T.Clarke
BUILDING SERVICES GROUP

DELIVERING **BUILDING SERVICES** ACROSS THE UK IN EVERY SECTOR

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T.CLARKE - THE BUILDING SERVICES GROUP

In the pages of this report you will see that we operate across every sector, in every part of the country - exactly as it says on the cover. We welcome you to our review of 2009.

CONTENTS

Scotland

Aberdeen; T.Clarke Scotland
Falkirk; T.Clarke Scotland

North

Newcastle upon Tyne; Veale-Nixon
Leeds; H&C Moore
Preston; JJ Cross
Accrington; D&S
Derby; Mitchell & Hewitt
Huntingdon; Aylward EMS
Kings Lynn; Anglia AES

South

Peterborough; T.Clarke Midlands
Bristol; T.Clarke Bristol
London; T.Clarke London
Sittingbourne; WE Manin
St Austell; Waldon

CHAIRMAN'S STATEMENT

We are pleased that despite a backdrop of a very challenging market, we have achieved a creditable performance and maintained our leading position in our core markets. Group turnover and profit during 2009 were in line with expectations but reflected the reduced levels of activity and a tightening of margins, particularly in our London operations. Adjusted profit before tax for the group fell by just over half the level achieved in 2008 to £7.3m, before goodwill impairment and profit on a property disposal. Although our liquidity remained strong, the group's results reflected the low level of interest rates throughout the year which reduced our investment income.

Overall the performance of the regional subsidiaries held up well, but as outlined in the interim results, some restructuring was necessary to eliminate loss-making units and to consolidate operations into businesses with critical mass. The operations of GDI were wound down during the year, and Kestrel was sold in October. The Operational Review provides a detailed commentary on all our activities during the year including our restructuring programme. I have no doubt that the new, simpler organisational structure, with group companies being managed under South, North and Scottish divisions, reporting to a Group Management Board, will result in closer integration and cooperation between our various subsidiaries, and the beneficial sharing of knowledge and best practice across the group.

The trading environment remains difficult, both in London and more widely in the regions, but having slimmed down our cost base during 2009 we are well placed to tender competitively for work across the whole spectrum of our activities. We are involved currently with a number of prestigious projects in the Capital and the group continues to win good work in the regions. While we do not expect a material change in market conditions in 2010, we remain cautiously optimistic and we take comfort from our financial strength.

The quality of our staff remains one of the enduring strengths of T.Clarke, and none more so than at the Chief Executive level. We have been remarkably fortunate to have been served in that capacity for many years by Pat Stanborough, who has given a lifetime of service to the group. He retired from the board at the end of 2009. I would like to express on behalf not only of the board, but of all those who have worked with Pat as colleagues and clients, our great appreciation of his dedication to T.Clarke. His financial and contracting expertise have been crucial to our progress over the years. I am delighted to report that in Mark Lawrence he has a worthy successor. Like many of our senior managers, Mark has been with T.Clarke throughout his working life and is well respected within the group and by our wide client base. I wish him well in the years ahead.

We have announced the acquisition of D&S (Engineering Facilities) Limited for a total cash consideration of up to £11.6m. The company is based in Accrington, Lancashire and is a facilities management business and is complementary to our existing activities. In the last financial year, D&S had turnover of £16.6m and profit before tax of £0.5m after approximately £1.0m of non-recurring private company costs. The acquisition is expected to be earnings enhancing for the shareholders of T.Clarke. We welcome the directors and employees of D&S to the group and look forward to benefiting in future from the wider customer and service base which they will bring to our group.

In conclusion, despite the market challenges, the future for T.Clarke remains encouraging. We will remain focused on maintaining our market leading position. We have a solid financial base which will underpin the future growth of the business. Once again, I thank our loyal staff, clients and suppliers for their continued support.

Russell Race
Chairman
18th March 2010

BUSINESS AND FINANCIAL REVIEW

Operational review

T.Clarke continues to be a market leader with an enviable reputation. Its group companies are widely recognised for delivering the highest level of service to every client and in training apprentices who become the skilled tradespeople and engineers of tomorrow.

Maintenance of this position is key to the company's long-term prosperity, which can be expressed in terms of returning 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 marketplace, provide top quality service to our customers and develop longstanding 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
- Pursue 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.
- Continue 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 by having a highly skilled, directly employed labour force.

Market development

The well-publicised downturn in the commercial property sector, particularly in the City of London, continues. However activity by some major developers is showing the initial signs of recovery, most notably Land Securities has released three key schemes in London's West End worth £655m. The number of high quality fit out opportunities remains limited. Many of our clients are planning or undertaking upgrades to their existing

Mark Lawrence
Chief Executive
18th March 2010

Victoria French
Finance Director
18th March 2010

infrastructure both within their office accommodation and at their data and energy centres. This is an area where we have an excellent reputation for delivery and are therefore well placed for such opportunities.

There is continued demand in the public sector, such as health, education, prisons and rail, but uncertainty surrounding the forthcoming general election is possibly affecting key budget decisions with respect to capital expenditure.

While the number of tender opportunities is encouraging there continues to be pressure on margins and the level of competitors bidding for projects is high. Securing work is important to our leading position in the industry, however we remain selective and vigilant with regard to risk.

Our strategy is to build strong relationships with our client base and supply chain, and to enhance our operational skills and finances in the current environment.

Operations

Despite the challenging trading conditions the group was still able to achieve a turnover of £177.6m. While our regional business performed well its results for the year were impacted by bad debt. We carefully assess our credit risk but in these uncertain times this is challenging, particularly where established contractors' bankers and other providers of finance take increasingly demanding and short-term views.

Our group continues to mature and we are pleased with the integration of our businesses. As highlighted in our interim results, we are consolidating our regional businesses and our focus is on strengthening operations. Our business in Altrincham has now ceased trading and our business in Rowley Regis, West Midlands has been sold. Our business in Kings Lynn, Anglia Electrical Services, now operates as a division of Aylward EMS, Huntingdon.

Recognising the importance of our Scottish operations we have rebranded our Scottish business T.Clarke Scotland from 1st March 2010 to support and underscore its position as an integral part of the group. We have an excellent local team in our Scottish business and since we acquired the former SCS Building Services business we have continued to make progress expanding our operations in Scotland. This is a natural progression and we are confident that the business will continue to make a significant contribution to our operations across the UK.

Meaningful non-financial key performance indicators (KPIs)

In accordance with the environmental, social responsibility and other quality standards, that we meet, T.Clarke monitors many details of our non-financial performance, from the amount of paper we consume to the energy we use in our buildings. We will continue to do this.

However, for some time we have been considering how best to present a set of simple and meaningful non-financial KPIs. We believe that the following measures give you that.

Training

T.Clarke's people deliver its service. Training for our people at every level is something we believe in and we have consistently supported and followed industry best practice. We believe that our customers should always be able to expect that T.Clarke people are trained to the appropriate industry standard for every level of seniority. We will report on standards of performance in this area every year.

Average number of courses attended per employee in 2009 = 1.3

Apprenticeships

We continue to believe in the fundamental importance of taking on apprentices and building a skilled and loyal workforce. This is an approach shared in all group companies. A demonstration of the effectiveness of our apprentice training scheme is the number of apprentices who successfully completed their training during the year.

96%* of apprentices successfully completed their training apprenticeship.
*Based upon a four-year apprentice scheme.

Health and safety

Health and safety standards improve and as they do, they set new demands on our industry. T.Clarke will continue to have a total commitment to the health and safety of our workforce. As part of this we hold regular safety, health and environmental committee meetings to develop new, safer processes, taking on board contributions from all people within our business.

London
During 2009 we moved quickly to align our cost base to a reduced workload and inevitably this meant releasing people who have been loyal to the company over many years. We would like to thank all of those involved for their understanding and co-operation and wish them every success for the future. The full cost of this restructuring was absorbed in 2009.

Going forward, we enter 2010 a much leaner operation - our business remains in great physical and financial shape and is able to respond to future challenges and opportunities as they present themselves.

We are active on a number of key projects including the 2012 Olympic Stadium which is scheduled for completion in early 2011. Following our successful delivery of Westfield, London at White City we negotiated to undertake the electrical installation for Westfield's new shopping centre, Stratford City, which borders the Olympic Park, due to be opened in 2011. Enabling and design works have commenced at The Pinnacle, Bishopsgate. Works are at an advanced stage at One New Change, Cheapside, a 560,000 sq ft landmark office development featuring the largest retail development in the City of London and at the Ravensbourne College of Design and Communication, Greenwich Peninsular, both of which are due for client handover in 2010.

Regions
Further restructuring was carried out in the regions with resultant closure costs and reduction in headcount during the year.

Our group companies across the UK have been successful in securing projects in a number of sectors. A selection of contracts recently secured are:

Brighouse & Sowerby Bridge Leisure Centre, Calderdale; Northern Ballet HQ, Leeds; HMP Hull Prison, Hull; Midlothian Community Hospital, Bonnyrigg, Edinburgh; David Walker Care Home, Rutherglen, Glasgow; Trinity Oakfield School, Newcastle upon Tyne; Heworth Pool, Gateshead; BT, Aylesford; Machine X Recycling Plant, Wandsworth; and Data Centre, Sittingbourne, as well as continuing works at Waitrose, Dungeness and KIA Manston.

Board changes
At the beginning of 2009 Iain McCusker was appointed as an Independent Non-Executive Director and, given his financial background, Iain was also appointed chair of the Audit Committee.

As part of the restructuring programme announced in July, Barry DeFalco, who was the Managing Director for

Last year, of the new initiatives put forward at the safety committee meetings, 85% were taken forward and implemented on our projects.

Quality standards
Our quality of work and environmental performance should be best practice or industry leading. We will report on the standards we achieve or are working to each year.

A measure of this is the number of contracts deemed to be delivered defect free; for 2009 this figure was 91%.

Accreditations
The accreditations we hold to work in different environments and different industry sectors provide a critical indication of our capability to work in new and existing market sectors. We will also report on these each year.

Accreditations held in 2009: 29.

Accreditations, Memberships, Registrations

APHC - Plumbing & heating
Achilles - Building confidence
Achilles - Rail link up
Achilles - UDVB
BS8555 - Parts 1 to 5 (ENV)
Causeway building register
CHAS
Constructionline
CHSG
CSCS Certificate of commitment
CAI
ECA
Fire consortium
Gas safe register
HVCA
Hazardous waste producer reg. Environment Agency
ISO 9001 - Quality
ISO 14001 - Environmental
ISO 18001 - Health and safety
JIB / SJIB
NICEIC
NICEIC (Domestic)
OFTEC - Oil firing technical
ROSPA
SNIPEF
SSAIB
SP203 - Fire alarm
Safe contractor
Wastec carrier licence

our Regional Operations, left the company on 30th September 2009. We thank him for his loyal service and wish him well for the future.

At the end of 2009 Pat Stanborough retired from the board and as Chief Executive. We all thank him for his many years of unstinting loyal service and his significant contribution to the success of T.Clarke plc and its reputation within the marketplace. Pat will continue to serve the board in an advisory capacity during 2010.

Group Management Board

Part of the restructuring programme included how the group companies report and are managed. Historically we managed our operations through the London "Core" Business and the Regional Group companies. For operational efficiency three regional divisions have now been created, comprising Scotland, the North and the South. Each regional division has a Managing Director responsible for the local companies within their region.

We have strengthened our Regional Board to form a Group Management Board, with a clear focus on delivering the group's central strategy but one that is locally managed.

The Group Management Board, which consists of the Chief Executive, Finance Director and the Managing Directors for the three regions, formally meets on a monthly basis ahead of the main T.Clarke plc board meeting.

People

Our people, their values and reputation create our success. Providing a consistently high quality service to our customers is only possible with the right people. To be successful, T.Clarke must be a rewarding place to work. We provide opportunity and encouragement to help our people reach their potential. The group remains committed to providing the best training for all members of staff and draws on the expertise of its people from all group companies across the UK.

Community and the environment

We are committed to the community in which we operate and contribute to a number of charities and fundraising events each year (see page 12). Equally important is our focus on minimising any impact on the environment caused by our business and we continue to monitor our progress in this area (see page 36).

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

Financial key performance indicators

1. Achieved target of above average sales per employee compared with selected peer group.
2. Achieved target of above average pre-tax profit margins compared with peer group in each of the previous three years. 2009 pre-tax profit margin decreased as a result of difficult trading conditions.
3. Achieved target of above average pre-tax profits per employee in each of the previous three years.
4. Achieved target of above average remuneration per employee in order to retain and attract high quality employees.

	2009	2008	2007	2006	2005
Sales (£000s) per employee					
T.Clarke plc	**128**	**154**	**126**	**122**	**124**
Lorne Stewart plc		131	118	121	110
Bailey Limited		186	151	123	132
Emcor Group (UK) plc		112	120	124	106
Rotary Limited		94	80	98	104
Average		137	119	118	115
Pre-tax profit margin %					
T.Clarke plc	**3.81**	**6.09**	**4.21**	**3.53**	**4.42**
Lorne Stewart plc		2.73	3.85	2.82	2.05
Bailey Limited		1.32	1.34	3.31	2.71
Emcor Group (UK) plc		3.03	-1.21	1.39	1.57
Rotary Limited		5.39	4.69	4.68	4.88
Average		3.09	1.93	2.83	2.78

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 6
- Pre-tax profit margins – page 6
- Pre-tax profit per employee – page 7
- Remuneration per employee – page 7
- Health and safety – pages 4 and 8
- Environment – page 36

Pensions

The risk associated with the defined benefit scheme has to be weighed against increased staff retention and other benefits to staff as a result of the scheme. During 2009, T.Clarke consulted with members and with effect from 1st March 2010 has altered the benefit structure from a final salary scheme with an accrual rate of 1/60th to a Career Average Revalued Earnings ('CARE') scheme with an accrual rate of 1/80th.

In order to contribute towards scheme funding, the group granted a charge to the value of the greater of £1.5m or half the value of our London property to the pension fund during the year. We have seen a reduction in the risk-based levy paid to the Pensions Protection Fund and have 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

As a result of the economic climate, market conditions across the group continue to be challenging and we are not immune from such conditions. Some of the risk is mitigated by our strategy of diversity of our markets, both in terms of geography and sector.

The board remains focused on meeting market expectations and continues to target work in sectors in which we can deliver at acceptable margins, however the possibility remains that projects will be delayed, circumstances may change, including government priorities, and there will be increased pressure on margins.

	2009	2008	2007	2006	2005
Pre-tax profit (£000s) per employee					
T.Clarke plc	**5**	**9**	**5**	**4**	**5**
Lorne Stewart plc		4	4	3	2
Bailey Limited		2	2	4	4
Emcor Group (UK) plc		3	(1)	2	2
Rotary Limited		5	4	4	5
Average		4	3	3	4
Remuneration (£000s) per employee					
T.Clarke plc	**36**	**39**	**34**	**33**	**30**
Lorne Stewart plc		37	34	31	29
Bailey Limited		36	33	31	31
Emcor Group (UK) plc		34	33	31	29
Rotary Limited		26	26	30	26
Average		34	32	31	29

Base data: (£000s)					
Sales	2009	2008	2007	2006	2005
T.Clarke plc**	177,579	220,111	193,845	186,334	193,729
Lorne Stewart plc		224,018	206,079	225,428	216,793
Bailey Limited		497,656	413,254	406,616	425,222
Emcor Group (UK) plc		357,418	378,699	415,304	390,418
Rotary Limited†		140,739	216,773	150,431	163,316
Pre-tax profit (£000s)					
T.Clarke plc**	6,761*	13,408*	8,166	6,576	8,554
Lorne Stewart plc		6,113	7,936	6,367	4,440
Bailey Limited		6,579	5,546	13,455	11,531
Emcor Group (UK) plc		10,833	(4,595)	5,760	6,116
Rotary Limited†		7,591	10,166	7,045	7,976

* After goodwill impairment of £0.8m (2008: £1.8m)
** 2009 and 2008 results are on a continuing basis
2009 results for the peer group are unavailable at present
† 9 months ended 30th June 2008 Source: Companies House

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 with our strong cash position we are able to explore opportunities and bolt-on acquisitions at the appropriate time.

Acquisitions

Our strategy is to be able to offer the complete range of building services across the UK. We will sensibly consider appropriate opportunities that can advance this strategy both in terms of geographical coverage and services offered. Acquisitions involve a degree of risk, but we aim to mitigate this via due diligence prior to acquisition, ensuring effective local management are in place and by the implementation of group reporting and internal control procedures.

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 tradespeople receive regular training to meet our demanding standards.

Cost inflation

Commodity prices of copper and steel, which are major component parts within our industry, have risen considerably during the course of the year. In addition, UK prices of materials that we procure 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.

As a result of any downturn we have to take steps to align our business at all levels to match our current expectations.

We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.

Health and safety - accident statistics

	2009	2008	2007	2006	2005
T.Clarke London	49	49	79	129	141
T.Clarke Bristol	11	12	5	11	1
T.Clarke Midlands	9	7	14	9	–
T.Clarke Scotland	2	8	7	7	18
Anglia AES	4	4	15	5	–
Aylward EMS	5	10	7	17	11
JJ Cross	1	7	10	5	3
WE Manin	4	9	9	6	4
Mitchell & Hewitt	7	7	4	6	4
H&C Moore	12	19	11	13	9
Veale-Nixon	5	1	2	10	5
Waldon	8	5	9	8	6
	117	138	172	226	202

Health and safety
Increasing safety and reducing risk is a core objective of T.Clarke. We strive for an injury-free environment and the safest workplace possible for our employees, clients, sub-contractors and the public. See accident statistics on page 8.

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 and to ensure commitments and standards apply consistently to all of our operations. Our aim is to identify and correct potential risks through observations and regular monitoring. Our trained safety professionals develop and regularly update our safety plans and are focused on identifying areas for improvement and where good practices exist share them across the group.

Financial review

Summary of financial performance
The group's financial performance in 2009 reflected difficult trading conditions but the group delivered strong underlying results in terms of revenue, profit and adjusted earnings per share.

Revenue
The group's revenue from continuing operations decreased by 19.3% to £177.6m (2008: £220.1m). Total group revenue including discontinued regional operations was £179.5m (2008: £223.7m). Revenue from discontinued operations in 2009 was £1.9m (2008: £3.6m) which included Kestrel Electrical Systems Limited (Kestrel) which was sold on 15th October 2009 and GDI Electrical Company Limited (GDI) which was wound down during the year. Revenue in the London business decreased by 33.7% to £67.8m (2008: £102.1m) as a result of difficult trading conditions. Revenue from continuing operations in the regional businesses decreased by 6.9% to £109.8m (2008: £118.0m).

Operating profit - continuing operations
Group operating profit decreased to £6.8m (2008: £12.6m) and the operating profit margin was 3.8% (2008: 5.7%) after goodwill impairment of £0.8m (2008: £1.8m) and profit on a property disposal of £0.3m (2008: £nil).

Adjusted group operating profit, before goodwill impairment and disposals, was £7.3m (2008: £14.4m) and adjusted operating margin was 4.2% (2008: 6.5%).

Financial results	2009	2008	Change
Continuing operations	**£m**	£m	
Revenue	177.6	220.1	-19.3%
Adjusted operating profit*			
London operations*	2.9	9.8	-70.0%
UK regions*	4.0	4.2	-4.8%
Property rental income*	0.4	0.4	0%
Total adjusted operating profit	**7.3**	**14.4**	**-49.3%**
Goodwill impairment	-0.8	-1.8	-55.6%
Profit on property disposal	0.3	–	–
Total operating profit	6.8	12.6	-46.0%
Investment income	0.2	1.0	-80.0%
Finance costs	-0.2	-0.2	0%
Profit before tax	6.8	13.4	-49.3%
Adjusted profit before tax*	**7.3**	**15.2**	**-51.9%**
Basic earnings per share (pence)**	10.03p	22.12p	-54.7%
Adjusted earnings per share (pence)*	**12.51p**	**26.67p**	**-53.1%**

* Adjusted figures are calculated before goodwill impairment of £0.8m (2008: £1.8m) and profit on a property disposal of £0.3m (2008: £nil)

** Stated after loss on discontinued activities of £0.6m (2008: £nil)

The London business suffered a £6.9m decrease in operating profit to £2.9m (2008: £9.8m) as a result of the downturn in property development. In addition, the London business reduced its headcount in response to the slowdown, which resulted in restructuring costs of £1.1m in the year (2008: £0.4m) of which £0.5m (2008: £0.2m) is shown in administrative expenses. The London operating margin was 4.3% which included the effect of these costs (2008: 9.5%).

Regional operating profit from continuing operations was £3.2m (2008: £2.4m) which excluded £0.8m (2008: £nil) of operating loss from the discontinued operations, GDI and Kestrel, but included £0.3m of redundancy costs. The regional operating profit margin from continuing operations was 2.9% (2008: 2.1%). Adjusted regional operating profit from continuing operations, before goodwill impairment of £0.8m (2008: £1.8m) and loss on disposal of £0.05m, was £4.0m (2008: £4.2m) and the adjusted regional operating profit margin was broadly static at 3.6% compared to the prior year.

Weylex Properties Limited, which owns the freehold properties in the group, contributed £0.4m (2008: £0.4m) of operating profit together with a profit on a property disposal of £0.3m.

Group administrative expenses from continuing operations decreased by £1.2m to £24.0m (2008: £25.2m) due to a reduced goodwill impairment charge of £0.8m (2008: £1.8m) and other cost reductions. Group administrative expenses would have reduced further except for a restructuring charge of £0.9m in relation to redundancy and termination payments, £0.6m of which related to the London business (2008: £0.2m).

Group bad debt expense totalled £1.9m in the year (2008: £1.4m). Regional bad debt expense was £2.0m (2008: £0.8m) which included a number of regional customers who went into administration. A bad debt credit in the London business of £0.1m (2008: charge £0.6m) arose due to cash recovered against bad debt provisions.

Profit before tax

Group profit before tax from continuing operations was £6.8m (2008: £13.4m) and the corresponding profit before tax margin was 3.8%, compared to 6.1% in 2008.

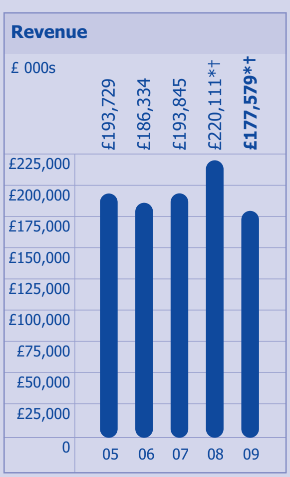
Adjusted group profit before tax from continuing operations, before goodwill impairment and disposals, was £7.3m (2008: £15.2m) and the adjusted group profit before tax margin was 4.1% (2008: 6.9%).

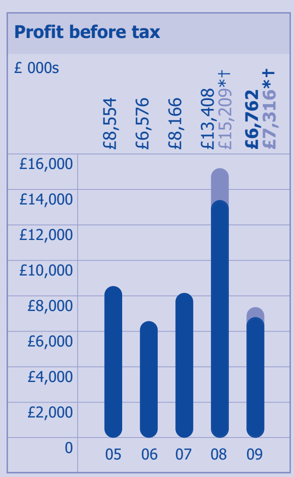
Net interest reduced to a £0.02m finance cost compared to £0.8m of net interest income in the prior year due to

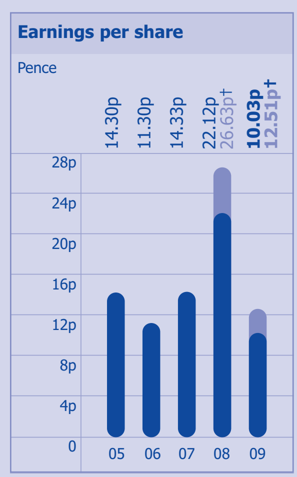
Five year financial highlights

* Continuing operations

† Underlying figures are before goodwill impairment of £0.8m (2008: £1.8m) and property disposal profit of £0.3m (2008: £nil)







a reduction in cash balances held, a decrease in interest rates and IAS 19 interest costs.

Profit after tax
Group profit after tax from continuing operations decreased to £4.6m (2008: £8.9m) after taxation of £2.2m (2008: £4.6m). The effective tax rate decreased to 31.7% (2008: 34.0%) because the tax disallowable impairment of goodwill reduced from £1.8m to £0.8m and due to a £0.1m tax overprovision in the prior year. Total group profit after tax was £4.0m (2008: £8.8m).

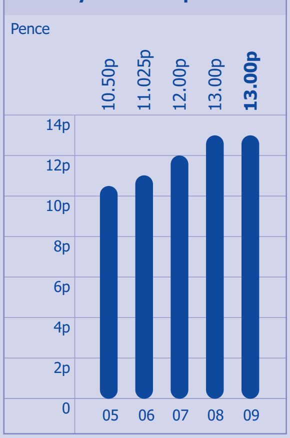
Profit after tax margin on continuing operations was 2.6% compared with 4.0% in the prior year. Adjusted profit after tax margin excluding goodwill impairment and disposals was 2.8% (2008: 4.8%).

Earnings per share
Earnings per share from continuing operations were 11.56p (2008: 22.16p). Adjusted earnings per share from continuing operations, excluding goodwill impairment and disposals, were 12.51p (2008: 26.67p). Basic earnings per share were 10.03p (2008: 22.12p).

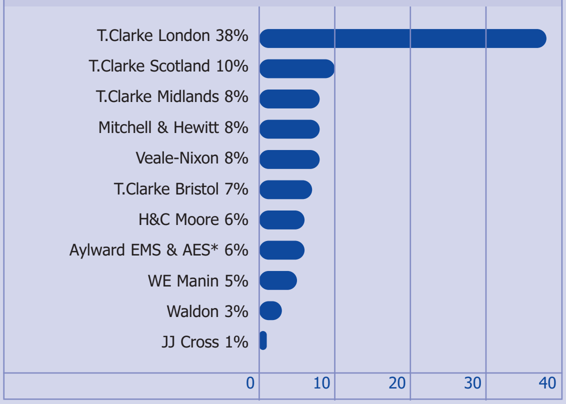
Cash flow
Cash and bank deposits (net of overdrafts) as at 31st December 2009 were £23.2m (2008: £30.4m) and operating cash inflows before movements in working capital were £6.8m (2008: £15.0m). Working capital movements resulted in a net outflow of £5.5m (2008: £14.7m inflow) mainly as a result of an increase in trade receivables of £2.3m and a decrease in trade payables of £3.2m in the current year and due to the fact that in the prior year a £10.9m decrease in trade receivables from a boost in cash collections increased cash balances. After corporation tax outflows of £3.8m (2008: £3.2m), dividend outflows of £5.2m (2008: £4.9m) and receipts on disposal of property and plant of £0.9m (2008: £0.3m) there was a net decrease in cash plus bank deposits in the year of £7.2m (2008: increase of £21.4m). Cash management is a key priority and is actively managed across the group.

Dividend
The board has held the final dividend for 2009 of 8.75p (2008: 8.75p). The total dividend for the year is 13p (2008: 13p). The dividend per share is covered 0.8 times by earnings per share (2008: 1.7 times). The final dividend will be paid, subject to shareholder approval, on 14th May 2010 to shareholders on the register at 16th April 2010. The shares will go ex-dividend on 14th April 2010. Further information regarding a dividend reinvestment plan (DRIP) which is available to shareholders is included in Note 18 on page 86.

Ordinary dividends per share



T.Clarke percentage revenue by subsidiary 2009



* Anglia Electrical Services (AES) operates as a division of Aylward EMS

Pension obligations

An actuarial loss before tax of £5.9m, in relation to the defined benefit scheme, (2008: gain of £0.3m) has been recognised in reserves in the statement of financial position. The loss was mainly due to the inflation assumption increasing from 2.7% to 3.7% and the discount rate assumption, which is based on the yield of AA-rated corporate bonds, decreasing from 6.7% to 5.7%, both leading to higher scheme liabilities.

Scheme liabilities increased from £18.9m to £28.0m, offset by an increase in scheme assets from £16.2m to £19.7m, resulting in a net £8.3m scheme deficit before taxation (2008: £2.7m). After taxation of £2.3m the deficit was £6.0m (2008: £1.9m).

In anticipation of the increase in the deficit, T.Clarke has, from 1st March 2010, reduced the benefits accruing to members from a final salary 1/60th accrual basis to a career average revalued earnings ('CARE') 1/80th accrual basis, following a member consultation exercise. A triennial valuation as at 1st January 2010 is due to be carried out during 2010 and a schedule of contributions will be agreed at that stage.

In order to contribute towards scheme funding, security (to the value of the greater of £1.5m or half the value of the group's London property) was granted on 13th March 2009 to the T.Clarke pension scheme as outlined in the section 'Pensions' on page 7 of the operational review.

Treasury and funding

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

Basis of preparation

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

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, however in the current climate this risk is heightened. The counterparty risk on cash and bank deposits is managed actively by the regular review of the credit-worthiness of the relevant banking institutions.

Charitable donations and sponsorship

2009	£29,410
2008	£20,047
2007	£22,300
2006	£15,099
2005	£15,495

Jim Daly was sponsored by T.Clarke as he, once again, completed the London Bikeathon in aid of Leukaemia Research on 19th July 2009.

Average employee numbers

	Directors	Staff	Skilled operatives	Apprentices	Adult trainees	Total
2009	40	263	809	181	51	1,344
2008	45	286	813	233	56	1,433

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves and banking facilities, 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 £23.2m of net cash and bank deposits (2008: £30.4m).

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, bank 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.

Summary and prospects

As expected, 2009 was a challenging year and tough decisions were taken to reduce our cost base and increase our competitiveness. As a result the group is in a much leaner shape, is financially strong and is prepared for the challenges ahead.

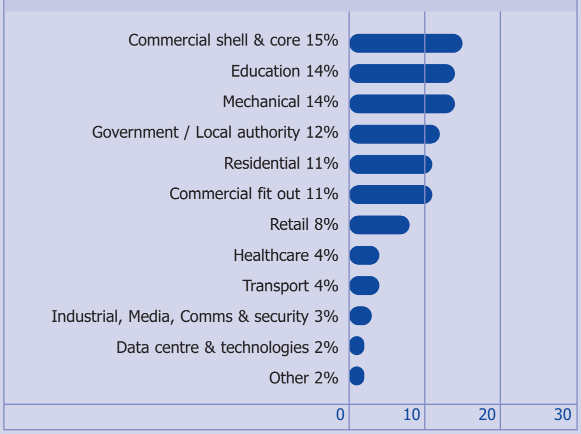
There remains unease within the market with respect to the timing and impact of the forthcoming general election on the construction industry, but there is also some optimism which is supported by developments in the commercial property market.

Despite these uncertain and challenging times we remain cautiously optimistic. Our order book at 31st December 2009 stood at £160m (2008: £160m) plus £40m of contracts currently under negotiation (2008: £30m) with £110m due for completion in 2010 (2008: £140m).

A selection of key customers

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

T.Clarke group analysis by sector 2009



THE BOARD

Executive directors

Mark Lawrence
Chief Executive
42 years old
25 years with the company
Electrical Engineer, Technical Director 1997, Executive Director 2003, Managing Director - London Operations 2007, Chief Executive from 1st January 2010.

Victoria French
Finance Director
Company Secretary
43 years old
third year with the company
Master of Science degree, Chartered Accountant (ICAEW), Finance Director & Company Secretary T.Clarke 2007.

Mike Crowder
Managing Director
45 years old
24 years with the company
Electrical Engineer, Technical Director 1997, Executive Director 2007, Managing Director from 1st January 2010.

Non-executive directors

Russell Race
Chairman
63 years old
12 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, Rochester Mathematical School; and a Court Chairman, North Kent Magistrates. Appointed Non-Executive Director of T.Clarke 1998, appointed Chairman 2000.

Bob Campbell
Senior Independent Director
67 years old
third year with the company
Degree in Engineering, Chartered Engineer, Formerly Managing Director of Waterman Group plc, International multi-disciplinary Consulting Engineers. Trustee of The College of Estate Management. Appointed Non-Executive Director of T.Clarke 2008.

Beverley Stewart
Independent Director
49 years old
fifth year 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.

Iain McCusker
Independent Director
58 years old
second year with the company
Chartered Accountant Partner at Coopers & Lybrand (now PricewaterhouseCoopers) until 1994, held senior Managing Principal and Director positions within Unisys and Xerox, respectively, Managing Director of ACCA (the Association of Chartered Certified Accountants) 2004 to 2007. Appointed Non-Executive Director of T.Clarke 2009.

Mark Lawrence Victoria French Mike Crowder Russell Race Bob Campbell Beverley Stewart Iain McCusker

Shareholder information and company advisors

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
HD8 0LA
Tel: 0871 664 0300

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

THREE DIVISIONS

Scotland

Martin Swan
Group Management Board
Managing Director
T.Clarke Scotland
Falkirk

North

Trish Meakin
Group Management Board
Managing Director
H&C Moore
Leeds

Andy Smith
Managing Director
JJ Cross
Preston

Ray White
Managing Director
Aylward EMS
Huntingdon

Roy Hutchinson
Managing Director
Veale-Nixon
Newcastle upon Tyne

David Peck
Managing Director
Mitchell & Hewitt
Derby

South

Mike Crowder
Group Management Board
Managing Director
T.Clarke London

Ellis John
Managing Director
T.Clarke Bristol

Pat Jackson
Managing Director
W E Manin
Sittingbourne

Mike Enticott
Divisional Director
T.Clarke London

Barrie Nightingale
Divisional Director
T.Clarke London

Kevin Bones
Managing Director
T.Clarke Midlands
Peterborough

Martyn Waller
Managing Director
Waldon
St Austell

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the group for the year ended 31st December 2009.

Business review

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

A review of the business is included in the Chairman's Statement, the Business Review and Financial Review on pages 2 to 13 and is included by reference into this report.

Results and dividends

The results for the year ended 31st December 2009 are set out in the Consolidated Income Statement on page 58.

Profit after taxation for the year was £4,006,000 (2008: £8,837,000).

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 2nd October 2009, makes a total distribution of 13p for the year (2008: 13p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 14th May 2010 to shareholders on the register as at 16th April 2010. The shares will go ex-dividend on 14th April 2010.

Movements on reserves are shown in Note 18 to the financial statements.

Subsequent events

Details of events subsequent to the reporting date are disclosed in Note 22 on page 90.

Directors and their interests

The present membership of the board is set out in more detail in the Corporate Governance Report on pages 48 to 52.

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 B.V. DeFalco resigned from the board as an executive director on 27th August 2009 and left the company on 30th September 2009.

Mr P.E. Stanborough resigned from the board as Chief Executive on 31st December 2009 and continues to provide support to the board and group, through his role as an advisor, to 31st December 2010.

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. Mr R.J. Race does not have a service agreement with T.Clarke plc.

Mr M.C. Crowder and Mrs B.A. Stewart 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. Mr M.C. Crowder has a service agreement with T.Clarke plc which expires on 31st December 2010 and may be determined thereafter by 12 calendar months, prior notice in writing. Mrs B.A. Stewart does not have a service agreement with T.Clarke plc.

Beneficial interests

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

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 which are shown in the table below.

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 approximately £8m, which is in excess of the book value of £5.2m as at 31st December 2009 (2008: £5.9m).

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 Children's Hospice UK, Guide Dogs for the Blind, Children with Leukaemia and Cancer Research UK during the year amounted to £8,910 (2008: £13,100).

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.

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.

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

Number of shares

	1.1.2009	31.12.2009	18.3.2010
R.H. Campbell	15,000	25,000	25,000
B.A. Stewart	6,000	21,000	21,000
V.R. French	7,000	12,000	12,000
M. Lawrence	10,000	10,000	10,000
R.J. Race	6,000	6,000	6,000
M.C. Crowder	4,000	4,000	4,000
I. McCusker	–	2,000	2,000

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.	13.53%	5,405,036
Liontrust Investment Services Limited	5.33%	2,130,228
Henderson Global Investors	5.33%	2,127,502
Legal & General Group plc	4.10%	1,637,895
Brewin Dolphin Limited	3.42%	1,366,313
Barclays plc	3.33%	1,331,640

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 that deals specifically with the payment of suppliers. At 31st December 2009 the company's trade creditors represented 66 days (2008: 44 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.

Takeovers 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 a bid is contemplated:

- The company's capital comprises ordinary shares of 10p each. Further details are shown in Note 17 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', page 45.
- 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 48 to 52. The Articles of Association state that a maximum of 12 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 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.

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 financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with IFRS as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of directors pursuant to the disclosure and transparency rules

Each of the directors, whose names and functions are listed on page 40, confirms that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group and company; and
- the directors' report includes a fair review of the development and performance of the business and the position of the company and group, together with a description of the principal risks and uncertainties they face.

On behalf of the board

Victoria French
Finance Director

Russell Race
Chairman

18th March 2010

T.Clarke plc
Registered number: 00119351

CORPORATE GOVERNANCE

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 three 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 40). 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 2009 was as the table below.

Board changes

Iain McCusker was appointed to the board as an independent non-executive director on 1st January 2009 and was appointed to the remuneration and nomination sub-committees and to chair 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).

Pat Stanborough retired from the board and as Chief Executive with effect from 31st December 2009 but continues to provide support in his capacity as an advisor to the board and the company during 2010.

The remuneration committee considered the appointment of a successor to Pat Stanborough during 2008 and 2009. An appointment from within the company was decided to be in the best interests of the company and its shareholders and it was announced at

Number of meetings attended

	Board	Audit	Nomination	Remuneration
R.J. Race	13	–	1	–
P.E. Stanborough	12	–	–	–
B.V. DeFalco[1]	8	–	–	–
M. Lawrence	13	–	–	–
B.A. Stewart	13	2	1	1
M.C. Crowder	13	–	–	–
V.R. French	13	–	–	–
R.H Campbell	13	2	1	1
I. McCusker	13	2	1	1
Total held:	13	2	1	1

Notes:
1. Resigned as an executive director on 27th August 2009.
Attended all board meetings to date of resignation.

the Annual General Meeting on 8th May 2009 that Mark Lawrence, Managing Director - London, was to be appointed group Chief Executive from 1st January 2010.

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 character and judgement, in spite of his length of service. In accordance with the Code, Russell Race will retire each year and, being eligible, will offer himself for re-election.

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. Michael Crowder and Beverley Stewart will retire and offer themselves for re-election at the next Annual General Meeting on 7th May 2010. 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 and Group Management Board

The Regional Board, chaired by Barry DeFalco until his resignation as a director on 27th August 2009, was responsible for controlling the subsidiary company operations and met twice during 2009. The Regional Board consisted of the Managing Director - Regional Operations and the managing directors of the subsidiary companies of T.Clarke plc. In the interim period from 27th August 2009 to the end of the year, the function of the Regional Board was assumed by the Executive Board.

With effect from 1st January 2010, a new reporting structure has been implemented, reflecting the three new regional divisions of South, North and Scotland. The Group Management Board, consisting of the Chief Executive, Finance Director and the three Managing Directors of the divisions, meets each month and considers matters in relation to the subsidiary companies. In addition, 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.

Audit committee

The audit committee is comprised of the non-executive directors Iain McCusker (Chairman), Beverley Stewart, and Bob Campbell. 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 is 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 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 auditors and review the effectiveness of the audit process; and
- review the extent of non-audit services provided by the external auditors.

In light of the procedures outlined in the section 'Internal control' (page 51) and after allowing for the internal procedures performed under the group quality control system, the committee does 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.

An analysis of the nature and amount of non-audit work undertaken by the group's 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.

Remuneration committee

During 2009, the remuneration committee was comprised of the non-executive directors Beverley Stewart (chair), Bob Campbell and Iain McCusker, who joined the committee from 1st January 2009. Russell Race stood down from the remuneration committee on 16th July 2009 as he is no longer deemed independent under the Code A.3.1 due to his length of service being over nine years. Russell Race is, however, consulted regarding the setting of the executive directors' remuneration by the committee.

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.

Nomination committee

During 2009, the nomination committee was comprised of the non-executive directors Beverley Stewart (chair), Russell Race, Bob Campbell and Iain McCusker, who 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 and 2009, the nomination committee considered a number of candidates for the role of Chief Executive to be filled upon Pat Stanborough's retirement at the end of 2009. External consultants were not used for the appointment because the board considered the candidates available to it, both internally and via contacts of the company, were of a sufficiently high quality and public reputation to justify direct recruitment. Following a lengthy recruitment process, where the merits of the various individuals were considered, Mark Lawrence was recommended to the board by the nomination committee and his appointment with effect from 1st January 2010 was approved by the board on 7th May 2009 and announced to the market in the Interim Management Statement on 8th May 2009.

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

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 Mark Lawrence and Victoria French are present at these meetings 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 2009 and, up to the date of approval of the annual report and accounts, that it is regularly reviewed by the board and 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 reports or information from the chair of the Regional Board and, from 1st January 2010, the chair of the Group Management Board. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting on 17th March 2010, the board carried out the annual assessment of the year ended 31st December 2009 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 internal control.

Going concern

After making reasonable enquiries, the board is satisfied that the company and 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 2010

REMUNERATION REPORT

Remuneration committee

The remuneration committee comprises the independent non-executive directors Beverley Stewart, Bob Campbell and Iain McCusker (appointed 1st January 2009) and is chaired by Beverley Stewart. Russell Race, the Chairman, stepped down from the committee on 16th July 2009 in line with corporate governance guidelines. The Chairman, however, is consulted in relation to the remuneration of the executive directors.

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 other members of senior management. The committee has considered any potential conflicts of interest and has decided that there are none and will continue to monitor the position.

Information relating to the emoluments and pension contributions of directors shown in the table below 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. In respect of the year ending 31st December 2011, the remuneration committee is planning to revise the remuneration structure, subject to shareholder consultation.

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

Remuneration totals

Directors' remuneration for the year ended 31st December 2009 was as follows:

	Salary and fees £	Bonus percentage %	Bonus[5] £	Benefits in kind £	2009 total £	2008 total £
P.E. Stanborough[1]	220,000	2.5	–	11,290	231,290	284,852
M. Lawrence	185,000	2.0	–	14,243	199,243	238,773
B.V. DeFalco[2]	138,750	2.0	–	21,209	159,959	245,346
M.C. Crowder	150,000	2.0	–	13,755	163,755	203,304
V.R. French	150,000	2.0	–	7,930	157,930	197,915
R.J. Race	42,500				42,500	40,000
R. Campbell	37,500				37,500	31,667
B.A. Stewart	35,000				35,000	30,000
I.McCusker[3]	35,000				35,000	–
L.J.D.Arnold[4]	–				–	23,333
	993,750		–	68,427	1,062,177	1,295,190

Notes

1. P.E. Stanborough retired from the board on 31st December 2009.
2. B.V. DeFalco's employment terminated on 30th September 2009 and he received a settlement of £215,000 plus benefits in kind of £16,188 for the period 1st January 2010 to 30th September 2010. B.V. DeFalco's total emoluments accrued in the year to 31st December 2009 were £391,147.
3. I. McCusker was appointed to the board on 1st January 2009 and hence the prior year comparative is £nil.
4. L.J.D. Arnold retired from the board on 31st July 2008.
5. The bonus percentage applied to profits above the lower threshold of £7.5m and below the upper threshold of £12.5m. Nil bonus was paid to the directors in relation to the 12 months ended 31st December 2009 (2008: £262,500) as profits for the year were below £7.5m.

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 23 to the accounts) of which all the executive directors are members. The company contribution is 16% (2008: 16%) of pensionable salary of which 5.2% relates to the deficit reduction contribution, and the individual director contributes 10% (2008: 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, in line with best practice. Details of the accrued pension benefits are shown on the table below. 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 on page 53. The reference level for the year ended 31st December 2009 was £7,500,000 (2008: £7,500,000) with a maximum reference level of £12,500,000 (2008: £12,500,000).

Bonuses paid are capped, with the maximum bonus achievable being the percentage shown in the table on page 53 multiplied by the difference between the lower and upper reference levels; the difference being £5,000,000 (2008: £5,000,000). No bonuses were payable in respect of the year ended 31st December 2009 (2008: £262,500) as the group profit before taxation was less than £7,500,000.

In respect of the year ending 31st December 2010, in the light of current economic conditions, the reference level was set by the remuneration committee at £5,500,000 (2009: £7,500,000) with a maximum reference level of £10,500,000 (2009: £12,500,000) based on the group structure as at 31st December 2009. In respect of the year ending 31st December 2011, the remuneration committee is planning to revise the

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

	Total pension accrued at 31.12.08 £ 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 31.12.09 £ p.a.	Transfer value of accrued pension at 31.12.08 £	Increase in transfer value £	Transfer value of accrued pension at 31.12.09 £
M. Lawrence	19,600	3,060	3,060	23,092	22,660	205,519	97,243	302,762
M.C. Crowder	22,905	5,935	5,935	70,448	28,840	260,660	150,655	411,315
V.R. French	3,267	2,226	2,226	12,648	5,493	36,626	29,848	66,474

Inflationary increases were assumed to be at 0% per annum during 2009 based on the revaluation provisions included in the scheme rules.

remuneration structure, subject to shareholder consultation.

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.

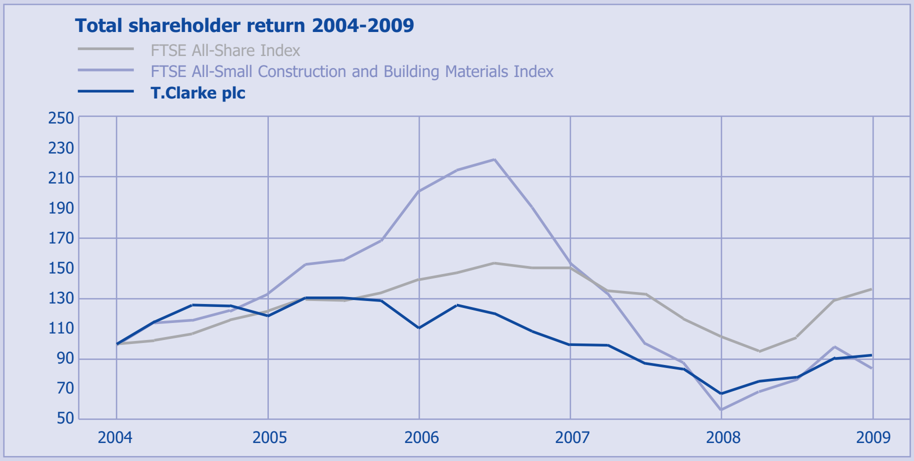
Key management remuneration
The remuneration of key management, excluding directors, was £4,042,000 (2008: £3,694,000) including termination payments of £313,000 (2008: £nil). Pension contributions in respect of key management, excluding directors, were £467,000 (2008: £449,000).

Performance graph
The graph below 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 2004 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 reinvested.

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
Beverley Stewart
Chair of the remuneration committee

18th March 2010



INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of T.Clarke plc for the year ended 31st December 2009 which are set out on pages 58 to 99. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Directors' Responsibilities Statement set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31st December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 48 to 52 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 52 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Paul Clark
Senior Statutory Auditor

For and on behalf of
Moore Stephens LLP Statutory Auditor

St Paul's House
Warwick Lane
London EC4M 7BP

18th March 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2009

	Notes	2009 £000	2008 £000
Revenue	1E	177,579	220,111
Cost of sales		(146,917)	(182,426)
Gross profit		30,662	37,685
Other operating income	2	100	100
Administrative expenses		(23,983)	(25,183)
Profit from operations	4	6,779	12,602
Investment income	3	221	952
Finance costs	3	(238)	(146)
Profit before taxation		6,762	13,408
Taxation	6	(2,146)	(4,554)
Profit for the year from continuing operations		4,616	8,854
Loss for the year from discontinued operations	8	(610)	(17)
Profit for the year		4,006	8,837
Earnings per share			
Attributable to equity holders of T.Clarke plc	7	10.03 pence	22.12 pence
On continuing operations	7	11.56 pence	22.16 pence

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2009

		2009 £000	2008 £000
Profit for the year		4,006	8,837
Actuarial (loss) / gain on defined benefit pension scheme	23	(5,872)	324
Tax on items taken directly to equity		1,644	(91)
Other comprehensive (expense) / income for the year, net of tax		(4,228)	233
Total comprehensive (expense) / income for the year		(222)	9,070

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December 2009

	Notes	2009 £000	2008 £000
Non current assets			
Goodwill	9	11,775	12,584
Property, plant and equipment	10	6,659	7,747
Deferred taxation	16	93	90
		18,527	20,421
Current assets			
Inventories	12	344	292
Construction contracts	13	11,126	11,255
Trade and other receivables	14	16,459	14,220
Bank deposits	19	10,660	–
Cash and cash equivalents	19	12,881	34,363
		51,470	60,130
Total assets		69,997	80,551
Current liabilities			
Bank overdraft and loans	21	306	4,002
Trade and other payables	15	37,603	40,907
Corporation tax liabilities		965	2,954
Obligations under finance leases	24	167	216
		39,041	48,079
Net current assets		12,429	12,051
Non current liabilities			
Retirement benefit obligation	23	5,959	1,938
Obligations under finance leases	24	99	221
		6,058	2,159
Total liabilities		45,099	50,238
Net assets		24,898	30,313
Equity			
Share capital	17	3,995	3,995
Share premium	18	1,234	1,234
Profit and loss account	18	19,669	25,084
Total equity		24,898	30,313

These financial statements were approved and authorised for issue by the board on 18th March 2010.

Mark Lawrence
Director

Russell Race
Director

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31st December 2009

	Notes	2009 £000	2008 £000
Non current assets			
Property, plant and equipment	10	49	36
Investments	11	18,600	20,970
Deferred taxation	16	44	50
		18,693	21,056
Current assets			
Construction contracts	13	1,716	1,472
Trade and other receivables	14	7,691	8,320
Bank deposits	19	10,660	–
Cash and cash equivalents	19	9,125	31,703
		29,192	41,495
Total assets		47,885	62,551
Current liabilities			
Bank overdraft and loans	21	–	2,937
Trade and other payables	15	21,224	28,203
Corporation tax liabilities		209	2,449
		21,433	33,589
Net current assets		7,759	7,906
Non current liabilities			
Retirement benefit obligation	23	5,959	1,938
Total liabilities		27,392	35,527
Net assets		20,493	27,024
Equity			
Share capital	17	3,995	3,995
Share premium	18	1,234	1,234
Profit and loss account	18	15,264	21,795
Total equity		20,493	27,024

These financial statements were approved and authorised for issue by the board on 18th March 2010.

Mark Lawrence
Director

Russell Race
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December 2009

	Notes	2009 £000	2008 £000
Net cash (used in) / generated by operating activities	19	(2,586)	26,314
Investing activities			
Interest received		187	905
Cash placed on deposit		(10,625)	–
Purchase of property, plant and equipment		(205)	(1,024)
Receipts on disposal of property, plant and equipment		924	320
Disposal of discontinued operations, net of cash disposed of	8	4	–
Net cash (used in) / from investing activities		(9,715)	201
Financing activities			
Equity dividends paid	18	(5,193)	(4,934)
Repayments of obligations under finance leases		(292)	(171)
Net cash used in financing activities		(5,485)	(5,105)
Net (decrease) / increase in cash and cash equivalents		(17,786)	21,410
Cash and cash equivalents at beginning of year		30,361	8,951
Cash and cash equivalents at end of year	19	12,575	30,361

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2009

	Notes	2009 £000	2008 £000
Balance at start of year		30,313	26,177
Profit for year		4,006	8,837
Actuarial (loss) / gain on defined benefit pension scheme	23	(5,872)	324
Corporation tax provision on pension benefits		1,644	(91)
Total comprehensive (expense) / income for the year		(222)	9,070
Interim dividend paid	18	(1,698)	(1,698)
Prior year final dividend paid	18	(3,495)	(3,236)
Balance at end of year		24,898	30,313

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31st December 2009

	Notes	2009 £000	2008 £000
Net cash (used in) / generated by operating activities	19	(7,139)	22,844
Investing activities			
Interest received		166	721
Cash placed on deposit		(10,625)	–
Dividends received from subsidiary companies		3,090	2,650
Purchase of property, plant and equipment		(40)	(12)
Receipts on disposal of property, plant and equipment		–	2
Disposal of investment in subsidiary		100	–
Net cash (used in) / from investing activities		(7,309)	3,361
Financing activities			
Equity dividends paid	18	(5,193)	(4,934)
Net cash used in financing activities		(5,193)	(4,934)
Net (decrease) / increase in cash and cash equivalents		(19,641)	21,271
Cash and cash equivalents at beginning of year		28,766	7,495
Cash and cash equivalents at end of year	19	9,125	28,766

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2009

	Notes	2009 £000	2008 £000
Balance at start of period		27,024	25,165
Profit for year		2,890	6,560
Actuarial (loss) / gain on defined benefit pension scheme	23	(5,872)	324
Corporation tax provision on pension benefits		1,644	(91)
Total comprehensive (expense) / income for the year		(1,338)	6,793
Interim dividend paid	18	(1,698)	(1,698)
Prior year final dividend paid	18	(3,495)	(3,236)
Balance at end of period		20,493	27,024

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

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 41. The nature of the group's operations and its principal activities are described in Note 2 and in the Business and Financial Review on page 3.

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), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS 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 2009 and have been presented in £000s.

The following new and amended IFRSs have been adopted as of 1st January 2009:

The Group has adopted IAS 1 (revised) 'Presentation of financial statements' as of 1st January 2009. The revised standard prohibits the presentation of items of income and expenditure within the statement of changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two (the income statement and statement of comprehensive income). The Group has elected to present two performance statements, the consolidated income statement and the consolidated statement of comprehensive income. IAS 1 has also introduced a number of changes in terminology, and as a consequence the balance sheet has been renamed the 'consolidated statement of financial position' and the cash flow statement has been renamed the 'consolidated statement of cash flows'. There have been no changes to the reported results or financial position as a result of adopting the revised standard.

The following new standards, interpretations and amendments, also effective for the first time from 1st January 2009, have not had a material effect on the financial statements:

- Amendment to IFRS 7 Financial Instruments - Disclosures
- Amendment to IAS 23 Borrowing Costs
- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendment to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- Improvements to IFRSs (2009)
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- Embedded Derivitives (Amendments to IFRIC 9 and IAS 39)

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 29.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 1 – Accounting policies continued

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 resources to and assessing the performance of operating divisions.

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 reporting 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 is 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 Held for Sale and Discontinued Operations (IFRS 5).

Purchased goodwill, being the excess of the cost of a business combination over the fair value of the

Note 1 – Accounting policies continued

identifiable assets, liabilities and contingent liabilities acquired, is capitalised and classified as an asset in the statement of financial position. 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.

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 comprehensive income. 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 receivables, trade payables, finance leases and similar hire purchase contracts, bank deposits and cash and cash equivalents net of overdrafts. The group does not trade in any financial derivatives.

Trade receivables

Trade receivables, which are non-interest bearing, are measured on initial recognition at fair value and subsequently at amortised cost. Appropriate allowances

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 1 – Accounting policies continued

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.

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 receivable 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 receivable is uncollectible it is written off against the allowance account for trade receivables.

Bank deposits

Bank deposits comprise cash placed on deposit with financial institutions with an initial maturity of six months or more, and are measured at amortised cost using the effective interest rate method.

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 payables

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

M. Taxation

Tax is recognised in the income statement except to the extent that it relates to items recognised in the statement of comprehensive income.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the 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 except where they are directly attributable to qualifying assets, in which case they are added to the cost of the asset.

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

Note 1 – Accounting policies continued

final dividends, this is when approved by the shareholders at the AGM.

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 reporting date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented as a component of other comprehensive income.

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 represents the fair value of the defined benefit obligation at each reporting date 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 reporting 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 9.

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 23. 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 comprehensive income and the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

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 was organised into two operating divisions, London and UK Regions, and an internal property division until 31st December 2009, and the group has reported segmental information on this basis. All assets and liabilities of the group have been allocated to these divisions, apart from the retirement benefit obligation and tax assets and liabilities.

Following a strategic review, from 1st January 2010 the group has been reorganised into three regional divisions comprising Scotland, the North and the South (including London), and for the year ending 31st December 2010 onwards plans to report segmental information on this basis.

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 2009	London **£000**	UK Regions **£000**	Property **£000**	Elimination **£000**	Total **£000**
Revenue	67,765	109,814	584	(584)	177,579
Profit from operations	2,927	3,163	689	–	6,779
Investment income	201	54	–	(34)	221
Finance costs	(237)	(35)	–	34	(238)
Profit before tax	2,891	3,182	689	–	6,762
Taxation					(2,146)
Profit for the year from continuing operations					4,616

Profit from operations for the UK regions is stated net of a goodwill impairment charge of £809,000 (2008: £1,801,000). Further details are given in Note 9. The segmental information for the year ended 31st December 2008 has been restated to exclude the results of operations reclassified as discontinued operations in the year ended 31st December 2009. Further information on discontinued operations is given in Note 8.

Year ended 31st December 2008	London **£000**	UK Regions **£000**	Property **£000**	Elimination **£000**	Total **£000**
Revenue	102,132	117,979	637	(637)	220,111
Profit from operations	9,753	2,445	404	–	12,602
Investment income	781	262	–	(91)	952
Finance costs	(97)	(140)	–	91	(146)
Profit before tax	10,437	2,567	404	–	13,408
Taxation					(4,554)
Profit for the year from continuing operations					8,854

Note 2 – Segmental analysis continued

Other segment information:

	2009		2008	
	Capital additions **£000**	Depreciation **£000**	Capital additions **£000**	Depreciation **£000**
London	41	28	12	28
UK Regions	297	527	677	658
Property	31	133	463	142
	369	688	1,152	828

	2009		
	Assets **£000**	Liabilities **£000**	Net assets **£000**
London	29,241	(21,224)	8,017
UK Regions	39,888	(17,519)	22,369
Property	5,599	(4,256)	1,343
Unallocated	93	(6,924)	(6,831)
Eliminations	(4,824)	4,824	–
Consolidated	69,997	(45,099)	24,898

	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

Total revenue comprises:	2009 **£000**	2008 **£000**
Sales revenue - construction contracts	177,579	220,111
Other operating income:		
Rents	57	68
Other	43	32
	100	100
	177,679	220,211

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 3 – Investment income / finance cost

	2009 £000	2008 £000
Investment income		
Interest on bank deposits	203	882
Other interest receivable	18	70
	221	952
Finance cost		
Interest on bank overdrafts and loans	(2)	(17)
Interest on obligations under finance leases	(31)	(42)
Other interest (including finance charge related to pension obligations)	(205)	(87)
	(238)	(146)
Net total of investment income and finance cost	(17)	806

Note 4 – Profit from operations

	2009 £000	2008 £000
Operating profit is stated after charging / (crediting):		
Goodwill impairment charge (see note 9)	809	1,801
Depreciation of property, plant and equipment	688	828
Profit on sales of freehold property	(254)	(5)
Loss on sale of other property, plant and equipment	29	30
Auditor's remuneration: Moore Stephens LLP		
– statutory audit fee	143	145
– compliance taxation services	17	16
– tax advisory services	–	4
– pension scheme audit	6	5
– other	–	3
Other group company auditors		
– statutory audit fee	123	120
– compliance taxation services	7	7
– tax advisory services	4	–
– other services	3	18
Operating lease charges		
– land and buildings	29	134
– plant, machinery and vehicles	983	1,004
Raw materials and consumables	47,709	84,523
Rent receivable	(57)	(68)
Bad debt expense	1,871	1,480

Note 5 – Directors and employees

	2009 **£000**	2008 **£000**
Staff costs		
Staff costs during the year were as follows:		
Wages and salaries	49,717	55,317
Termination costs	1,585	373
Social security costs	5,108	5,568
Other pension costs	1,020	1,209
	57,430	62,467
Average number of employees		
– staff (including directors)	303	331
– operatives	1,041	1,102
	1,344	1,433

	2009 **£000**	2008 **£000**
Directors' remuneration		
Staff costs include the following remuneration in respect of directors:		
Remuneration in respect of qualifying services as directors of the company	1,062	1,295
Termination costs	231	–
	1,293	1,295

The directors (other than the independent non-executive directors) receive company cars and medical insurance, the taxable benefits of which amount to £68,000 (2008: £68,000) and are included above.

The number of directors to whom retirement benefits are accruing under a defined benefit scheme is three (2008: three). There are no accrued lump sum benefits.

Additional information concerning directors' remuneration is included in the remuneration report on pages 53 to 55.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 6 – Taxation

Taxation expense	2009 **£000**	2008 **£000**
Current tax expense		
UK corporation tax payable on profits for the year	2,180	4,442
Adjustment for (over) / under provision in prior periods	(113)	23
	2,067	4,465
Deferred tax expense		
Arising on:		
Origination and reversal of temporary differences	79	89
	79	89
Total income tax expense	2,146	4,554
Reconciliation of tax charge		
Profit for the year from continuing operations	6,762	13,408
Tax at standard UK tax rate of 28% (2008: 28.5%)	1,893	3,821
Tax effect of:		
Permanently disallowable items	366	710
(Over) / under provision in prior years	(113)	23
	2,146	4,554

£80,000 of the deferred tax charge (2008: £87,000) has been included within the retirement benefit obligation (see Note 23).

Note 7 – Earnings per share

The earnings per share represents the profit for the year 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 (2008: 39,947,889). The profit for the year is as follows:

	2009 **£000**	2008 **£000**
Profit attributable to equity holders of the company	4,006	8,837
Loss from discontinued operations attributable to equity holders of the company	610	17
Profit from continuing operations attributable to equity holders of the company	4,616	8,854

Note 8 – Discontinued operations

During 2009 the group wound down and closed its operations in Altrincham, and on 15th October 2009 completed the disposal of Kestrel Electrical Systems Limited (Kestrel). In accordance with IFRS 5 these operations have been classified as discontinued operations and the comparatives for 2008 have been restated to show income generated and expenses incurred by these operations within loss on discontinued operations in the income statement.

The post-tax loss on disposal of discontinued operations was determined as follows:

	2009 **£000**
Consideration received:	
Cash	100
Net assets disposed of:	
Net assets disposed of (other than cash)	
Property, plant and equipment	69
Inventories	29
Trade and other receivables	100
Trade and other payables	(92)
Corporation tax liabilities	(8)
Obligations under finance leases	(42)
Deferred taxation	(2)
	54
Cash disposed of	96
	150
Pre-tax loss on disposal of discontinued operation	(50)
Related tax credit	–
	(50)
The net cash inflow comprises:	
Cash received	100
Cash disposed of	(96)
	4

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 8 – Discontinued operations continued

The post-tax loss from discontinued operations was determined as follows:

Results of discontinued operations	2009 £000	2008 £000
Revenue	1,968	3,614
Cost of sales	(1,917)	(2,816)
Gross profit	51	798
Administrative expenses	(820)	(818)
Operating loss	(769)	(20)
Investment income	–	13
Finance costs	(2)	(5)
Loss from discontinued operations before taxation	(771)	(12)
Taxation	211	(5)
Loss from discontinued operations after tax	(560)	(17)
Loss on disposal of discontinued operations	(50)	–
Loss on discontinued operations, net of tax	(610)	(17)
Basic loss per share (pence)	1.53 pence	0.04 pence

The income and expenses of Kestrel and the Altrincham operations were included in the UK Regions business segment in the 2008 consolidated financial statements. All items of income and expense, relating to discontinued operations, were recognised directly in the income statement for both 2008 and 2009.

The consolidated statement of cash flows includes the following amounts relating to discontinued operations:

	2009 £000	2008 £000
Operating activities	105	(11)
Investing activities	(4)	18
Financing activities	5	(31)
Net cash from discontinued activities	106	(24)

Note 9 – Goodwill

	2009 £000	2008 £000
Cost:		
At 1st January	14,385	14,385
Disposal	(379)	–
At 31st December	14,006	14,385
Impairment:		
At 1st January	1,801	–
Impairment charge	809	1,801
Disposal	(379)	–
At 31st December	2,231	1,801
Net book value:		
At 1st January	12,584	14,385
At 31st December	11,775	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 2010, reflecting the level and quality of secured work, in each business. In respect of future periods beyond 2010, no growth has been assumed. A discount rate of 9.4% (2008: 9.3%) has been applied to the extrapolated cash flow projections.

Following the annual impairment review undertaken at 31st December 2009, the Directors concluded that the goodwill arising on the acquisition of Anglia Electrical Services Limited, which forms part of the UK Regions operating division, had been impaired due to a reduction in underlying trading. Goodwill in respect of this cash generating unit 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 11).

The significant elements of goodwill at 31st December 2009 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 TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 10 – Property, plant and equipment

GROUP	Freehold properties £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1st January 2008	6,797	6,013	12,810
Additions	463	689	1,152
Disposals	(141)	(908)	(1,049)
At 1st January 2009	7,119	5,794	12,913
Additions	31	338	369
Disposals	(650)	(881)	(1,531)
At 31st December 2009	6,500	5,251	11,751
Accumulated depreciation and impairment			
At 1st January 2008	1,128	3,914	5,042
Charge for the year	142	686	828
Disposals	(11)	(693)	(704)
At 1st January 2009	1,259	3,907	5,166
Charge for the year	133	555	688
Disposals	(72)	(690)	(762)
At 31st December 2009	1,320	3,772	5,092
Net book value at 1st January 2008	5,669	2,099	7,768
Net book value at 31st December 2008	5,860	1,887	7,747
Net book value at 31st December 2009	5,180	1,479	6,659

The net book value of group plant, machinery and vehicles includes an amount of £428,000 (2008: £658,000) in respect of assets held under finance leases. Depreciation of £67,000 (2008: £233,000) was charged during the year on assets held under finance leases.

The group has granted a charge in favour of the T.Clarke Group Pension Scheme for the greater of £1.5m or half the market value in respect of a property occupied by T.Clarke plc, to secure the future pension obligations of the pension scheme. The book value of the property at 31st December 2009 was £955,000 and its current value is approximately £2.7m.

Note 10 – Property, plant and equipment continued

COMPANY	Freehold properties £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1st January 2008	–	714	714
Additions	–	12	12
Disposals	–	(35)	(35)
At 1st January 2009	–	691	691
Additions	–	41	41
At 31st December 2009	–	732	732
Accumulated depreciation and impairment			
At 1st January 2008	–	662	662
Charge for the year	–	28	28
Disposals	–	(35)	(35)
At 1st January 2009	–	655	655
Charge for the year	–	28	28
At 31st December 2009	–	683	683
Net book value at 1st January 2008	–	52	52
Net book value at 31st December 2008	–	36	36
Net book value at 31st December 2009	–	49	49

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 11 – Investments

COMPANY	2009 £000	2008 £000
Investments in subsidiaries comprise:		
Cost:		
At 1st January	24,550	24,550
Disposals	(695)	–
At 31st December	23,855	24,550
Impairment:		
At 1st January	3,580	572
Impairment charge	2,220	3,008
Disposals	(545)	–
At 31st December	5,255	3,580
Net book value:		
At 1st January	20,970	23,978
At 31st December	18,600	20,970

An annual impairment review is undertaken at 31st December each year in conjunction with the goodwill impairment review (see Note 9), using the same underlying cash flow projections and other key assumptions.

Following the annual impairment review at 31st December 2009 the directors concluded that the costs of investment in three subsidiaries were impaired and the investments have been written down to £nil in the company balance sheet.

Note 12 – Inventories

GROUP	2009 **£000**	2008 **£000**
Raw materials	344	292

Note 13 – Construction contracts in progress

	Group		Company	
	2009 **£000**	2008 **£000**	2009 **£000**	2008 **£000**
Contract work in progress comprises:				
Contract costs incurred plus recognised profits less recognised losses to date	120,376	182,842	37,482	102,200
Less: progress payments	(116,492)	(180,075)	(40,677)	(108,134)
	3,884	2,767	(3,195)	(5,934)
Contracts in progress at the balance sheet date:				
Gross amounts due from customers	11,126	11,255	1,716	1,472
Gross amounts due to customers, included in trade and other payables	(7,242)	(8,488)	(4,911)	(7,406)
	3,884	2,767	(3,195)	(5,934)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 14 – Trade and other receivables

GROUP	2009 £000	2008 £000
Trade receivables - gross	16,558	14,736
Trade receivables - allowances for credit losses	(1,202)	(1,291)
Trade receivables	15,356	13,445
Other receivables	218	188
Prepayments and accrued income	885	587
	16,459	14,220
Movements in allowances for credit losses are as follows:		
At 1st January	(1,291)	(639)
Provided in year	(2,349)	(1,252)
Recovered in year	478	227
Written off in year	1,960	373
At 31st December	(1,202)	(1,291)

Trade receivables (including retentions) are due as follows:		
Due within 3 months	8,475	7,035
Due in 3 to 6 months	1,196	788
Due in 6 to 12 months	2,187	2,129
Due after more than one year	1,165	846
Overdue	3,535	3,938
	16,558	14,736
The ageing of overdue trade receivables is as follows:		
Less than 30 days	880	661
31-60 days	499	639
61-120 days	629	718
Greater than 120 days	1,527	1,920
	3,535	3,938

Note 14 – Trade and other receivables continued

COMPANY	2009 £000	2008 £000
Trade receivables - gross	3,258	2,822
Trade receivables - allowances for credit losses	(464)	(619)
Trade receivables	2,794	2,203
Owed by group companies	4,428	5,955
Other receivables	180	139
Prepayments and accrued income	289	23
	7,691	8,320
Movements in allowances for credit losses are as follows:		
At 1st January	(619)	–
Provided in year	(119)	(619)
Recovered in year	252	–
Written off in year	22	–
At 31st December	(464)	(619)

Trade receivables (including retentions) are due as follows:		
Due within 3 months	1,826	1,289
Due in 3 to 6 months	168	107
Due in 6 to 12 months	339	497
Due after more than one year	329	–
Overdue	596	929
	3,258	2,822
The ageing of overdue trade receivables is as follows:		
Less than 30 days	–	–
31-60 days	46	106
61-120 days	22	160
Greater than 120 days	528	663
	596	929

As of 31st December 2009 allowances of £1,202,000 (2008: £1,291,000) are held against trade receivables of the group and allowances of £464,000 (2008: £619,000) are held against trade receivables 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 TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 15 – Trade and other payables

	Amounts falling due within one year	
GROUP	2009 **£000**	2008 **£000**
Payments received on account	7,242	8,488
Trade payables	21,210	19,759
Other taxation and social security payable	3,080	5,012
Accruals and deferred income	6,071	7,648
	37,603	40,907
COMPANY		
Payments received on account	4,911	7,406
Trade payables	8,742	9,178
Owed to group companies	5,291	6,684
Other taxation and social security payable	757	2,688
Accruals and deferred income	1,523	2,247
	21,224	28,203

Trade payables payments terms are as follows:

GROUP	2009 **£000**	2008 **£000**
30 days or less	12,550	9,809
31-60 days	6,998	8,255
Greater than 60 days	1,662	1,695
	21,210	19,759
COMPANY		
30 days or less	6,788	5,226
31-60 days	1,020	3,191
Greater than 60 days	934	761
	8,742	9,178

Note 16 – Deferred taxation

GROUP	Accelerated tax depreciation £000	Other £000	Total £000
Asset at 1st January 2008	53	35	88
Credit / (charge) to income	8	(6)	2
Asset at 1st January 2009	61	29	90
Disposals	2	–	2
Credit / (charge) to income	3	(2)	1
Asset at 31st December 2009	66	27	93

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

	2009 £000	2008 £000
Deferred tax liabilities	(23)	(37)
Deferred tax assets	116	127
	93	90

COMPANY	Accelerated capital allowances £000	Other £000	Total £000
Asset at 1st January 2008	25	35	60
Charge to income	(2)	(8)	(10)
Asset at 1st January 2009	23	27	50
Charge to income	(4)	(2)	(6)
Asset at 31st December 2009	19	25	44

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 17 – Called up equity share capital

	2009 **No:**	2008 **No:**	2009 **£000**	2008 **£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.

Note 18 – Reserves

GROUP	Share premium account £000	Profit & loss account £000
Balance at 1st January 2008	1,234	20,948
Profit for the year	–	8,837
Dividends paid	–	(4,934)
Net actuarial gain on pension scheme	–	233
Balance at 1st January 2009	1,234	25,084
Profit for the year	–	4,006
Dividends paid	–	(5,193)
Net actuarial loss on pension scheme	–	(4,228)
Balance at 31st December 2009	1,234	19,669

COMPANY	Share premium account £000	Profit & loss account £000
Balance at 1st January 2008	1,234	19,936
Profit for the year	–	6,560
Dividends paid	–	(4,934)
Net actuarial gain on pension scheme	–	233
Balance at 1st January 2009	1,234	21,795
Profit for the year	–	2,890
Dividends paid	–	(5,193)
Net actuarial loss on pension scheme	–	(4,228)
Balance at 31st December 2009	1,234	15,264

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. Profit after taxation amounting to £2,890,000 (2008: £6,560,000) has been included in the financial statements of the holding company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 18 – Reserves continued

Dividends	2009 £000	2008 £000
Final dividend of 8.75 pence (2008: 8.1 pence) per ordinary share proposed and paid during the year relating to the previous year's results	3,495	3,236
Interim dividend of 4.25 pence (2008: 4.25 pence) per ordinary share paid during the year	1,698	1,698
	5,193	4,934

The directors are proposing a final dividend of 8.75 pence (2008: 8.75 pence) per ordinary share totalling £3,495,000 (2008: £3,495,000). This dividend has not been accrued at the reporting 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 2009 final payment, may do so by contacting Capita Registrars on 0871 664 0300 (lines are open 8:30am - 5:30pm Monday to Friday. Calls cost 10p per minute plus network charges). The last day for election for the final dividend reinvestment is 19th April 2010 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.
Profit and loss account	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income.

Note 19 – Notes to the statement of cash flows

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

GROUP	2009 £000	2008 £000
Profit / (loss) from operations:		
Continuing operations	6,779	12,602
Discontinued operations	(768)	(20)
Depreciation charges	688	828
Goodwill impairment charge	809	1,801
Defined benefit pension scheme credit	(485)	(252)
(Profit) / loss on sale of fixed assets	(225)	25
Operating cash flows before movements in working capital	6,798	14,984
Increase in inventories	(81)	(5)
Decrease / (increase) in contract balances	130	(159)
(Increase) / decrease in trade and other receivables	(2,340)	10,852
(Decrease) / increase in trade and other payables	(3,216)	3,973
Cash generated by operations	1,291	29,645
Corporation tax paid	(3,835)	(3,179)
Interest paid	(42)	(152)
Net cash (used in) / generated by operating activities	(2,586)	26,314

COMPANY		
Profit from operations	657	6,744
Depreciation charges	28	28
Impairment charge - investments in subsidiaries	2,220	3,008
Defined benefit pension scheme credit	(485)	(252)
Profit on sale of fixed assets	–	(2)
Loss on sale of investment in subsidiary	50	–
Operating cash flows before movements in working capital	2,470	9,526
(Increase) / decrease in contract balances	(244)	2,688
Decrease in trade and other receivables	594	2,362
(Decrease) / increase in trade and other payables	(6,944)	10,496
Cash (used in) / generated by operations	(4,124)	25,072
Corporation tax paid	(2,977)	(2,132)
Interest paid	(38)	(96)
Net cash (used in) / generated by operating activities	(7,139)	22,844

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 19 – Notes to the statement of cash flows continued

B. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible into cash, less bank overdrafts, and are analysed as follows.

GROUP	2009 £000	2008 £000
Cash and cash equivalents	12,881	34,363
Bank overdrafts	(306)	(4,002)
	12,575	30,361

COMPANY		
Cash and cash equivalents	9,125	31,703
Bank overdrafts	–	(2,937)
	9,125	28,766

C. Bank deposits

Bank deposits comprise two fixed rate deposits of £5,625,000 and £5,000,000 with initial maturity dates of six months or more, maturing on 2nd March 2010 and 19th July 2010, respectively. The deposits earn interest at between 1.5% and 1.6% per annum and the company can access the funds on giving 30 day's written notice.

D. Significant non-cash transactions

Additions to plant, machinery and vehicles during the year amounting to £164,000 (2008: £128,000) were financed by new finance leases.

Note 20 – Related party transactions

The amounts due to and from subsidiaries are disclosed in Notes 14 and 15 respectively. T.Clarke plc was charged rent of £160,000 (2008: £160,000) during the year by a subsidiary company for occupation of group properties. T.Clarke plc charged subsidiary companies £342,000 (2008: £293,000) during the year for insurance services and £165,000 for IT services (2008: £nil), and waived advances of £nil (2008: £1,000,000) made to subsidiaries.

All transactions relating to key management (including directors) are as shown in the remuneration report on pages 53 - 55.

Note 21 – Bank overdrafts & loans

GROUP	2009 £000	2008 £000
Bank overdrafts	306	4,002
The borrowings are repayable as follows:		
– on demand or within one year	306	4,002

The weighted average interest rates paid were as follows:	Year ended 31.12.2009 %	Year ended 31.12.2008 %
Bank overdrafts	5.0	6.0

COMPANY	2009 £000	2008 £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 31.12.2009 %	Year ended 31.12.2008 %
Bank overdrafts	–	5.5

Bank overdrafts with a value of £nil (2008: £644,000) are secured against the assets of the subsidiaries in which they are held. At 31st December 2009 the group had unused overdraft facilities of £1,244,000 (2008: £2,104,000). At 31st December 2009 the company had no overdraft facility (2008: £nil), 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 for 2008 represented uncleared payments at 31st December 2008.

The company is a joint guarantor in respect of banking facilities granted to certain subsidiaries. The amounts outstanding under this arrangement are not significant and no value has been attributed to the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 22 – Subsequent events

On 18th March 2010 the company acquired the entire share capital of D&S (Engineering Facilities) Limited, a facilities management business based in Accrington, specialising in mechanical, electrical and related civil engineering services for an initial cash consideration of £10.6 million, including an escrow amount of £0.5m due to be released to the vendors following agreement of the final completion accounts. Additional consideration of up to £1.0m is payable, in the event of certain asset and cash targets being met in the completion accounts, resulting in a total consideration of up to £11.6m. In light of the cash in D&S (Engineering Facilities) Limited's balance sheet at acquisition, the net cash outlay by T.Clarke is expected to be up to £8.1m.

Note 23 – 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.

The total cost charged to income of £630,000 (2008: £614,000) 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. During 2009 the group consulted with members and with effect from 1st March 2010 the benefit structure has been altered from a final salary scheme with an accrual rate of 1/60th to a Career Average Revalued Earnings scheme with an accrual rate of 1/80th. No other post-retirement benefits are provided. The assets of the scheme are held separately from those of the participating companies, 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 represented 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 2009. 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:	2009 **%**	2008 **%**
Rate of increase in salaries	4.70	3.70
Rate of increase of pensions in payment	3.25	2.40
Discount rate	5.65	6.70
Inflation assumption	3.70	2.70
Expected return on scheme assets	6.45	6.60

Note 23 – Pension commitments continued

The mortality assumptions used in the IAS 19 valuation were:		2009 **Years**	2008 **Years**
Life expectancy at age 65 for current pensioners	- Men	23.7	23.7
	- Women	26.8	26.8
Life expectancy at age 65 for future pensioners (current age 45)	- Men	24.8	24.8
	- Women	27.8	27.8

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

	2009 **£000**	2008 **£000**
Current service cost	429	655
Interest cost	1,270	1,270
Expected return on scheme assets	(1,071)	(1,330)
	628	595

Of the charge for the year £429,000 (2008: £655,000) has been included in administrative expenses and a charge of £199,000 (2008: £60,000 credit) in finance costs. Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial loss recognised in the statement of comprehensive income since the date of transition to IFRS is £4,275,000 (2008: gain £1,597,000).

There was a positive return on scheme assets in 2009 of £2,923,000 (2008: negative return of £3,394,000).

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

	2009 **£000**	2008 **£000**
Present value of defined benefit obligations	28,005	18,924
Fair value of scheme assets	(19,728)	(16,233)
Deficit in scheme	8,277	2,691
Unrecognised past service cost	–	–
	8,277	2,691
Related deferred tax asset	(2,318)	(753)
Liability recognised in the balance sheet	5,959	1,938
The amount is presented in the balance sheet as follows:		
Current liabilities	–	–
Non-current liabilities	5,959	1,938
	5,959	1,938

The deferred tax asset has been calculated using a corporation tax rate of 28% (2008: 28%).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 23 – Pension commitments continued

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

	2009 **£000**	2008 **£000**
At 1st January	18,924	22,290
Current service cost	429	655
Interest cost	1,270	1,270
Employee contributions	571	570
Transfers received	–	2
Actuarial loss / (gain)	7,724	(5,048)
Benefits paid	(913)	(815)
At 31st December	28,005	18,924

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

	2009 **£000**	2008 **£000**
At 1st January	16,233	18,963
Expected return on scheme assets	1,071	1,330
Gain / (loss) on scheme assets	1,852	(4,724)
Employer contributions	914	907
Employee contributions	571	570
Transfers received	–	2
Benefits paid	(913)	(815)
At 31st December	19,728	16,233

The actuarial loss of £5,872,000 (2008: gain £324,000) represents the net movement between the actuarial losses of £7,724,000 (2008: actuarial gains £5,048,000) and gains of £1,852,000 (2008: loss £4,724,000).

Note 23 – Pension commitments continued

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

	Expected return		Fair value of assets	
	2009 **%**	2008 **%**	2009 **£000**	2008 **£000**
Equities	7.45	6.74	7,915	7,580
Bonds	5.65	6.70	5,989	3,874
Property	7.45	6.74	1,988	1,926
Cash	4.45	3.74	1,361	568
Insurance annuity contracts	5.65	6.70	2,475	2,285
Weighted average expected return	6.45	6.60	19,728	16,233

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:

	2009 **£000**	2008 **£000**	2007 **£000**	2006 **£000**	2005 **£000**
Present value of defined benefit obligations	(28,005)	(18,924)	(22,290)	(24,035)	(21,904)
Fair value of scheme assets	19,728	16,233	18,963	17,692	15,784
Deficit in the scheme	(8,277)	(2,691)	(3,327)	(6,343)	(6,120)
Experience adjustments on scheme liabilities					
Amount (£000)	(7,724)	5,048	3,212	(727)	(1,761)
Percentage of scheme liabilities (%)	28%	27%	14%	3%	8%
Experience adjustments on scheme assets					
Amount (£000)	1,852	(4,724)	(39)	642	1,223
Percentage of scheme assets (%)	9%	29%	0%	4%	8%

The estimated amount of employer contributions expected to be paid to the scheme during the current financial year to 31st December 2010 is £813,000 (year to 31st December 2009: £842,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 24 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2009 **£000**	2008 **£000**	2009 **£000**	2008 **£000**
Amounts payable under finance leases:				
Within one year	192	246	167	216
In the second to fifth years inclusive	114	243	99	221
	306	489	266	437
Less: future finance charges	(40)	(52)	–	–
Present value of lease obligations	266	437	266	437
Less: Amount due for settlement within 12 months			(167)	(216)
Amount due for settlement after 12 months			99	221

The average lease term is three to four years. For the year ended 31st December 2009 the average effective borrowing rate was 9.0 per cent (2008: 8.2 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.

Note 25 – Operating lease obligations

	Land and buildings 2009 £000	Other operating leases 2009 £000	Land and buildings 2008 £000	Other operating leases 2008 £000
Minimum lease payments under operating leases recognised in income for the year	29	983	134	1,004

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:

	Land and buildings 2009 £000	Other operating leases 2009 £000	Land and buildings 2008 £000	Other operating leases 2008 £000
Within one year	6	563	54	548
In the second to fifth years inclusive	9	1,630	17	1,614
After five years	–	764	–	271
	15	2,957	71	2,433

Note 26 – Contingent liabilities

The company is guarantor in respect of banking facilities granted to certain of its subsidiary companies. The extent to which these facilities were utilised at the reporting date amounted to £50,000 (2008: £nil). 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 three subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 27 – 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 2008 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 17 and 18. 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 24.

B. Financial instruments

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

Cash and cash equivalents	Note 19
Bank deposits	Note 19
Bank overdrafts	Note 21
Trade receivables	Note 14
Trade payables	Note 15

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.

Note 27 – 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 reporting 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 receivables and cash on deposit represents the group's maximum exposure to credit risk. At the balance sheet date the largest balance outstanding was £18,881,000 held as cash or 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 5%, the effect of a delay / acceleration in the maturity of half the group's trade receivables at the balance sheet date would be to decrease / increase profit by approximately £64,000 for each month of delay / acceleration, and the effect of a delay / acceleration in the maturity of the group's trade payables at the balance sheet date would be to increase / decrease profit by approximately £106,000 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 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% increase in interest rates on the group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the reporting date would be to increase profits by approximately £192,000 per annum. Details of the group's and the company's overdraft facilities are disclosed in Note 21. Details of finance lease commitments are disclosed in Note 24.

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 TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2009

Note 28 – 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
Aylward EMS Limited	Ordinary
Anglia Electrical Services Limited	Ordinary
H&C Moore Limited	Ordinary
J.J. Cross Limited	Ordinary
Mitchell & Hewitt Limited	Ordinary
T.Clarke (Bristol) Limited	Ordinary
T.Clarke (Midlands) Limited	Ordinary
T.Clarke (Scotland) Limited (formerly SCS Building Services Limited)	Ordinary
Veale-Nixon Limited	Ordinary
Waldon Electrical Contractors Limited	Ordinary
W.E. Manin Limited	Ordinary

Property holding company	
Weylex Properties Limited	Ordinary

Note 29 – New standards and interpretations not in force

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the group's future financial statements:

IFRS 3 (revised) 'Business Combinations' (effective 1st July 2009). The revised standard continues to apply the acquisition method to business combinations, but makes a number of changes. All payments to acquire a business are to be recorded at fair value at the date of acquisition, with contingent consideration classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs are to be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1st January 2010.

IAS 38 (amendment) 'Intangible assets' (published April 2009 as part of the IASB's annual improvements project). The amended standard clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

The following new standards, interpretations and amendments, which have not been applied in these financial statements, are not expected to have a material effect on the group's future financial statements:

IAS 27 (revised) 'Consolidated and separate financial statements' (effective 1st July 2009)

IFRIC 17 'Distribution of non-cash assets to owners' (effective 1st July 2009)

IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations' (published April 2009 as part of the IASB's annual improvements project)

IAS 1 (amendment) 'Presentation of financial statements' (published April 2009 as part of the IASB's annual improvements project)

IFRS 2 (amendments) 'Group cash-settled share-based payment transactions (expected to be effective 1st January 2010)

IAS 24 'Related party disclosure' (effective 1st January 2011)

IFRS 9 'Financial instruments' (expected to be effective 1st January 2013)

IFRIC 19 'Extinguishing financial liaibilities' (effective 1st July 2010)

In addition, the IASB undertakes an annual improvement project. The current project is not expected to have a material effect on the group's future financial statements.

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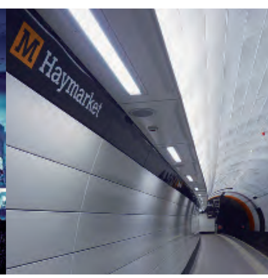
BUILDING SERVICES GROUP



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