deferred tax liabilities	(37)	–
Deferred tax assets	127	88
	90	88

COMPANY	Accelerated capital allowances £000	Other £000	Total £000
Asset at 1st January 2007	43	–	43
(Charge) / credit to income	(18)	35	17
Asset at 1st January 2008	25	35	60
Charge to income	(2)	(8)	(10)
Asset at 31st December 2008	23	27	50

Notes continued for the year ended 31st December 2008

Note 16 – Called up equity share capital

	2008 **No:**	2007 **No:**	2008 **£000**	2007 **£000**
Authorised:				
ordinary shares of 10 pence each	50,000,000	50,000,000	5,000	5,000
Allotted called up and fully paid:				
ordinary shares of 10 pence each	39,947,889	39,947,889	3,995	3,995

All shares rank equally in respect of shareholder rights.

Notes continued for the year ended 31st December 2008

Note 17 – Reserves

GROUP	Share premium account £000	Revaluation reserve £000	Profit & loss account £000
Balance at 1st January 2007	1,234	32	17,518
Transfer	–	(32)	32
Net profit for the period	–	–	5,725
Dividends paid	–	–	(4,494)
Net actuarial gain on pension scheme	–	–	2,167
Balance at 1st January 2008	1,234	–	20,948
Net profit for the period	–	–	8,837
Dividends paid	–	–	(4,934)
Net actuarial gain on pension scheme	–	–	233
Balance at 31st December 2008	1,234	–	25,084
COMPANY			
Balance at 1st January 2007	1,234	–	14,762
Net profit for the period	–	–	7,501
Dividends paid	–	–	(4,494)
Net actuarial gain on pension scheme	–	–	2,167
Balance at 1st January 2008	1,234	–	19,936
Net profit for the period	–	–	6,560
Dividends paid	–	–	(4,934)
Net actuarial gain on pension scheme	–	–	233
Balance at 31st December 2008	1,234	–	21,795

The company has taken advantage of the exemption conferred by section 230 of the Companies Act 1985 from presenting its own income statement. Profit after taxation amounting to £6,560,000 (2007: £7,501,000) has been included in the financial statements of the holding company.

Notes continued for the year ended 31st December 2008

Note 17 – Reserves (continued)

Dividends	2008 £000	2007 £000
Final dividend of 8.1 pence (2007: 7.35 pence) per ordinary share proposed and paid during the year relating to the previous year's results	3,236	2,936
Interim dividend of 4.25 pence (2007: 3.9 pence) per ordinary share paid during the year	1,698	1,558
	4,934	4,494

The directors are proposing a final dividend of 8.75 pence (2007: 8.1 pence) per ordinary share totalling £3,495,000 (2007: £3,236,000). This dividend has not been accrued at the balance sheet date. A dividend reinvestment plan is available to shareholders. Those shareholders who have not elected to participate in the plan, and who would like to do so in respect of the 2008 final payment, may do so by contacting Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network charges). The last day for election for the final dividend reinvestment is 18th April 2009 and any requests should be made in good time ahead of that date.

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value, net of allowable expenses.
Revaluation reserve	Gains arising on the revaluation of the group's property prior to transition to IFRS. The remaining balance on this reserve was transferred to the profit and loss reserve during 2007 following the prior disposal of the relevant properties.
Profit and loss account	Cumulative net gains and losses recognised in the income statement and the statement of recognised income and expense.

Notes continued for the year ended 31st December 2008

Note 18 – Notes to the cashflow statement

a. Reconciliation of operating profit to net cash inflow from operating activities

GROUP	2008 £000	2007 £000
Profit from operations	12,582	8,116
Depreciation charges	828	857
Goodwill impairment charge	1,801	–
Defined benefit pension scheme (credit) / charge	(252)	110
Loss on sale of fixed assets	25	16
Operating cash flows before movements in working capital	14,984	9,099
(Increase) / decrease in inventories	(5)	83
Decrease / (increase) in debtors	10,852	(2,228)
(Increase) / decrease in contract balances	(159)	2,905
Increase in creditors	3,973	3,808
Cash generated by operations	29,645	13,667
Corporation tax paid	(3,179)	(2,499)
Interest paid	(152)	(170)
Net cash from operating activities	26,314	10,998

COMPANY		
Profit from operations	6,744	4,252
Depreciation charges	28	42
Impairment charge - investments in subsidiaries	3,008	–
Defined benefit pension scheme (credit) / charge	(252)	110
Profit on sale of fixed assets	(2)	–
Operating cash flows before movements in working capital	9,526	4,404
Decrease / (increase) in debtors	2,362	(3,003)
Decrease in contract balances	2,688	5,804
Increase / (decrease) in creditors	10,496	(1,291)
Cash generated by operations	25,072	5,914
Corporation tax paid	(2,132)	(966)
Interest paid	(96)	(94)
Net cash from operating activities	22,844	4,854

Notes continued for the year ended 31st December 2008

Note 18 – Notes to the cashflow statement (continued)

b. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less, less bank overdrafts, and are analysed as follows.

GROUP	2008 £000	2007 £000
Cash and cash equivalents	34,363	10,762
Bank overdrafts	(4,002)	(1,811)
	30,361	8,951

COMPANY		
Cash and cash equivalents	31,703	7,495
Bank overdrafts	(2,937)	–
	28,766	7,495

c. Significant non-cash transactions

Additions to plant, machinery and vehicles during the year amounting to £128,000 (2007: £203,000) were financed by new finance leases.

Notes continued for the year ended 31st December 2008

Note 19 – Related party transactions

The amounts due to and from subsidiaries are disclosed in Notes 13 and 14 respectively. T.Clarke plc was charged rent of £160,000 (2007: £160,000) during the year by a subsidiary company for occupation of group properties. T.Clarke plc charged subsidiary companies £293,000 (2007: £345,000) during the year for insurance services, and waived advances of £1,000,000 (2007: £900,000) made to subsidiaries.

All transactions relating to key management (including directors) are as shown in the remuneration report on page 74.

Note 20 – Bank overdrafts & loans

GROUP	2008 £000	2007 £000
Bank overdrafts	4,002	1,811
The borrowings are repayable as follows:		
– on demand or within one year	4,002	1,811

The weighted average interest rates paid were as follows:	Year ended 31.12.2008 %	Year ended 31.12.2007 %
Bank overdrafts	6.0	7.0

COMPANY	2008 £000	2007 £000
Bank overdrafts	2,937	–
The borrowings are repayable as follows:		
– on demand or within one year	2,937	–

The weighted average interest rates paid were as follows:	Year ended 31.12.2008 %	Year ended 31.12.2007 %
Bank overdrafts	5.5	6.5

Bank overdrafts with a value of £644,000 (2007 : £1,157,000) are secured against the assets of the subsidiaries in which they are held. At 31st December 2008 the group had unused overdraft facilities of £2,104,000 (2007: £4,088,000). At 31st December 2008 the company had no overdraft facility (2007: £3,300,000), the Directors considering such a facility unnecessary at the present time due to the level of cash held on deposit. The overdraft included in the company's financial statements represents uncleared payments at 31st December 2008.

Notes continued for the year ended 31st December 2008

Note 21 – Subsequent events

There are no material subsequent events to report.

Note 22 – Pension commitments

Defined contribution scheme

The group operates defined contribution pension schemes for all qualifying employees of all its operating subsidiaries. The assets of these schemes are held separately from those of the group in funds under the control of the trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total cost charged to income of £614,000 (2007: £585,000) represents contributions payable to these schemes by the group at rates specified in the rules of the separate plans.

Defined benefit scheme

The group operates a funded defined benefit scheme for qualifying employees. Under the scheme employees are entitled to retirement benefits of one sixtieth of final salary for each year of pensionable service on attainment of a retirement age of 65. No other post-retirement benefits are provided. The assets of the scheme are held separately from those of the participating companies, being mainly invested in an insurance contract, under the control of the trustees.

The most recent triennial valuation of the scheme, carried out as at 1st January 2007 by Mr M.B. Pegrum, Fellow of the Institute of Actuaries, showed a deficit of £3,147,000, which represents a funding level of 85%.

The most recent IAS19 actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out at 31st December 2008. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Key assumptions used:	2008 **%**	2007 **%**
Rate of increase in salaries	3.70	4.40
Rate of increase of pensions in payment	2.40	3.00
Discount rate	6.70	5.80
Inflation assumption	2.70	3.40
Expected return on scheme assets	6.60	6.90

The mortality assumptions used in the IAS 19 valuation were:	2008 **Years**	2007 **Years**
Life expectancy at age 65 for current pensioners - Men	23.7	21.9
- Women	26.8	24.8
Life expectancy at age 65 for future pensioners (current age 45) - Men	24.8	23.0
- Women	27.8	25.8

Notes continued for the year ended 31st December 2008

Note 22 – Pension commitments (continued)

Amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	2008 **£000**	2007 **£000**
Current service cost	655	911
Interest cost	1,270	1,231
Expected return on scheme assets	(1,330)	(1,184)
	595	958

Of the charge for the year £655,000 (2007: £911,000) has been included in administrative expenses and a credit of £60,000 (2007: £47,000 charge) in finance costs. Actuarial gains and losses have been reported in the statement of recognised income and expense. The cumulative actuarial gain recognised in the statement of recognised income and expense since the date of transition to IFRS is £1,597,000 (2007: £1,273,000).

There was a negative return on scheme assets in 2008 of £3,394,000 (2007: positive return of £1,145,000).

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement scheme is as follows:

	2008 **£000**	2007 **£000**
Present value of defined benefit obligations	18,924	22,290
Fair value of scheme assets	(16,233)	(18,963)
Deficit in scheme	2,691	3,327
Unrecognised past service cost	–	–
	2,691	3,327
Related deferred tax asset	(753)	(932)
Liability recognised in the balance sheet	1,938	2,395
The amount is presented in the balance sheet as follows:		
Current liabilities	–	–
Non-current liabilities	1,938	2,395
	1,938	2,395

The deferred tax asset has been calculated using a corporation tax rate of 28% (2007: 28%).

Notes continued for the year ended 31st December 2008

Note 22 – Pension commitments (continued)

Movements in the present value of defined benefit obligations in the current period were as follows:

	2008 **£000**	2007 **£000**
At 1st January	22,290	24,035
Current service cost	655	911
Interest cost	1,270	1,231
Employee contributions	570	481
Transfers received	2	20
Actuarial gain	(5,048)	(3,212)
Benefits paid	(815)	(1,176)
At 31st December	18,924	22,290

Movements in the fair value of scheme assets in the current period were as follows:

	2008 **£000**	2007 **£000**
At 1st January	18,963	17,692
Expected return on scheme assets	1,330	1,184
Loss on scheme assets	(4,724)	(39)
Employer contributions	907	801
Employee contributions	570	481
Transfers received	2	20
Benefits paid	(815)	(1,176)
At 31st December	16,233	18,963

The actuarial gain of £324,000 (2007: £3,173,000) represents the net movement between the actuarial gains of £5,048,000 (2007: £3,212,000) and losses of £4,724,000 (2007: £39,000).

Notes continued for the year ended 31st December 2008

Note 22 – Pension commitments (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date were:

	Expected return		Fair value of assets	
	2008 %	2007 %	2008 £000	2007 £000
Equities	6.74	7.60	7,580	9,511
Bonds	6.70	5.80	3,874	3,844
Property	6.74	7.60	1,926	2,284
Cash	3.74	4.60	568	750
Insurance annuity contracts	6.70	5.80	2,285	2,574
Weighted average expected return	6.60	6.90	16,233	18,963

The assets of the scheme are held in a cash accumulation policy (valued in accordance with its surrender value) and various professionally managed funds (valued at market value). In addition, annuities in payment purchased from an insurance company are valued on the assumptions used to value the corresponding liabilities. The overall expected rate of return has been determined as a weighted average of the expected rate of return on the underlying assets. The five year history of experience adjustments is as follows:

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Present value of defined benefit obligations	(18,924)	(22,290)	(24,035)	(21,904)	(18,501)
Fair value of scheme assets	16,233	18,963	17,692	15,784	13,029
Deficit in the scheme	(2,691)	(3,327)	(6,343)	(6,120)	(5,472)
Experience adjustments on scheme liabilities					
Amount (£000)	5,048	3,212	(727)	(1,761)	(1,552)
Percentage of scheme liabilities (%)	27%	14%	3%	8%	8%
Experience adjustments on scheme assets					
Amount (£000)	(4,724)	(39)	642	1,223	275
Percentage of scheme assets (%)	29%	0%	4%	8%	2%

The estimated amount of employer contributions expected to be paid to the scheme during the current financial year to 31st December 2009 is £842,000 (year to 31st December 2008: £871,000).

Notes continued for the year ended 31st December 2008

Note 23 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2008 **£000**	2007 **£000**	2008 **£000**	2007 **£000**
Amounts payable under finance leases:				
Within one year	246	285	216	259
In the second to fifth years inclusive	243	246	221	222
After five years		–		–
	489	531	437	481
Less: future finance charges	(52)	(50)	–	–
Present value of lease obligations	437	481	437	481
Less: Amount due for settlement within 12 months			(216)	(259)
Amount due for settlement after 12 months			221	222

The average lease term is three to four years. For the year ended 31st December 2008 the average effective borrowing rate was 8.2 per cent (2007: 9.3 per cent). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under finance leases are secured by the lessor's charges over the leased assets.

Notes continued for the year ended 31st December 2008

Note 24 – Operating lease obligations

	Land and buildings 2008 **£000**	Other operating leases 2008 **£000**	Land and buildings 2007 **£000**	Other operating leases 2007 **£000**
Minimum lease payments under operating leases recognised in income for the year	134	1,004	122	894

At the balance sheet date the group had total outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Within one year	54	548	57	555
In the second to fifth years inclusive	17	1,614	123	1,127
After five years	–	271	–	133
	81	2,433	180	1,815

Note 25 – 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 £nil (2007: £189,000). The fair value of the financial guarantee contracts has not been accounted for in the company as the directors consider the amount is not material.

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 four subsidiary companies.

Notes continued for the year ended 31st December 2008

Note 26 – Financial instruments

a. Capital risk management

The group manages its capital to ensure that each entity within the group will be able to continue as a going concern while maximising the overall return to shareholders over time. The group's overall strategy remains unchanged from 2007 and the board considers that it has sufficient capital to undertake its activities for the foreseeable future.

The capital structure of the group consists of net funds, including cash and cash equivalents, bank overdrafts and finance lease obligations, and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Notes 16 and 17. The group does not use derivative financial instruments and has no long term debt facilities other than finance leases and similar hire purchase arrangements as disclosed in Note 23.

b. Financial instruments

The group financial instruments comprise cash and cash equivalents (being short term deposits), overdraft facilities, contract and other trade debtors and trade creditors and similar balances arising directly from its operations. The carrying values of these financial instruments are disclosed as follows:

Cash and cash equivalents	Note 18
Bank overdrafts	Note 20
Trade debtors	Note 13
Trade creditors	Note 14

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

The fair value of the group's and the company's financial assets and financial liabilities is not materially different to the carrying value.

Notes continued for the year ended 31st December 2008

Note 26 – Financial instruments (continued)

c. Financial risk management

The group is exposed to credit risk, liquidity risk and cash flow interest rate risk. The current economic downturn has led to an increase in the likelihood of these risks crystallising, and the group has strengthened its management processes accordingly. There have been no other significant changes to the nature of these risks or the group's objectives and policies for managing these risks.

The group seeks to manage these risks as follows:

Credit risk

Credit risk is the risk that the counter party will fail to discharge its obligations and create a financial loss. Credit risk exists, amongst other factors, to the extent that at the balance sheet date there were significant balances outstanding. The group mitigates this risk by assessing the credit-worthiness of prospective clients prior to accepting a contract, requesting progress payments on contract work in progress and investing surplus cash only with large highly-regarded UK financial institutions. The carrying value of construction contracts, trade debtors and cash on deposit represents the group's maximum exposure to credit risk. At the balance sheet date the largest single amount outstanding was £27,000,000 held on deposit at National Westminster Bank plc. There were no other significant concentrations of credit risk.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. Based on an interest rate of 3.5%, the effect of a delay / acceleration in the maturity of half the group's trade debtors at the balance sheet date would be to decrease / increase profit by approximately £39,000 for each month of delay / acceleration, and the effect of a delay / acceleration in the maturity of the group's trade creditors at the balance sheet date would be to increase / decrease profit by approximately £58,000 for each month of delay / acceleration.

Cash flow interest rate risk

The group is exposed to changes in interest rates on its bank deposits and borrowings. Surplus cash is placed on short term deposit, typically on a weekly basis, at fixed rates of interest. Bank overdrafts are at floating rates, at a fixed margin above base rates. The group's finance lease obligations are at fixed rates of interest determined at the inception of the lease. The effect of each 1% fall in interest rates on the group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the balance sheet date would be to decrease profits by approximately £288,000 per annum. Details of the group's and the company's overdraft facilities are disclosed in Note 20. Details of finance lease commitments are disclosed in Note 23.

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.

Notes continued for the year ended 31st December 2008

Note 27 – Subsidiary companies

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

Electrical and mechanical contractors	Type of shares
T.Clarke (Midlands) Limited	Ordinary
Veale-Nixon Limited	Ordinary
H&C Moore Limited	Ordinary
J.J. Cross Limited	Ordinary
T.Clarke (Bristol) Limited	Ordinary
G.D.I. Electrical Company Limited	Ordinary
W.E. Manin Limited	Ordinary
Kestrel Electrical Systems Limited	Ordinary
Aylward EMS Limited	Ordinary
Mitchell & Hewitt Limited	Ordinary
Anglia Electrical Services Limited	Ordinary
SCS Building Services Limited	Ordinary
Waldon Electrical Contractors Limited	Ordinary
Property holding company	
Weylex Properties Limited	Ordinary

Notes continued for the year ended 31st December 2008

Note 28 – New standards and interpretations not in force

The following new standards and interpretations are in issue but not in force:

New standards and interpretations

IFRIC 15 Agreements on the Construction of Real Estate
IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers

Revisions to existing standards

A large number of existing standards and interpretations were revised during the year, many as a result of the completion of the IASB's annual improvement project for 2007, published in May 2008.

Most of the new standards and interpretations and changes to existing standards and interpretations will have no impact on the group, however the following changes should be noted:

IAS 1 Presentation of Financial Statements

The revisions to this standard will prohibit the presentation of items of income and expenditure within the statement of changes in equity. All items of income and expenditure will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the 'statement of comprehensive income') or two statements (the 'income statement' and 'statement of comprehensive income'). Also, where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and the comparative period. The revisions to this standard are effective for accounting periods beginning on or after 1st January 2009. It is likely that the group will present both the income statement and the statement of comprehensive income as performance statements.

IAS 19 Employee Benefits

The principal effect of the amendment is to clarify that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if its results in a reduction in the present value of the defined benefit obligation. The revisions to this standard are effective for accounting periods beginning on or after 1st January 2009.

IAS 23 Borrowing Costs

The revisions to this standard will require capitalisation of borrowing costs incurred on qualifying assets together with transitional provisions for companies who have previously written off such costs. The group's current accounting policy is to expense all borrowing costs as they are incurred. The revisions to this standard are effective for accounting periods beginning on or after 1st January 2009.

IFRIC 15 Agreements on the Construction of Real Estate

IFRIC 15 clarifies whether IAS 18 'Revenue' or IAS 11 'Construction contracts' should be applied to particular transactions. Generally it is likely to result in IAS 18 being applied to a wider range of transactions, however the directors do not believe there will be any significant impact on the classification of the group's revenues. IFRIC 15 is effective for accounting periods beginning on or after 1st January 2009.

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