TClarke

Any pipe, any wire, any project, anywhere

Annual report and financial statements 2011

Contents

Our businesses

Visit www.tclarke.co.uk to see our businesses, our current projects and project wins. Go to pages 4 to 6 in this annual report to read more about our eight businesses here.

TClarke is a nationwide building services group delivering mechanical, electrical and ICT engineering services throughout the construction cycle of design, installation, commissioning and facilities management.

We deliver the same capability and quality across the UK. Since 1889, we have built and retained a reputation for outstanding delivery. Our focus is on eight business areas where prospects for growth meet our ability to deliver quality, innovation and added value to our clients.

Intelligent buildings
Facilities management
Green technologies
Rail
Utilities and technologies
Manufacturing
Residential and hotels
M&E contracting

Revenue	Profit before tax	Profit before tax margin	Underlying operating profit
£184m	£4.9m	2.7%	£4.8m
2010: £179m	2010: £5.7m	2010: 3.2%	2010: £7.3m

Our company, TClarke

We are a nationwide building services group. We deliver high levels of value to building projects through the full lifecycle of design, installation, commissioning and maintenance.

Our goal is to be recognised as a 'top five' building services contractor in all the sectors in which we operate. To do that we aim to demonstrate value through engineering excellence and innovation in every way.

At the same time we are focused on retaining and enhancing our traditional reputation for delivering good value, total trustworthiness and excellent work quality.

Earnings per share	Dividend per share	Forward order book
9.69p	**3.00p**	**£190m**
2010: 8.91p	2010: 8.50p	2010: £190m

Chairman's statement

TClarke has delivered financial results for the year that show underlying revenue and profit before tax in line with the board's expectations.

Group turnover increased by 2.7% to £184 million (2010: £179 million) as the group maintained its declared strategy of only securing contracts at commercially acceptable levels. The underlying operating profit of £4.8 million (2010: £7.3 million), was delivered despite continued margin pressure across the group. Scotland remained loss-making for the year but delivered an improving performance which we intend to build upon.

The forward order book has remained resilient and at 31st December 2011 totalled £190 million, unchanged on the previous period. Of this £115 million is scheduled for completion during 2012.

After accounting for profit on the sale of property assets, amortisation of intangible assets and non-recurring costs, reported pre-tax profit fell by 14% to £4.9 million and earnings per share were 9% higher at 9.69p (2010: 8.91p) reflecting the tax impact of the property sale.

The group remains debt free and had positive net cash balances at 31st December 2011 of £0.6 million (2010: £7.2 million). The board has always had and continues to have a strict attitude towards cash management. We expect to see an improving cash position during the course of the normal business cycle despite pressures from clients, contractors and suppliers.

Continuing the group's stated policy the board proposes a final dividend for the year of 2p (2010: 4.25p), giving a total for the year of 3p (2010:8.50p). The final dividend will be paid on 18th May 2012 to shareholders on the register as of 20th April 2012.

Outlook

We stated in August 2011 that the outlook is very much similar to that of a year ago and this still remains the case. In this context it is particularly pleasing to report that we have secured some of the most significant projects that have come to market particularly in the London commercial sector. It is also pleasing that we secured targeted projects that are away from our traditional M&E contracting in line with the group's strategy.

As evidenced by the resilience of our order book tendering activity and opportunities remain high across the group, and the broader prospects are encouraging despite the testing short term challenges.

The board is focused on delivering value for our customers and shareholders. The strategy that we outlined last year indicated we would target other sectors in the wider building services markets and that this repositioning will assist with future growth and profitability when the upturn arrives.

On behalf of the board I thank our shareholders, employees, clients and suppliers for their continued loyal support. Our long standing reputation, financial strength, and the quality and commitment of our people across the UK continues to differentiate TClarke from its competitors. The continuing unstinting efforts from the executive team and our people do not go unrecognised.

Russell Race
Chairman
20th March 2012

Business review

Overview

Through its core skills and reputation TClarke remains a market leader in its chosen markets. In very challenging conditions we have a healthy forward order book supported by the newer strategic capabilities that we have recently added to our service offering. This has helped to develop TClarke as a more rounded building services provider, improving the group's resilience. As a nationwide organisation we can focus on the key growth opportunities across our markets.

The continued integration of the group builds upon our reputation for quality work delivered by excellent people.

In 2011 70% of the group's revenue was delivered by businesses that trade under the TClarke brand, this will increase to over 80% during 2012 with the rebranding of our businesses in Accrington, Sittingbourne and St Austell.

Reporting into our Group Management Board, the three integrated reporting divisions; Scotland, the North and the South of England support our eight target business sectors. This improves our ability to quickly identify and exploit commercial opportunities across the group and equally as important, to manage our businesses in a more consistent and cohesive manner.

The Group Management Board has recently been strengthened with the addition of Andy Griffiths, Commercial Director of TClarke London; Gary Jackson, Managing Director of TClarke Scotland and Danny Robson, Managing Director of DGR Mechanical Services ('DGR').

TClarke South

The South Division is the largest of our three operating divisions and includes the London business.

In the capital we have secured some of the most significant schemes that have come to market and whilst price remains the most influential factor, financial strength, reputation and quality of people plays an equally important part. When a client decides on a project award, it is these secondary factors that differentiate TClarke from its competitors.

DGR has been fully integrated within the group with both DGR and TClarke London now operating out of our new central London Head Office. This successful integration has meant we now offer our clients in London mechanical services that complement our electrical capabilities, whilst the DGR brand itself continues to maintain and build its own relationships with clients and contractors.

In a departure from the infill acquisitions which we have historically undertaken, during the period we have invested in two key strategic TClarke offices in Cardiff and Plymouth; these share common resources including local management from our established businesses in Bristol and St Austell. Both locations have secured encouraging work volumes for 2012.

TClarke North

Our Northern businesses delivered a robust performance for the year securing a number of projects particularly in the public sector.

D&S Engineering Facilities, which is now trading as TClarke North West, once again made a valuable contribution to the group and through cross-selling has introduced other group companies to its key clients, which led to significant project wins and the prospect of future opportunities across the UK. Like other areas of the country the North is not immune to the current climate within the construction sector however we are confident the division will continue to maintain and build upon its market share.

TClarke Scotland

Whilst Scotland remained loss making for the year as a whole, it delivered an improving performance which we intend to build upon. Our business in Scotland suffered as a result of the continuing weak economic environment together with a fiercely competitive contracting market.

The management has responded by restructuring parts of the business with the appointment of Gary Jackson as Managing Director, who was previously Director of the successful Plumbing Division.

The division continues to reduce its cost base and remains focused on margin improvement. In common with all the group's operations the business does not target non-commercial profit margins in the general construction sector. Our focus in Scotland has been on sectors where it is believed there are opportunities both in terms of margin and future works with particular attention to residential, engineering and IT led projects.

Operational review

We are working in a number of ways to deliver the business vision which is to be recognised nationwide as a top five contractor in the building services sectors in which we operate. We continue to focus on eight key sectors in building services that offer growth potential, and this has helped the group to broaden the range of services that we offer.

Mechanical and electrical contracting remains at the centre of the business but the seven other sectors now provide over 40% of the group's revenue and provide the foundations for future growth and most importantly recurring revenues.

Intelligent buildings

Our Intelligent Buildings division represents an investment in engineering capability and in resources nationwide.

TClarke provides the complete Information and Communication Technologies service (ICT), integrating all the data and communications, building management, lighting control, fire, security, access and AV systems delivered on internet-based systems on any scale.

Having previously completed the structured cabling network for the London 2012 Olympic Stadium we are now involved with schemes for Detica / BAE Systems at a number of their UK locations. In London at The Emirates Air Line, we have been appointed to undertake the complete ICT installation and associated service for the first urban cable car system of its kind in the UK.

In Scotland we are retained to undertake the installation of Smart Home Technology for a number of house builders such as Cala Homes, Mactaggart & Mickel, Miller Homes, Ogilvie Homes and Persimmon.

As our reputation grows in this sector we expect to benefit from further opportunities within our main M&E packages and from securing stand-alone ICT contracts.

Facilities management

Our Facilities Management (FM) business is more than a maintenance function; it involves all types of business support processes including the care of offices, commercial or institutional buildings, such as hospitals, office complexes, arenas and schools and across complex industrial sites for major clients. We assist clients to ensure they can operate, maintain and expand their businesses efficiently.

Across the UK over £20 million of our revenue for 2011 was from FM and other framework type projects and we entered 2012 with a secured order book of £21 million.

Progress within FM is benefiting from our national coverage. We have a long association with BAE Systems and Springfield Nuclear Fuels in the North West. Recent clients in the North region include Leeds Northern School of Dance; Leeds Grand Theatre; Siemens; and the Court Service in Crewe, Blackpool and Chester.

In the Midlands and the East of the UK we have secured term contracts for Defence Estates, Luminus Group and Peterborough City Council.

In London and the South East we have contracts for Credit Suisse, Dungeness Power Station, Imperial College, ITV plc, the London 2012 Olympic Stadium and Manston Airport.

As we promote the group further, each current project we complete in other sectors becomes an opportunity for our FM Business.

Green technologies

Sustainable development is at the core of today's buildings and whilst green technology is still relatively young in the marketplace its solutions have quickly become adopted as part of the mainstream requirements of any new design. This is seen as a key growth opportunity for the group.

TClarke has the ability to deliver fully integrated green solutions - including all the mechanical, electrical and

technology elements. As an example we completed photovoltaic installations at three solar farms covering 11 acres for Vogt Solar at St. Nicholas at Wade and Ebbsfleet, Kent and at Durrants, Isle of Wight.

Rail

Our Rail and Transport Division provides M&E engineering services from design through to construction throughout the UK on a number of key transport projects.

In London we completed projects for the DLR including Cutty Sark Station and the East Route. At London Bridge Station we have been involved with three projects; the main station concourse; new TfL bus station; and most recently we commenced our works on the Thameslink enabling package.

We have commenced our onsite works at Victoria Underground Station, a scheme that extends to 2018. Our most unique and visual transport project will be the completion of The Emirates Air Line cable car system which is currently under construction in East London, where we are undertaking the M&E as well as the full ICT installations.

In Scotland we have ongoing contracts at Waverley Station, Edinburgh and Gilmour Street Station, Paisley.

Looking forward, we see opportunities to build upon our current portfolio of projects, including Crossrail and HS2, and our current forward order book is in excess of £20 million.

Utilities and technologies

In the medium term we see considerable potential in the utility industry and in the technology sector, focusing on large scale data centres.

Within the group, we have in recent years been successfully involved with projects for British Energy / EDF and Springfield Nuclear Fuels. In 2011 we completed the third phase of a major data centre in Slough, Berkshire.

£7 million of revenue was delivered by this part of the business during 2011. Should we secure any one of the major data centres that we are targeting then we expect this revenue to rise significantly.

Manufacturing

Our manufacturing facilities include workshops in Essex, Yorkshire and Scotland which are utilised by all the companies within the group.

TClarke has the in-house capability to manufacture and prefabricate elements of an installation on every scale as well as to deliver high quality bespoke engineering components.

This capability gives us four key advantages. Firstly, it allows us to play our role in setting and meeting demanding project timescales by introducing off-site prefabrication. Secondly, this capability can be extremely significant in helping clients to meet sustainability targets in manageable and readily measurable ways. Thirdly, these facilities are central to our ability to innovate and improve the speed and value of what we do. Finally, prefabrication allows us to improve the quality of the work and the health and safety of the working environment for our operatives.

These advantages have been fully utilised and demonstrated at The Shard, Europe's tallest building where we provided the prefabricated multi-service modules. In addition we have recently secured a similar contract for The Place, London Bridge, 428,000 sq. ft. of office space in a 17 storey building.

Our workshops in Scotland have the high-spec engineering skills necessary to build bespoke replacement equipment for companies such as First Engineering.

Residential and hotels

TClarke offers a complete service of design, installation, commissioning and maintenance for the residential market. We also offer a one-stop shop for the full range of electrical, ICT and mechanical services required. Our projects range from bespoke high-spec private homes to new-build housing estates, student accommodation, housing association developments and major hotel groups and brands.

In the residential sector we completed over 400 new

homes in Scotland worth around £9 million and expect similar levels in 2012. In progress at Temple Quay, Bristol, the Eye which has 72 apartments over 12 floors.

In the hotel sector we completed Congham Hall Hotel, Grimston and are currently working on schemes at The Hogs Head Inn, Alnwick, and Premier Inn, Ealing.

M&E contracting

On 13th September 2011 Europe's largest urban shopping centre, the 1.9 million sq. ft. Westfield Stratford City, opened to the public. Adjacent to Stratford City, the 2012 Olympic Stadium, two highly recognisable projects that we are proud to have been associated with which will be seen around the world this summer.

Whilst M&E contracting remains central to the group, and underpins the business, right across the UK we are trusted on the most complex and large-scale projects. Clients and contractors see us as integral to their success; we anticipate their needs and deliver on commitments we make.

Our highly skilled workforce, supported by technically experienced engineers, set high standards that we continually innovate and improve upon - we thrive on challenge and accomplishment.

Mark Lawrence
Group Chief Executive
20th March 2012

Across the London skyline there are many examples of the quality projects that we have secured, which are at various stages of completion:

- Brent Civic Centre
- Deutsche Bank
- Eltham Hill Technology College
- Freshfields Bruckhaus Deringer
- JP Morgan
- North East Quadrant at Regent's Place
- Park House
- Royal London Hospital
- Southfields School
- Tate Modern 2
- The Shard
- The Place
- 20 Fenchurch Street (The Walkie Talkie)
- 100 Bishopsgate.

Whilst across the UK our regional businesses have an equally impressive work bank of projects:

- Accrington Academy
- All Saints Academy, Dunstable
- Bellbird Primary School, Sawston
- Benfield School, Newcastle
- Bath RU Hospital, Bath
- Bedford Academy, Bedford
- Collegelands Office Development, Glasgow
- College of West Anglia, Kings Lynn
- De Warenne Academy, Doncaster
- Fife Renewables Innovation Centre, Fife
- Imperial Tobacco, Bristol
- INTO Newcastle University
- Jesus College, Cambridge
- Nazareth House, Plymouth
- Normanton Fire Station
- Oxford Aviation New Training Facility
- Royal Mail Parcel Centre, Sheffield
- The Vertical Pier, Redcar
- Welsh Ambulance Service Trust, Bridgend
- Wyvern School, Ashford Kent
- York University

Financial review

Summary of Financial performance	2011	2010	Change
Continuing operations	**£m**	£m	%
Revenue	**183.8**	179.0	2.7
Underlying operating profit	**4.8**	7.3	-34.2
Intangibles amortisation	**(0.5)**	(0.3)	
Non-recurring costs	**(1.0)**	(1.0)	
Net profit on the sale of land and buildings	**2.1**	–	
Operating profit	**5.4**	6.0	-10.0
Net interest	**(0.5)**	(0.3)	
Profit before tax	**4.9**	5.7	-14.0
Tax	**(0.9)**	(1.7)	
Profit after tax	**4.0**	4.0	–
Discontinued operations	–	(0.4)	
Profit for the year	**4.0**	3.6	11.1
Earnings per share - basic	**9.69p**	8.91p	8.8
Earnings per share - diluted	**9.64p**	8.91p	8.3
Underlying earnings per share	**7.34p**	12.44p	-40.1

Underlying earnings per share is stated after adjusting for £0.3m tax on adjusting items (2010: £0.4m).

Group performance

The group continued to trade profitably in spite of the challenging economic conditions. Turnover increased by 2.7% to £183.8 million (2010: £179.0 million), including full year contributions from D&S Engineering Facilities (now rebranded TClarke North West) and DG Robson Mechanical Services, both of which were acquired in 2010.

Profit before tax was £4.9 million (2010: £5.7 million), including a £2.1 million profit on the sale of land and buildings and after deducting £0.5 million amortisation of intangible assets (2010: £0.3 million) and £1.0 million non-recurring costs (2010: £1.0 million). Further details of non-recurring items are disclosed in Note 7 to the financial statements.

Underlying operating profit was down 34% to £4.8 million (2010: £7.3 million), representing an underlying operating margin of 2.6% (2010: 4.1%). Underlying operating profit consists of operating profit, as adjusted for: amortisation of intangible assets, profit on disposal of land and buildings and non-recurring costs.

The net finance cost was £0.5 million (2010: £0.3 million), including a £0.4 million non-cash pension scheme finance charge (2010: £0.3 million).

Tax expense was £0.9 million (2010: £1.7 million), giving an effective tax rate of 18.4% (2010: 29.8%). The main reason for the difference between the effective tax rate and the standard UK corporation tax rate of 26.5% was the impact of the property sale, with allowable indexation reducing the taxable gain significantly. Excluding the property sale, the effective rate of tax would have been 29.4%.

TClarke South

Revenue from our South operations increased to £117.1 million (2010: £111.8 million), including a full year contribution from DG Robson Mechanical Services. Operating profit was £1.7 million (2010: £4.8 million), representing a profit margin of 1.5% (2010: 4.3%). Underlying operating profit before amortisation of other intangible assets and non-recurring expenses was £2.7 million (2010: £5.5 million). The South incurred restructuring costs, with the merger of our Peterborough and Derby operations and the realignment of our direct workforce in London to match our workloads.

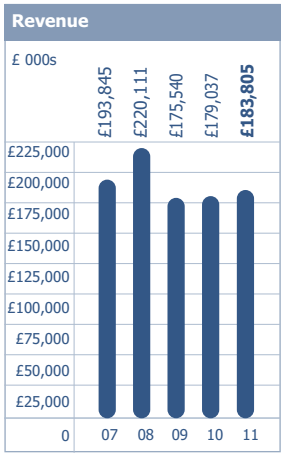
TClarke North

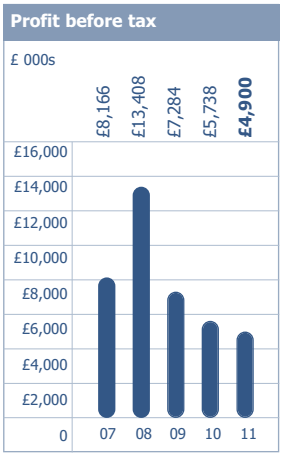
Revenue from our North operations increased to £49.7 million (2010: £46.0 million), including a full year contribution from TClarke North West. Operating profit was £1.9 million (2010: £2.2 million), representing a profit margin of 3.8% (2010: 4.7%). Underlying operating profit before amortisation of other intangible assets and non-recurring expenses was £2.2 million (2010: £2.7 million).

TClarke Scotland

Revenue in Scotland decreased to £17 million (2010: £21.2 million), but the division reported a reduced operating loss of £0.7 million (2010: £1.4 million) and a reduced underlying operating loss of £0.6 million (2010: £1.3 million). Further restructuring costs were incurred to enable the division to focus on its core strengths in the residential market and profitable growth areas such as IT and engineering-led projects.

Five year financial highlights



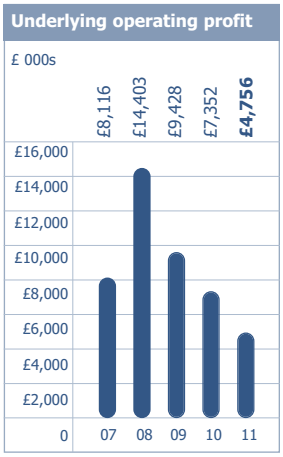


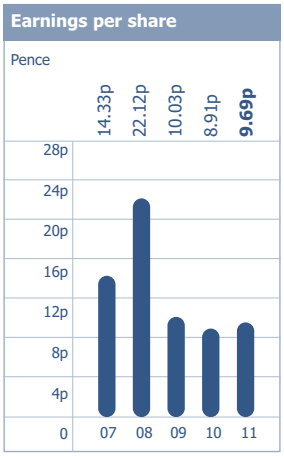
Earnings per share

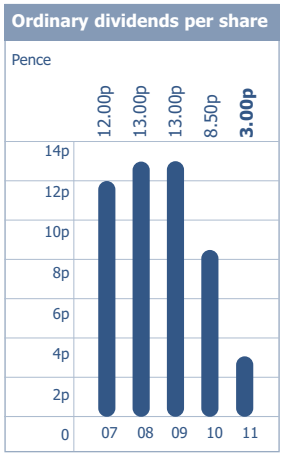
Basic earnings per share were 9.69p (2010: 8.91p), and diluted earnings per share were 9.64p (2010: 8.91p). Underlying earnings per share after adjusting for amortisation of intangible assets, non-recurring costs and profits arising on property disposals and the tax effect of these items, were 7.34p (2010: 12.44p).

Dividends

The board is proposing a final dividend of 2.00p (2010: 4.25p), making a total dividend for the year of 3.00p (2010: 8.50p), which is covered 2.5 times by underlying earnings. The final dividend will be paid, subject to shareholder approval, on 18th May 2012 to those shareholders on the register at 20th April 2012. The dividend will go ex-dividend on 18th April 2012. A dividend reinvestment plan (DRIP) is available to shareholders.







Cash flow and funding

The group had positive cash balances of £0.6 million at 31st December 2011 (2010: £7.2 million) and apart from £0.2 million outstanding under finance leases (2010: £0.3 million) the group had no debt. The group is funded by share capital and retained reserves and there are no plans to change this structure.

Cash outflow in the year was £6.6 million (2010: £5.4 million, including net outflow of £7.5 million on acquisitions). The main reason for the cash outflow in 2011 is adverse working capital movements, with clients and contractors continuing to stretch their payment terms and suppliers seeking to shorten their payment terms. In spite of the short-term challenges this situation presents, the group's £8.0 million overdraft facility provides the flexibility we need to cover the short-term cash flow fluctuations that inevitably arise in the contracting sector.

Pension obligations

In accordance with IAS 19 'Employee Benefits', an actuarial loss of £1.0 million has been recognised in the year, with the pension scheme deficit increasing by £0.9 million to £10.0 million (2010: £9.1 million).

A triennial valuation of the pension scheme as at 31st December 2009 showed a deficit of £7.9 million, which represents a funding level of 71.5%. The group has put in place a deficit reduction plan to eliminate the deficit over a number of years, with total employer contributions remaining at 16% of pensionable salary for three years, rising to 18% thereafter. The group has provided security to the pension scheme in the form of a charge over property assets with a market value of £3.1 million.

Accounting policies

The group's accounting policies are consistent with the accounting policies applied in previous years, except that the group has adopted the valuation basis in respect of its property assets as at 31st December 2011. A valuation surplus of £0.8 million net of deferred tax was recognised in the year. The group's property assets had a market value of £4.7 million at 31st December 2011, supported by an external valuation.

Goodwill

Following recent acquisitions, a significant part of the group's net assets are represented by goodwill in the underlying businesses. The board has undertaken a rigorous impairment review as at 31st December 2011. In spite of the current economic pressures the underlying businesses remain strong, and the carrying value of the remaining goodwill is supported by detailed budgets and projections.

Net assets

Net assets excluding goodwill and other intangible assets are positive £1.9 million (2010: negative £0.3 million), and the group's net current assets are positive £3.7 million (2010: £0.6 million).

Summary and prospects

The economic outlook for the sector remains challenging, but the steps we have taken to reshape the business over the last two years have provided a solid base on which to build. Our order book across the country remains strong and, as confidence returns to the construction market, we are well placed to take advantage of future opportunities as they arise.

Martin Walton
Finance Director
and Company Secretary
20th March 2012

Principal risks and uncertainties

The principal risks and uncertainties faced by the group and the controls and mitigating factors in place are as follows:

Market conditions
The markets in which we operate have been extremely difficult. Public sector cutbacks and low levels of confidence in the private sector have restricted the opportunities available within the construction sector generally, increasing market competition for the remaining work. Our diversified businesses across the country mitigate against this risk, with no overreliance on any one sector. We are also actively seeking to further develop relationships with key clients and contractors, to build on our financial strength and reputation.

The board remains committed to the principle that we will not bid for work below commercially acceptable rates. It continues to make conservative assessments of final accounts from project completions and the likely outcome for a number of ongoing projects. We have aligned our cost base to reflect workloads; further realignments could be undertaken if considered appropriate to reflect changes in the prevailing market conditions.

Contractual and operational risk
We are continually assessing and managing operational risk 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.

At any time there may be several hundred contracts in progress across the country. 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 trades people receive regular training to meet our demanding standards.

Failure to deliver projects to time, quality or budget, and contractual disputes that can arise over the scope and valuation of contracts, may make the ultimate outcome of contracts uncertain. Our business information systems monitor profit and cash flow throughout the life of a contract, and regular review meetings are held at the contract and business unit level to monitor progress and address issues as they arise.

Cost inflation
Commodity prices of copper and steel are major component parts within our industry. In addition, UK prices of materials that we procure could be adversely affected by any weakness of sterling. The majority of projects we secure do not allow for the recovery of increased labour and material costs. We have in place formal supplier framework agreements across the UK to manage and, where possible, mitigate this risk, with prices locked in through procurement at the beginning of a contract wherever possible.

Credit and counterparty risk
The group's main financial assets are contract and other trade receivables and cash and bank balances. These assets represent the group's main exposure to credit risk, which is the risk that a counterparty will fail to discharge its obligations, resulting in financial loss to the group. The group may also be exposed to financial and reputational risk through the failure of a subcontractor or supplier.

The financial strength of counterparties are considered prior to signing contracts, and are reviewed as contracts progress where there are indications that a counterparty may be experiencing financial difficulty. Procedures include the use of credit agencies to check the creditworthiness of existing and new clients and the use of approved suppliers' lists and group-wide framework agreements with key suppliers.

Liquidity risk
The group manages liquidity risk by maintaining adequate reserves and banking facilities, monitoring cash flows and by matching maturity profiles of financial assets and liabilities within the bounds of its contractual obligations.

The group arranges banking facilities and places surplus cash on deposit only with large UK financial institutions.

Cash flow interest rate risk
The group is exposed to changes in interest rates on its bank borrowings and deposits.

The group's financial instruments comprise cash and cash equivalents, bank deposits, overdraft facilities, contract and other trade receivables, trade balances and similar balances arising directly from operations. Surplus cash is placed on instant access, short-term or long-term deposits at fixed or floating rates, taking into account future cash requirements based on short and medium-term cash projections. The group does not trade in speculative financial instruments.

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; we aim to mitigate this via due diligence prior to acquisition, ensuring effective local management is in place and by the implementation of group reporting and internal control procedures.

Going forward, in the shorter term we believe future growth will be best achieved by building upon the existing group structure and the services offered and by expanding our existing businesses into areas where we do not have a local presence, as demonstrated by the recent creation of offices in Cardiff and Plymouth.

Employee numbers at 31st December 2011

	Directors	Staff	Skilled operatives	Apprentices	Adult trainees	Total
2011	49	298	723	130	35	1,235
2010	47	280	860	158	32	1,377

People
Alongside the acquisition of practical capability, we have deliberately set out to acquire high calibre people in key roles from outside the organisation to bring us fresh insights and energy in order to deliver our strategy.

Providing a consistently high quality service to our clients is only possible with the right people: 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 and by providing opportunity and encouragement to help our people reach their full 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. However as a result of the current market conditions we have and will continue 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
Failure to manage health, safety and environmental risks could cause serious injury or loss to employees or third parties and expose the group to significant financial and reputational loss and litigation.

Health and safety - accident statistics			
	2011	2010	2009
TClarke London	23	43	49
TClarke Bristol	2	2	11
TClarke Midlands	14	11	16
TClarke Scotland	3	4	2
TClarke East	10	8	9
TClarke North West	6	7	–
DGR Mechanical Services	6	3	–
H&C Moore	12	8	12
Veale-Nixon	2	4	5
Waldon Electrical Contractors	5	5	8
WE Manin	2	5	4
	85	100	116

At TClarke, health, safety and environmental considerations are at the forefront of every working and management decision and one of the prime elements considered before any undertaking. This is achieved through our senior managers participating in a recognised safety leadership scheme and operatives receiving ongoing topical health, safety and environmental training.

We recognise that continual, 100% commitment around the clock is paramount for achieving a culture where all employees are themselves promoting best practice and look out, not only for their colleagues, but for all 3rd parties who may be affected by any company operation. We acknowledge that there is no place in our health and safety systems for half measures and our ethos is to continue to evolve and improve upon existing standards, statistics and safe working practices. 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.

Information technology

The efficient operation of the group is dependent upon the proper operation, performance and development of its IT systems. Failure to manage or integrate IT systems or failure to implement changes in IT systems successfully could result in loss of control over business information, impact the group's ability to meet its contractual obligations and expose the group to financial loss.

Significant IT developments are subject monitored at board level and delegated to the Group IT Manager to implement, supported by IT specialists in the regional businesses.

Pensions

The group is exposed to funding risks arising from changes in longevity, inflation and investment assumptions in relation to its defined benefit pension scheme.

The defined benefit pension scheme is open to qualifying senior management and staff within the group. Following consultation with members, the group altered the structure of the scheme in 2010 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. The scheme remains open to new members. Ongoing funding and regulatory requirements are monitored in conjunction with external actuarial advisers and regular meetings are held with the pension scheme trustees.

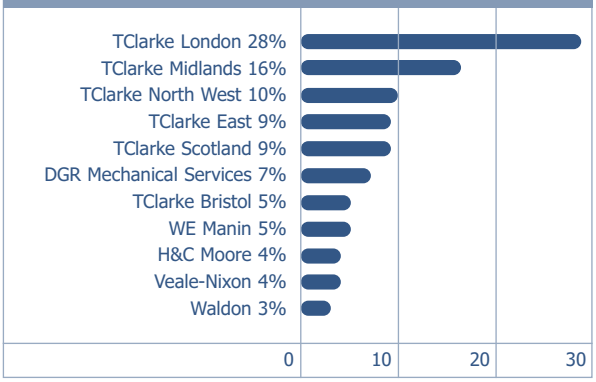
Regulatory risks

The group is subject to complex and evolving tax, legal and regulatory requirements. A breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.

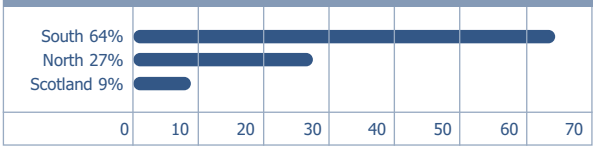
The group monitors legal and regulatory developments in the areas in which it operates, and seeks legal or other specialist advice as appropriate. It is group policy to require that all subsidiaries, employees, suppliers and subcontractors comply with applicable laws and regulations. The group has a zero tolerance policy to bribery and corruption and has instigated a group-wide programme to raise awareness of the 2010 Bribery Act.

Financial KPIs

TClarke percentage revenue by subsidiary 2011



TClarke percentage revenue by reporting region 2011



Financial key performance indicators

1. Achieved target of above average sales per employee in each of the last four years, compared with selected peer group.
2. Achieved target of above average pre-tax profit margins, compared with peer group in each of the previous four years.
3. Achieved target of above average pre-tax profits per employee in each of the previous four years.
4. Achieved target of above average remuneration per employee in order to retain and attract high quality employees.

Peer group comparisons

	2011	2010	2009	2008	2007
Sales (£000s) per employee					
TClarke plc	**140**	**124**	**131**	**154**	**126**
Lorne Stewart plc		136	130	131	118
Bailey Limited		168	152	186	151
Emcor Group (UK) plc		93	101	112	120
Rotary Limited		117	116	94	80
Average		124	124	137	118
Pre-tax profit margin %					
TClarke plc	**2.67**	**3.20**	**4.15**	**6.09**	**4.21**
Lorne Stewart plc		3.51	3.46	2.73	3.85
Bailey Limited		(0.84)	6.73	1.32	1.34
Emcor Group (UK) plc		5.42	3.50	3.03	(1.21)
Rotary Limited		5.53	4.04	5.39	4.67
Average		3.00	4.65	3.09	1.93
Pre-tax profit (£000s) per employee					
TClarke plc	**3.7**	**4.0**	**5.4**	**9.4**	**5.3**
Lorne Stewart plc		4.8	4.5	3.6	4.5
Bailey Limited		(1.4)	10.2	2.5	2.0
Emcor Group (UK) plc		5.1	3.6	3.4	(1.5)
Rotary Limited		6.5	4.7	5.1	3.7
Average		3.7	5.8	4.2	2.3
Remuneration (£000s) per employee					
TClarke plc	**37**	**35**	**37**	**39**	**34**
Lorne Stewart plc		37	38	37	34
Bailey Limited		33	36	36	33
Emcor Group (UK) plc		32	33	34	33
Rotary Limited		26	28	26	24
Average		32	34	34	31
Base data: (£000s)					
Sales					
TClarke plc	**183,805**	179,037	175,540	220,111	193,845
Lorne Stewart plc		173,192	183,410	224,018	206,079
Bailey Limited		336,080	380,413	497,656	413,254
Emcor Group (UK) plc		297,724	320,887	357,418	378,699
Rotary Limited		175,461	185,452	140,739	216,773
Pre-tax profit (£000s)					
TClarke plc	**4,900**	5,738	7,284	13,408	8,166
Lorne Stewart plc		6,079	6,343	6,113	7,936
Bailey Limited		(2,834)	25,585	6,579	5,546
Emcor Group (UK) plc		16,132	11,232	10,833	(4,595)
Rotary Limited		9,710	7,492	7,591	10,166

2011 and 2010 results are on a continuing basis
2011 results for the peer group are unavailable at present
Source: Companies House

Meaningful non-financial KPIs

In accordance with the environmental, social responsibility and other quality standards that we meet, TClarke monitors many details of our non-financial key performance indicators (KPIs), from the amount of paper we consume, to the energy we use in our buildings. This is our set of simple and meaningful non-financial KPIs.

Health and safety

Our health and safety procedure manual has now become a three part document after another extensive and considerable review. It encompasses in considerable detail the health and safety procedures that are required for all our core business operations.

The relocation to 45 Moorfields has seen the development and implementation of a new, self-contained, fully-equipped training area with state-of-the-art visual and sound components and break-out areas.

Initiatives

Safety committee meetings that include attendees from key members of the supply chain continue to provide a constructive platform for interaction and lessons learned. They also act as a barometer for gauging the health and safety culture at that particular point in time.

The Safety Leadership Scheme (SLS) undertaken by all key directors and senior managers across the group of companies continues to be embraced and is a process for the participants to record the key health and safety interactions that they carry out during the course of their undertakings.

The 'You See, You Say' card initiative goes from strength to strength and has proved invaluable as the number of 'Near Miss' reports generated from the operatives input has increased three-fold as a result of improved feedback from the workforce. Any potential for harm is negated and any developing negative trends are highlighted.

All TClarke operatives continue to have regular in-house health and safety training and are fully 100% ECS/CSCS card holder compliant.

Accreditations and memberships

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.

Memberships and accreditations for 2011 = 29

Quality standards

Our quality of work and environmental performance is best practice or industry leading. A measure of this is the number of contracts deemed to be delivered defect free.

For 2011 this figure was 91%

Training

We believe that the skills of our people are key to our success; with the ongoing expansion into other sectors of the building industry the need to train and develop our people is paramount.

We can utilise new skills, whilst maintaining the technical expertise and know-how required to practise traditional techniques.

This commitment, coupled with the knowledge that the business will always deliver, gives our clients an assurance that we will not let them down. Together we can deliver a project to be proud of.

Average number of courses per employee in 2011 = 1.04

Apprenticeships

During 2011 through our apprentice training scheme TClarke continues to provide 100% commitment to the Olympic Development Authority's training target on the Olympic Park.

Our apprentices within the group continue to achieve well, with a drop-out rate of less than 1%.

During the worst economic climate the construction industry has known for many years, the TClarke group continue to train apprentices to a gold standard; in this way we can be confident the company will continue to carry good quality skilled people through and beyond the recession.


Congratulations!

T Clarke

has been nominated for best contribution to the London 2012 Apprenticeship Programme at the Olympic Delivery Authority Contractor Diversity Awards 2011

John Armitt, Chairman
Olympic Delivery Authority

Be proud

Executive directors

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

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

Martin Walton
Group Finance Director
and Company Secretary
47 years old,
four years with the company.
Chartered Accountant
(ICAEW), Group Financial
Controller 2007,
Finance Director from
26th October 2010.

Shareholder information and company advisors

Registered office
45 Moorfields
London EC2Y 9AE
Registered in England
Number: 119351

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

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300

Corporate broker
N+1 Brewin
12 Smithfield Street
London EC1A 9LA
Tel: 020 3201 3710

Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Independent non-executive directors

Russell Race
Chairman
65 years old,
14 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 TClarke 1998,
appointed Chairman 2000.

Bob Campbell
Senior Independent Director
69 years old,
fifth 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 TClarke 2008.

Beverley Stewart
Independent Director
51 years old,
seventh 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 TClarke 2005.

Iain McCusker
Independent Director
60 years old,
fourth 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 TClarke 2009.

Report of the directors

The directors present their annual report and the audited financial statements of the group for the year ended 31st December 2011.

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 10 and is included by reference into this report.

Results and dividends

The results for the year ended 31st December 2011 are set out in the Consolidated Income Statement on page 33.

Profit for the year was £4,009,000 (2010: £3,604,000).

The directors recommend the payment of a final dividend for the year of 2.00p per share, which together with the interim dividend of 1.00p paid on 8th October 2011, makes a total distribution of 3.00p for the year (2010: 8.50p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 18th May 2012 to shareholders on the register as at 20th April 2012. The shares will go ex-dividend on 18th April 2012.

A dividend reinvestment plan ('DRIP') 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 2011 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 26th April 2012 and any requests should be made in good time ahead of that date.

Movements on reserves are shown in the Statement of Changes in Equity on pages 37 and 38.

Beneficial interests

Directors' interests in the issued share capital of TClarke plc are:

	Number of shares		
	1.1.2011	31.12.2011	20.3.2012
R.H. Campbell	35,000	35,000	35,000
B.A. Stewart	21,000	21,000	21,000
M. Lawrence	10,000	20,000	20,000
M.C. Crowder	4,000	12,000	12,000
M.R. Walton	2,000	10,000	10,000
R.J. Race	6,000	6,000	6,000
I. McCusker	2,000	2,000	2,000

Directors and their interests

The present membership of the board is set out in more detail in the Corporate Governance Report on pages 22 to 25. Directors' interests in the issued share capital of TClarke plc, all of which are beneficial, are shown above.

The directors' share options and interests in shares under long-term incentive schemes are set out in the remuneration report on pages 26 to 29.

Mr R.J. Race, having served on the board for more than nine years, will, in accordance with the paragraph B.1.1 of the UK Corporate Governance Code, retire each year and being eligible will offer himself for re-election. Mr R.J. Race does not have a service agreement with TClarke plc.

Mr I. McCusker and Mr M.C. Crowder 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 rolling service agreement with TClarke plc which may be determined by 12 calendar months' prior notice in writing. Mr I. McCusker does not have a service agreement with TClarke plc.

Save for an interest in service agreements, none of which extend beyond 12 calendar months, 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', nor have they any beneficial interest in the issued share capital of the subsidiary companies.

Substantial shareholdings		
	% of issued ordinary share capital	Number of shares
Henderson Global Investors	13.52%	5,598,045
AXA Framlington Investment	9.13%	3,780,565
TD Waterhouse Stockbrokers	5.05%	2,092,180
Barclays Stockbrokers (EO)	4.75%	1,964,771
Mr D.G. Robson	3.51%	1,451,906
Walker Crips Stockbrokers	3.42%	1,414,069
Charles Stanley Stockbrokers	3.03%	1,254,471

Substantial shareholdings
As at 12th March 2012, the company had been advised of substantial interests of 3% or more in its issued ordinary share capital as shown in the table above.

Share capital
The company's issued share capital comprises 41,399,795 ordinary shares of 10p each (2010: 41,399,795 ordinary shares of 10p each).

Property
There is no material difference between the book value and current market value of the group's interest in land and buidings.

Company status
So far as the directors are aware TClarke plc is not a close company for taxation purposes.

Donations
The group's contribution to registered charities, which supported causes such as Help for Heroes and various local charities serving the communities in which the group operates, amounted to £10,962 (2010: £7,265).

Research and development
The group undertakes research and development activity in creating innovative design and construction solutions integral to the delivery of its projects. The direct expenditure incurred is not separately identifiable as the investment is usually contained within the relevant project.

The UK Corporate Governance Code
A statement on the group's corporate governance is set out on pages 22 to 25.

Financial instruments
Details of the financial risk management objectives and policies of the group, together with its exposure to material financial risk, are set out in Note 29 of the financial statements and at www.tclarke.co.uk.

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 N+1 Brewin (020 3201 3710). The daily price of company shares continues to be listed in the Financial Times under the construction and building materials sector.

Employees
The companies within the group are equal opportunities employers.

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 who may become disabled, either to continue in their employment or to be retrained for other suitable positions. It is the company's policy that training, career development and promotion of disabled employees should as far as possible be identical to that of other employees.

The company 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 company's financial position.

In 2011 the company introduced a share save scheme for eligible employees, the TClarke plc Saving Related Share Option Scheme ('the 2011 SAYE Scheme'), which was approved by shareholders on 13th May 2011. Details of share options granted under the 2011 SAYE Scheme are given in note 20 to the financial statements on page 69.

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 2011 the company's trade creditors represented 87 days (2010: 81 days) of annual purchases, and the group's trade creditors represented 67 days (2010: 67 days) of annual purchases.

Qualifying third party indemnities
The Articles of Association of the company entitle the directors, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the company.

In addition the company has in place insurance in favour of its directors and officers in respect of certain losses or liabilities to which they may be exposed due to their office up to a limit of £10,000,000.

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 TClarke 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 20 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 are shown in the section 'Substantial shareholdings', on page 19.
- 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 22 to 25. 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 £860,021.
- 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 has in place an employee share save scheme.
- The company has in place an Equity Incentive Plan for directors and senior management. The rules of the scheme provide that awards made under the Equity Incentive Plan may vest on a change of control of the company, at the discretion of the Remuneration Committee.

- The rules of the 2011 SAYE Scheme provide that in the event of a change of control outstanding options may be exchanged or replaced with similar options on the same terms.
- There are no other 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

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.

Going concern

The group had positive net cash balances at the year end and has in place an £8 million overdraft facility. The group draws on the overdraft facility as and when required to meet working capital requirements. As with all such facilities the overdraft is subject to annual review and is repayable on demand. The next review is due to take place in May 2012. The directors have received confirmation from the bank that they know of no reason why the facility will not be renewed. There is no other external debt apart from finance lease and hire purchase contracts.

After making appropriate enquiries the directors are satisfied that the company and group have adequate resources to continue their operations for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

Further information relating to the financial position of the group, its cash flows, liquidity position and borrowing facilities is given in the financial review on pages 7 to 10.

Annual General Meeting

The 100th Annual General Meeting of the company will be held at the Riverside Room, Savoy Place, 2 Savoy Place, London, WC2R 0BL, at 12 on Friday 11th May 2012. The formal notice convening the Annual General Meeting, together with explanatory notes, can be found in the separate circular accompanying this document and is available on the company's website at www.tclarke.co.uk.

The directors' report was approved by the board and signed on its behalf by:

Martin Walton
Company Secretary
20th March 2012

Corporate governance

The board is committed to high standards of corporate governance and continues to embrace the principles contained in the UK Corporate Governance Code ('the Code') issued by the Financial Reporting Council in June 2010. 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 TClarke 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 pages 16 and 17. 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 2011 is set out below.

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 code. 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.

Number of meetings attended

	Board	Audit	Nomination	Remuneration
R.J. Race	15	–	–	–
M. Lawrence	15	–	–	–
B.A. Stewart	15	4	–	2
M.C. Crowder	15	–	–	–
R.H Campbell	15	4	–	2
I. McCusker	15	4	–	2
M.R. Walton	15	–	–	–
Total held:	15	4	–	2

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 election at the next Annual General Meeting. Iain McCusker and Michael Crowder will retire and offer themselves for re-election at the next Annual General Meeting on 11th May 2012. 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. Training is available for new directors and subsequently as necessary.

Group Management Board
The Group Management Board comprises the three executive directors and four other members of the senior mangement team. The Group Management Board 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. The role of Company Secretary is currently filled by the Finance Director, although it is the board's intention to split the roles in due course.

Audit committee
The audit committee is comprised of the non-executive directors Iain McCusker (Chairman), Beverley Stewart, and Bob Campbell.

The committee meets at least three times a year and each meeting is attended by the group's auditors. The board of TClarke 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' (pages 24 and 25) 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.

In 2011 the audit committee received and approved reports from the Finance Director and Chief Executive in relation to the financial performance of the group and the operation of financial control and risk management policies, and from the auditors in relation to the finalisation of the 2010 audit, the strategy and plan for the 2011 audit and the interim progress of the 2011 audit.

During the year the audit committee considered the appointment of new auditors to the group, and after a formal process, recommended the appointment of PricewaterhouseCoopers LLP as auditors to the company and all its subsidiaries and approved the proposed audit fee. The audit committee reviewed the effectiveness and independence of the auditors, and received formal presentations from them concerning their independence and application of ethical standards.

An analysis of the nature and amount of non-audit work undertaken by the group's auditors is shown in Note 7 to the financial statements. During the year, no significant non-audit work was undertaken by the auditors. The audit committee believes that the

Corporate governance continued

independence of the auditors is not compromised by the level of non-audit work performed.

Remuneration committee
During 2011, the remuneration committee was comprised of the non-executive directors Beverley Stewart (chair), Bob Campbell and Iain McCusker. Russell Race is 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 D of the Code in designing performance related remuneration packages and disclosing relevant information.

Nomination committee
The nomination committee comprises the non-executive directors Beverley Stewart (chair), Russell Race, Bob Campbell and Iain McCusker. 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 TClarke plc. The nomination committee did not meet during 2011.

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 Martin Walton 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 their participation at the Annual General Meeting. All board members present at the Annual General Meeting are available to answer questions from shareholders, as are the chairs of the audit, remuneration and nomination committees. Notice of the Annual General Meeting is given in accordance with best practice and the business of the meeting is conducted with separate resolutions, each being voted on initially by a show of hands, with the results of the proxy voting being provided at the meeting. Further shareholder information is available on our website at www.tclarke.co.uk under the Investor relations tab.

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 2011 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 Code.

The internal control procedures are delegated to executive directors and senior management in the group, operating within a clearly defined divisional structure. Each division 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 the board receives reports thereon from the monthly Engineering Executive Meeting, which is chaired by a member of the board. The board also receives reports or information from 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 15th March 2012, the board carried out the annual assessment of the year ended 31st December 2011 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, together with regular review visits by the group finance team to the subsidiaries, provide a similar assurance that internal control systems are being properly adhered to.

Approved by the board and signed on its behalf

Martin Walton
Company Secretary
20th March 2012

Remuneration report

Remuneration committee
The remuneration committee comprises the independent non-executive directors Beverley Stewart, Bob Campbell and Iain McCusker and is chaired by Beverley Stewart. The Chairman 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 remuneration and pension contributions of directors shown in the tables on pages 28 and 29 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 and to design packages that motivate individuals to perform at the highest level to advance the interests of shareholders.

Basic salary
Salaries are reviewed annually and any increase takes effect from 1st January. In determining the appropriate level of salary and other benefits, the committee considers the abilities, experience and responsibilities of the individual and the need to attract, retain and motivate without paying more than is necessary for that purpose. The committee does give consideration to comparative information for companies of a similar size in the same industry sector and does not consider that salaries awarded fall outside the median for companies of a similar size in the same sector.

Benefits
Benefits consist of private medical insurance and the provision of a fully expensed motor vehicle of a suitable type or the payment of a motor vehicle allowance (see Note 8 to the accounts).

Pensions
The company operates a defined benefit pension and death benefits scheme (see Note 24 to the accounts) of which all the executive directors are members. The company contribution is 16% (2010: 16%) of pensionable salary of which 5.2% related to the deficit reduction contribution, and the individual directors contribute 8% (2010: 10% to 28th February 2010, 8% thereafter). 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 in the table on page 29. The life insurance benefit is 2.25 times pensionable salary, rising to four times pensionable salary after five years' service with the group.

Annual bonuses
Executive directors are entitled to performance related remuneration, which is based on the group profit before taxation and bonuses adjusted for amortisation and impairment, capital profits and losses, and including discontinued operations. 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 28. The reference level for the year ended 31st December 2011 was £5,500,000 (2010: £5,500,000) with a maximum reference level of £10,500,000 (2010: £10,500,000).

Bonuses paid are capped, with the maximum bonus achievable being the percentage shown in the table on page 28 multiplied by the difference between the lower and upper reference levels, the difference being £5,000,000 (2010: £5,000,000). Bonus entitlements in respect of the year ended 31st December 2011 were £nil (2010: £30,000 entitlement waived).

In respect of the year ending 31st December 2012, the reference level set by the remuneration committee will be reduced to £4,200,000 and the maximum bonus capped at 100% of annual salary. (2011: £5,500,000

minimum reference level with a maximum reference level of £10,500,000) based on the group structure as at 31st December 2011.

The TClarke plc Equity Incentive Plan
At the recommendation of the remuneration committee the TClarke plc Equity Incentive Plan ('the Plan') was introduced during the year and was approved by shareholders on 13th May 2011. All employees, including executive directors, are eligible to participate in the Plan at the discretion of the Remuneration Committee. Awards may be made in the form of approved options, unapproved options, conditional awards of shares and matching awards of shares. Awards may be made in the six-week periods after adoption of the Plan and after the announcement of the group's interim or final results. No award may be made more than ten years after the date on which the Plan was approved by shareholders (13th May 2011), and the total number of shares issued or made available pursuant to the Plan, when aggregated with the total number of shares issued or made available pursuant to any other employee's share scheme in the ten years immediately preceding the date upon which an award is made, shall not exceed 10% of the company's issued share capital at the date of the grant.

Options and awards of shares are subject to performance conditions as determined by the Remuneration Committee. The Committee considers that earnings per share ('EPS') growth is the most appropriate measure on which to assess the long-term performance of the group. A total of 255,000 conditional share awards were made to the executive directors, further details of which are disclosed in the audited section of this report on page 28.

The TClarke plc Savings Related Share Option Scheme ('the 2011 SAYE Scheme')
The 2011 SAYE Scheme was approved by shareholders on 13th May 2011 and was approved by HM Revenue and Customs on 14th July 2011. The scheme is open to all eligible employees including the executive directors. Under the rules of the scheme all participating employees have entered into an approved Save As You Earn contract ('SAYE Contract') under which the employee agrees to make monthly contributions of between £5 and £75 per month for a period of three years, at the end of which the employee may use part or all of the proceeds to acquire the shares under option. Further details about the total options granted under the scheme are given in Note 20 to the financial statements on page 69.

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.

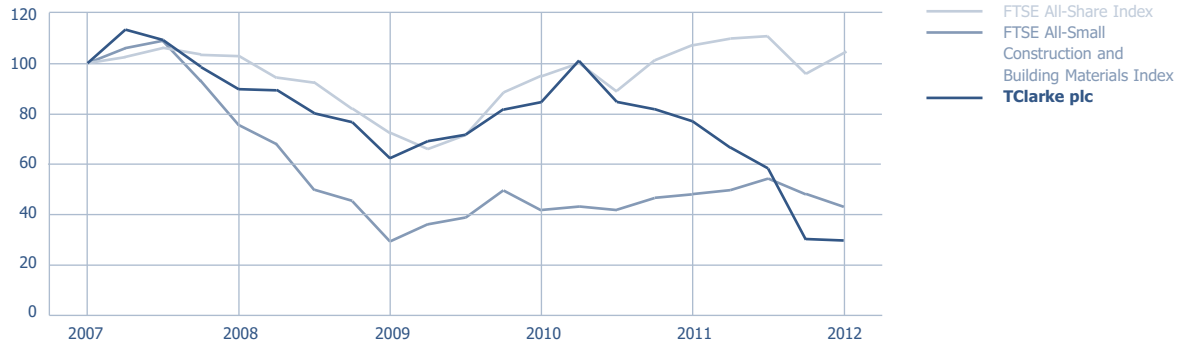
All of the independent directors are elected for a period of office as determined by the Articles of Association, which do not confer any period of notice on either party.

Performance graph
The graph on page 28 shows the total shareholder return that would have been obtained over the past five years by investing £100 in shares of TClarke plc on 31st December 2006 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.

Remuneration report continued

Total shareholder return 2006-2011



Audited information

A. Directors' remuneration

Directors' remuneration

Directors' remuneration for the year ended 31st December 2011 was as follows:

	Salary and fees £	Bonus percentage %	Bonus[1] £	Benefits in kind £	2011 total £	2010 total £
M. Lawrence	220,000	2.5	–	12,537	232,537	224,258
M.C. Crowder	185,000	2.0	–	10,333	195,333	188,550
M.R. Walton[2]	160,000	2.0	–	9,748	169,748	29,639
V.R. French[3]	–	–	–	–	–	287,485
R.J. Race	42,500				42,500	42,500
R. Campbell	37,500				37,500	37,500
B.A. Stewart	35,000				35,000	35,000
I. McCusker	35,000				35,000	35,000
	715,000		–	32,618	747,618	879,932

Notes

1. The bonus percentage is applied to adjusted profits above the lower threshold of £5.5m (2010: £5.5m) and below the upper threshold of £10.5m (2010: £10.5m). No bonuses were payable in respect of 2011 (2010: bonus entitlement of £30,000 waived).
2. M.R. Walton was appointed to the board with effect from 26th October 2010. His remuneration included above is for the period from that date.
3. V.R. French's employment terminated on 30th June 2010 and her remuneration above included a settlement of £201,692.

B. Directors' interests in the TClarke Equity Incentive Plan

The directors' interests over shares as a result of their participation in the TClarke plc Equity Incentive Plan are as follows:

Directors' interests in the TClarke Equity Incentive Plan

Executive director	Award date	Market price at award date	Shares awarded during the financial year	Award quantum at 31.12.11	Anticipated vesting date
M. Lawrence	16th June 2011	83p	85,000	85,000	16th June 2014
M.C. Crowder	16th June 2011	83p	85,000	85,000	16th June 2014
M.R. Walton	16th June 2011	83p	85,000	85,000	16th June 2014

The conditional share awards will vest subject to continued employment with the company and satisfaction of the following performance conditions for the three years ended 31st December 2013:

Annual growth in EPS above RPI	Proportion of award vesting
Less than 3%	Nil
3%	25%
Between 3% and 10%	Between 25% and 100% on a straight line basis
Above 10%	100%

C. Directors' interests in the TClarke Savings Related Share Option Scheme ('2011 SAYE Scheme')

The following options were outstanding during the year:

Directors' interests in the TClarke Savings Related Share Option Scheme

Name	Date of grant	Number of options granted	exercise price	Date from which exercisable
M. Lawrence	8th November 2011	6,750	40p	1st January 2015
M.C. Crowder	8th November 2011	6,750	40p	1st January 2015
M.R Walton	8th November 2011	6,750	40p	1st January 2015

No options were exercised during the year. The above options will lapse on 30th June 2015 if not exercised. The market price of a 10p ordinary share on 31st December 2011 was 40.27p and the range from the date of the grant of the option to 31st December 2011 was 35p to 44.5p.

D. Pension scheme

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

Audited details of the accrued pension benefits that the directors' would be entitled to on leaving service:

	Total pension accrued at 31.12.10 £ 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 director's contributions £	Total pension accrued at 31.12.11 £ p.a.	Transfer value of accrued pension at 31.12.10 £	Increase in transfer value less director's contributions £	Transfer value of accrued pension at 31.12.11 £
M. Lawrence	24,334	2,795	1,574	12,977	27,129	324,780	160,264	501,234
M.C. Crowder	30,514	3,094	1,548	17,081	33,608	441,481	198,127	652,999
M.R. Walton	3,446	899	721	4,175	4,345	35,427	18,382	59,599

Inflationary increases were assumed to be at 5.0% per annum during 2011 based on the revaluation provisions included in the scheme rules.

By order of the board
Beverley Stewart
Chair of the remuneration committee
20th March 2012

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. The directors acknowledge that uncertanty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

Statement of directors pursuant to the disclosure and transparency rules

Each of the directors, whose names and functions are listed on page 16, 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

Martin Walton
Finance Director

Russell Race
Chairman

20th March 2012
TClarke plc
Registered number: 00119351

Independent auditors' report

We have audited the financial statements of TClarke plc for the year ended 31st December 2011 which comprise the Consolidated and Company statements of financial position, the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flow, the Consolidated and Company statements of changes in equity, the accounting policies and the related notes. 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 30, 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2011 and of the group's profit and group's and parent company's cash flows 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 22 to 25 with respect to internal control and risk management systems 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 parent company.

Under the Listing Rules we are required to review:

- the directors' statement, as set out in the Report of the directors, in relation to going concern;
- the parts of the Corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Jonathan Hook
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20th March 2012

Consolidated income statement

for the year ended 31st December 2011

Continuing operations:	Notes	2011 £000	2010 £000
Revenue	5	183,805	179,037
Cost of sales		(157,718)	(152,724)
Gross profit		26,087	26,313
Other operating income		144	124
Administrative expenses:			
Amortisation of intangible assets	7	(491)	(344)
Non-recurring costs	7	(1,026)	(991)
Share-based payment expense	20	(31)	–
Other administrative expenses		(21,475)	(19,085)
Total administrative expenses		(23,023)	(20,420)
Net profit on sale of land and buildings		2,156	–
Profit from operations	7	5,364	6,017
Finance income	6	17	102
Finance costs	6	(481)	(381)
Profit before taxation		4,900	5,738
Taxation	9	(891)	(1,750)
Profit for the year from continuing operations		4,009	3,988
Loss for the year from discontinued operations	11	–	(384)
Profit for the year		4,009	3,604
Earnings per share	10		
Attributable to equity holders of TClarke plc: Basic		9.69p	8.91p
Diluted		9.64p	8.91p
On continuing operations: Basic		9.69p	9.86p
Diluted		9.64p	9.86p

Consolidated statement of comprehensive income

for the year ended 31st December 2011

	2011 £000	2010 £000
Profit for the year	4,009	3,604
Other comprehensive income:		
Revaluation of land and buildings	768	–
Actuarial loss on defined benefit pension scheme	(944)	(967)
Other comprehensive expense for the year, net of tax	(176)	(967)
Total comprehensive income for the year	3,833	2,637

Consolidated statement of financial position

as at 31st December 2011

	Notes	2011 £000	2010 £000
Non current assets			
Intangible assets	12	24,042	24,533
Property, plant and equipment	13	6,406	6,666
Deferred tax assets	19	1,798	1,964
		32,246	33,163
Current assets			
Inventories	15	441	451
Amounts due from customers under construction contracts	16	19,210	12,179
Trade and other receivables	17	26,429	23,410
Cash and cash equivalents	21	624	8,252
		46,704	44,292
Total assets		78,950	77,455
Current liabilities			
Bank overdraft and loans	22	64	1,047
Amounts due to customers under construction contracts	16	5,354	2,434
Trade and other payables	18	37,127	38,926
Current tax liabilities		322	1,188
Obligations under finance leases	25	85	143
		42,952	43,738
Net current assets		3,752	554
Non current liabilities			
Retirement benefit obligation	24	9,963	9,135
Obligations under finance leases	25	104	159
Other payables	18	–	183
		10,067	9,477
Total liabilities		53,019	53,215
Net assets		25,931	24,240
Equity attributable to owners of the parent			
Share capital	20	4,140	4,140
Share premium	20	3,049	3,049
Revaluation reserve		768	–
Retained earnings		17,974	17,051
Total equity		25,931	24,240

These financial statements were approved and authorised for issue by the board on 20th March 2012

Russell Race
Director

Mark Lawrence
Director

Company statement of financial position

as at 31st December 2011

	Notes	2011 £000	2010 £000
Non current assets			
Property, plant and equipment	13	438	29
Investments	14	31,786	31,786
Deferred tax assets	19	2,448	2,573
		34,672	34,388
Current assets			
Amounts due from customers under construction contracts	16	7,687	2,417
Trade and other receivables	17	9,546	10,569
Current income tax receivables		648	–
Cash and cash equivalents	21	6	3,174
		17,887	16,160
Total assets		52,559	50,548
Current liabilities			
Bank overdrafts and loans	22	1,321	–
Amounts due to customers under construction contracts	16	382	505
Trade and other payables	18	19,507	20,398
Current income tax liabilities		–	74
		21,210	20,977
Net current liabilities		(3,323)	(4,817)
Non current liabilities			
Retirement benefit obligation	24	9,963	9,135
Other payables	18	–	183
		9,963	9,318
Total liabilities		31,173	30,295
Net assets		21,386	20,253
Equity attributable to owners of the parent			
Share capital	20	4,140	4,140
Share premium	20	3,049	3,049
Retained earnings		14,197	13,064
Total equity		21,386	20,253

These financial statements were approved and authorised for issue by the board on 20th March 2012

Russell Race
Director

Mark Lawrence
Director

Consolidated statement of cash flows

for the year ended 31st December 2011

	Notes	2011 £000	2010 £000
Net cash used in operating activities	21	(6,804)	(2,943)
Investing activities			
Interest received		17	138
Cash taken off deposit		–	10,625
Purchase of property, plant and equipment		(699)	(297)
Receipts on disposal of property, plant and equipment		3,540	146
Net cash outflow on acquisitions of subsidiaries		(349)	(7,544)
Net cash generated by investing activities		2,509	3,068
Financing activities			
Equity dividends paid	20	(2,174)	(5,255)
Repayments of obligations under finance leases		(176)	(240)
Net cash used in financing activities		(2,350)	(5,495)
Net decrease in cash and cash equivalents		(6,645)	(5,370)
Cash and cash equivalents at beginning of year		7,205	12,575
Cash and cash equivalents at end of year	21	560	7,205

Company statement of cash flows

for the year ended 31st December 2011

	Notes	2011 £000	2010 £000
Net cash used in operating activities	21	(6,373)	(2,655)
Investing activities			
Interest received		2	115
Cash taken off deposit		–	10,625
Purchase of property, plant and equipment		(445)	–
Dividends received from subsidiaries		4,850	6,300
Net cash outflow on investments in subsidiaries		(349)	(15,081)
Net cash from investing activities		4,058	1,959
Financing activities			
Equity dividends paid	20	(2,174)	(5,255)
Net cash used in financing activities		(2,174)	(5,255)
Net (decrease) in cash and cash equivalents		(4,489)	(5,951)
Cash and cash equivalents at beginning of year		3,174	9,125
Cash and cash equivalents at end of year	21	(1,315)	3,174

Consolidated statement of changes in equity

for the year ended 31st December 2011

	Attributable to owners of the parent				
	Share capital **£000**	Share premium **£000**	Revaluation reserve **£000**	Retained earnings **£000**	Total **£000**
At 1st January 2010	3,995	1,234	–	19,669	24,898
Comprehensive income:					
Profit for the year	–	–	–	3,604	3,604
Other comprehensive income					
Actuarial loss on retirement benefit obligation	–	–	–	(1,343)	(1,343)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	376	376
Total other comprehensive expense	–	–	–	(967)	(967)
Total comprehensive income	–	–	–	2,637	2,637
Transactions with owners					
Shares issued on business combination	145	1,815	–	–	1,960
Dividends paid	–	–	–	(5,255)	(5,255)
Total transactions with owners	145	1,815	–	(5,255)	(3,295)
At 31st December 2010	4,140	3,049	–	17,051	24,240
Comprehensive income:					
Profit for the year	–	–	–	4,009	4,009
Other comprehensive income					
Revaluation of land and buildings	–	–	1,023	–	1,023
Deferred income tax charge on revaluation of land and buildings	–	–	(270)	–	(270)
Actuarial loss on retirement benefit obligation	–	–	–	(1,017)	(1,017)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	254	254
Effect of change in tax rate	–	–	15	(181)	(166)
Total other comprehensive income / (expense)	–	–	768	(944)	(176)
Total comprehensive income	–	–	768	3,065	3,833
Transactions with owners					
Share-based payment credit	–	–	–	31	31
Dividends paid	–	–	–	(2,173)	(2,173)
Total transactions with owners	–	–	–	(2,142)	(2,142)
At 31st December 2011	4,140	3,049	768	17,974	25,931

Company statement of changes in equity

for the year ended 31st December 2011

	Attributable to owners of the parent			
	Share capital **£000**	Share premium **£000**	Retained earnings **£000**	Total **£000**
At 1st January 2010	3,995	1,234	15,264	20,493
Comprehensive income:				
Profit for the year	–	–	4,022	4,022
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(1,343)	(1,343)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	376	376
Total other comprehensive expense	–	–	(967)	(967)
Total comprehensive income	–	–	3,055	3,055
Transactions with owners				
Shares issued on business combination	145	1,815	–	1,960
Dividends paid	–	–	(5,255)	(5,255)
Total transactions with owners	145	1,815	(5,255)	(3,295)
At 31st December 2010	4,140	3,049	13,064	20,253
Comprehensive income:				
Profit for the year	–	–	4,220	4,220
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(1,017)	(1,017)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	254	254
Effect of change in tax rate			(181)	(181)
Total other comprehensive income	–	–	(944)	(944)
Total comprehensive income	–	–	3,276	3,276
Transactions with owners				
Share-based payment credit	–	–	31	31
Dividends paid	–	–	(2,174)	(2,174)
Total transactions with owners	–	–	(2,143)	(2,143)
At 31st December 2011	4,140	3,049	14,197	21,386

Note to the financial statements

for the year ended 31st December 2011

Note 1 – General information

TClarke plc is a public limited company incorporated and domiciled 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 16. The nature of the group's operations and its principal activities are described in Note 5 and in the Business and Financial Review on pages 3 to 10.

Note 2 – Application of new and revised IFRSs

A. New and revised IFRSs having a material effect on the financial statements

There were no new standards, interpretations and amendments, applied for the first time from 1st January 2011 which have had a material effect on the financial statements.

B. New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements, but their application has not had any material impact on the financial statements.

- Amendments to IAS 32 'Financial instruments: Presentation - Classification of rights of issues'
- IAS 24 'Related party disclosures' (revised 2009)
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'
- Improvements to IFRSs (2010)
- Amendment to IFRIC 14 'IAS19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'.

C. New and revised IFRSs in issue but not yet effective

The company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to **IFRS 7 'Disclosures - Transfers of Financial Assets'**, applicable from 1st July 2011, increases the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. It is not anticipated that these amendments to IFRS 7 will have a significant impact on the group.
- **IFRS 9 'Financial Instruments'**, issued in November 2009 and applicable from 1st January 2013, this standard has yet to be endorsed by the EU. The new standard is the first step in the process to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The new standard is not expected to have a material impact on the company's future financial statements.

Note 2 – Application of new and revised IFRSs continued

- **IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities'**, issued in May 2011. IFRS 10, which replaces those parts of IAS 27 'Consolidated and separate financial statements' that deal with consolidated financial statements, establishes that 'control' is the only basis for consolidation and introduces a new definition of control. IFRS 11, which replaces IAS 31 'Interests in joint ventures', classifies joint arrangements as either joint operations or joint ventures and removes the right to proportionately consolidate jointly controlled entities. IFRS 12 is a disclosure standard and is applicable to those entities having an interest in subsidiaries, joint arrangements, associates and / or unconsolidated structured entities. In general the disclosure requirements of IFRS 12 are more extensive than those in current standards, but otherwise the new standard is not expected to have a material impact on the group.
- **IFRS 13 'Fair Value Measurement'**, effective from 1st January 2013, establishes a single source of guidance for fair value measurements and disclosures about fair value, and requires disclosures about fair value measurements. IFRS 13 applies to both financial and non-financial instruments, and in general the disclosure requirements of IFRS 13 are more extensive than those in current standards, but it is not expected to have a material effect on the group's financial statements.
- Amendments to **IAS 1 'Presentation of Items of Other Comprehensive Income'**, effective from 1st July 2012, requires additional disclosures to be made in the other comprehensive income statement, such as the separate disclosure of items that will not be subsequently reclassified to profit or loss and items that will be subsequently reclassified to profit or loss if certain conditions are met. It is not expected to have a material effect on the group's financial statements.
- Amendments to **IAS 12 'Deferred Tax - Recovery of Underlying Assets'**, introduces changes primarily to the deferred tax treatment of investment properties measured in accordance with the fair value model, and is not expected to have a significant impact on the group.
- Amendments to **IAS 19 'Employee benefits'**, requires the recognition of actuarial changes in defined benefit obligations and the fair value of plan assets when they occur, removing the option to apply the 'corridor' approach to the accounting for actuarial gains and losses. The standard is not expected to have a significant impact on the group as the group already recognises changes in the fair value of plan assets and actuarial gains and losses as they occur.

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

Note 3 – Accounting policies

The principal accounting policies applied in the preparation of these consolidated and parent company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. 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 a going concern basis under the historic cost convention as modified by the revaluation of land and buildings. They comprise the parent company financial statements of TClarke plc and the consolidated financial statements of TClarke plc and all its subsidiaries made up to 31st December 2011 and have been presented in £000s.

The preparation of financial statements in conformity with IFRS as adopted by the EU, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

B. Change in accounting policy

The group has changed its accounting policy in respect of land and buildings with effect from 31st December 2011 and these assets will henceforth be carried at fair value. Further details of this policy are given in note 3J below.

The group's property assets represent a significant proportion of the group's assets and are held for the long term use of the group. The fair value of these assets are subject to considerable change over time, and the Board are of the opinion that carrying the group's property assets at fair value will provide more reliable and useful information to users of the financial statements.

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. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

D. Segmental reporting

Operating divisions are reported in a manner consistent with internal reporting provided to the Group 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 3F). Revenue from the rendering of services that do not fall to be accounted for as construction contracts is accounted for by reference to the stage of completion of the relevant contract, determined by reference to the proportion of costs incurred. Revenue from the sale of materials and finished goods is recognised when the group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the group will receive payment. These criteria are considered to be met when the materials or goods have been delivered to and accepted by the buyer.

Note 3 – Accounting policies continued

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 contract costs (prime costs and overheads) incurred for the work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

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. Variations are included to the extent that the amount can be measured reliably and receipt is considered probable, but no account is taken of claims receivable until agreed. Full provision is made for any foreseeable losses to completion. 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. Acquisitions and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the aggregate of the fair values at the acquisition date of assets transferred, liabilities incurred and equity instruments issued, to the former owners by the group in exchange for control of the acquiree. Acquisition related expenses are recognised directly in the income statement.

Purchased goodwill is measured as the excess of the sum of the fair value of the consideration transferred over the net of the acquisition date fair values of the identifiable assets and liabilities acquired, and is capitalised and classified as an intangible asset in the consolidated statement of financial position.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

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

Note 3 – Accounting policies continued

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

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment.

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

H. Impairment of goodwill and other non-financial assets

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

Impairment charges are included in the other 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.

I. Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at cost, being their fair value at the acquisition date.

Subsequent to initial recognition intangible assets are reported at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight line basis over the estimated useful lives of the relevant assets, determined on an individual basis and ranging from 1 to 10 years.

J. Property, plant and equipment

Land and buildings comprise mainly offices occupied by the operating units of the group. Land and buildings are shown at fair value, based on valuations carried out by external independent valuers, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. On disposal of the asset the balance of the revaluation reserve pertaining to the asset is transferred from the revaluation reserve to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured

Note 3 – Accounting policies continued

reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from the revaluations reserve to retained earnings. On disposal of the asset the balance of the revaluation reserve pertaining to the asset is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on a straight line basis so as to write off the cost less residual values of the relevant assets over their useful lives, using the following rates:

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

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

K. Investments
Investments in subsidiaries are recorded at cost, being the fair value of consideration paid. Cost includes the fair value of equity-settled share based payment arrangements relating to options to acquire shares in TClarke plc granted to subsidiary employees under savings related share option schemes.

L. Inventories
Inventories of raw materials and consumables are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the asset to its present location and condition.

M. 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 statement of financial position 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 except where they relate to qualifying assets in which case they are capitalised in accordance with the group's borrowing costs policy (see Note 3P).

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 lease term.

N. Financial instruments
The group's financial instruments comprise trade and other receivables, trade and other 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. Financial assets and liabilities are offset at the net amount reported in the balance sheet when there is a legally enforceable right to offset the

Note 3 – Accounting policies continued

recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneaously.

Trade and other receivables

Trade and other receivables, which are non-interest bearing, are measured on initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired, measured as the difference between the asset's carrying value and the fair value of the estimated recoverable amount, if any. Insolvency or significant financial difficulties of the debtor, late payments and disputes are considered indicators that a receivable is impaired. The carrying amount of a 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. Finance income is recognised using the effective interest method and is added to the carrying value of the asset as it arises.

Cash and cash equivalents

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

Trade and other payables

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

O. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

Note 3 – Accounting policies continued

P. 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.

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

R. 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.

S. Long-term employee benefits
Long-term employee benefits are accrued when the group has a legal or constructive obligation to make payments under long-term employee benefits and the amount of the obligation can be reliably measured. The liability is discounted to present value where it is due after more than one year.

T. Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

U. Non-recurring items
Non-recurring items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Note 4 - Significant judgements and sources of estimation uncertainty

In the application of the group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the period that may not be readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions that have the most significant impact are set out below.

Revenue and margin

The recognition of revenue and profit on construction contracts is a key source of estimation uncertainty due to the difficulty of forecasting the final costs to be incurred on a contract in progress and the process whereby applications are made during the course of the contract with variations, which can be significant, often being agreed as part of the final account negotiation. The group's policies for the recognition of revenue and profit on construction contracts are set out on pages 41 and 42. The directors also take into account the recoverability of contract balances and trade receivables and allowances are made for those balances which are considered to be impaired.

Fair value of consideration and assets and liabilities acquired in business combinations

Key judgements in estimating the fair value of assets and liabilities acquired in business combinations include the identification and measurement of identifiable intangible assets, and the valuation of contract balances and receivables. Key judgements in determining the fair value of consideration payable include assessment of the monetary amount of contingent consideration that will be transferred in the future and the appropriate discount rate to be applied. There were no acquisitions undertaken during the year. Details of the acquisitions undertaken during the prior year, including the fair values assigned to consideration payable and the net assets acquired, are given in Note 28.

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 12.

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 24, and include the discount rate, expected return on assets, rate of inflation and mortality rates. The group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the income statement, statement of comprehensive income and the statement of financial position. A reduction in the discount rate of 0.5% to 4.3% would increase the deficit by £3,602,000 and a rise in the retail price index of 0.5% would increase the deficit by £1,988,000.

Note 5 - Segment information

A. Reportable segments

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

For management and internal reporting purposes the group is organised geographically into three regional divisions; the South, the North and Scotland, and an internal property division reporting to the Chief Executive, who is the chief operating decision maker. The measurement basis used to assess the performance of the divisions is underlying profit from operations, stated before acquisition expenses, amortisation of intangible assets, goodwill impairment, long-term employee benefit costs arising from acquisitions, restructuring costs, equity settled share-based-payment expenses and net profits or losses arising from property disposals. All assets and liabilities of the group have been allocated to segments apart from the retirement benefit obligation, and tax assets and liabilities.

Following an internal reorganisation, with effect from 1st January 2011 the operations of our Derby office have been merged with those of our Peterborough office and included within the South division. Previously our Derby operations were reported as part of the North division. Comparative information has been restated.

All transactions between segments are undertaken on normal commercial terms. All the group's operations are carried out within the United Kingdom, and there is no significant difference between revenue based on the location of assets and revenue based on location of customers. The accounting policies for the reportable segments are the same as the group's accounting policies disclosed in Note 3.

Note 5 - Segment information continued

B. Segment information - current year

31st December 2011	South £000	North £000	Scotland £000	Property £000	Unallocated & elimination £000	Total £000
Total revenue	117,791	49,736	17,074	–	–	184,601
Inter segment revenue	(671)	(52)	(73)	–	–	(796)
Revenue from external operations	117,120	49,684	17,001	–	–	183,805
Underlying profit from operations	2,697	2,266	(568)	361	–	4,756
Net profit on disposal of land and buildings	–	–	–	2,156	–	2,156
Amortisation of intangibles	(150)	(341)	–	–	–	(491)
Share-based payment expense	(31)	–	–	–	–	(31)
Non-recurring costs:						
Restructuring charges	(401)	(55)	(147)	–	–	(603)
Long term employee benefits	(423)	–	–	–	–	(423)
Profit / (loss) from operations	1,692	1,870	(715)	2,517	–	5,364
Finance income	25	44	3	–	(55)	17
Finance costs	(528)	(8)	–	–	55	(481)
Profit / (loss) before tax	1,189	1,906	(712)	2,517	–	4,900
Taxation expense						(891)
Profit for the period from continuing operations						4,009
Other segment information:						
Depreciation	218	251	32	131	–	632
Bad debt (credit) / expense	(87)	196	23	–	–	132
Additions to non-current assets:						
Property, plant and equipment	516	246	–	–	–	762
Assets	47,757	27,852	7,141	4,809	(8,609)	78,950
Liabilities	(32,761)	(13,679)	(4,578)	(2,116)	115	(53,019)
Net assets	14,996	14,173	2,563	2,693	(8,494)	25,931

Note 5 - Segment information continued

C. Segment information - prior year (restated)

31st December 2010	South £000	North £000	Scotland £000	Property £000	Unallocated & elimination £000	Total £000
Total revenue	111,839	45,965	21,237	–	–	179,041
Inter segment revenue	–	(4)	–	–	–	(4)
Revenue from external operations	111,839	45,961	21,237	–	–	179,037
Underlying profit from operations	5,542	2,710	(1,295)	395	–	7,352
Amortisation of intangibles	(50)	(294)	–	–	–	(344)
Non-recurring costs:						
Restructuring charges	(376)	(98)	(77)	–	–	(551)
Acquisition expenses	(138)	(161)	–	–	–	(299)
Long term employee benefits	(141)	-	–	–	–	(141)
Profit / (loss) from operations	4,837	2,157	(1,372)	395	–	6,017
Finance income	86	43	1	–	(28)	102
Finance costs	(384)	(25)	–	–	28	(381)
Profit before tax	4,539	2,175	(1,371)	395	–	5,738
Taxation expense						(1,750)
Profit for the period from continuing operations						3,988
Other segment information:						
Depreciation	227	305	36	129	–	697
Bad debt (credit) / expense	(293)	(77)	36	–	–	(334)
Additions to non-current assets:						
Property, plant and equipment	265	504	5	–	44	818
Goodwill	4,455	5,759	–	–	–	10,214
Other intangible assets	200	2,688	–	–	–	2,888
	4,920	8,951	5	–	44	13,920
Assets	38,571	31,122	7,960	5,201	(5,399)	77,455
Liabilities	(29,488)	(12,177)	(4,569)	(3,635)	(3,346)	(53,215)
Net assets	9,083	18,945	3,391	1,566	(8,745)	24,240

Note 5 - Segment information continued

D. Revenue

	2011 £000	2010 £000
Total revenue comprises:		
Sales revenue		
Construction contracts	153,694	151,097
Other services	30,111	27,940
	183,805	179,037
Operating income:		
Rent	80	52
Other	64	72
	144	124

E. Information about major customers

Included in revenues arising from construction contracts in 2011 are revenues of £16,917,0000 (2010: £19,116,000) which arose from sales to a single customer in the South region. No other single customer contributed 10% or more of the group's revenue for either 2011 or 2010.

Note 6 – Finance income and finance cost

	2011 £000	2010 £000
Finance income		
Interest on bank deposits	11	101
Other interest receivable	6	1
	17	102
Finance cost		
Interest on bank overdrafts and loans	(46)	(2)
Interest on obligations under finance leases	(29)	(30)
Interest cost in respect of defined benefit pension scheme	(360)	(320)
Amortisation of discount on deferred consideration	(39)	(16)
Other finance charges	(7)	(13)
	(481)	(381)
Net total of finance income and finance cost	(464)	(279)

Note 7 – Profit from operations

	2011 £000	2010 £000
A. Operating profit is stated after charging / (crediting):		
Amortisation of intangible assets	491	344
Non-recurring costs (see Note B below)	1,026	991
Equity settled share based payment expense	31	–
Depreciation of property, plant and equipment	632	697
Net profit on sale of land and buildings	(2,156)	–
Loss / (profit) on sale of other property, plant and equipment	28	(32)
Operating lease charges		
– land and buildings	218	54
– plant, machinery and vehicles	817	859
Raw materials and consumables	57,231	60,511
Rent receivable	(80)	(52)
Bad debt expense / (credit)	132	(334)
Auditor's remuneration: PricewaterhouseCoopers LLP (2010: Moore Stephens LLP)		
– statutory audit fee	250	143
– compliance taxation services	–	12
– pension scheme audit	–	6
– acquisition due diligence services	–	87
– other	–	2
Other group company auditors		
– statutory audit fee	–	133
– compliance taxation services	–	9
– tax advisory services	–	5
– other services	–	46
B. Non-recurring costs comprise:		
Restructuring costs	603	551
Acquisition expenses	–	299
Long-term employee benefits arising from prior acquisitions	423	141
	1,026	991

Restructuring costs consist of termination payments and other costs associated with restructuring the business. Acquisition expenses consist of legal and other costs incurred on the acquisition of subsidiary companies. Long-term employee benefits related to accrued bonuses in respect of certain key employees of DG Robson Mechanical Services Limited arising out of pre-acquisition agreements whereby bonuses are deemed to vest post-acquisition as a result of the acquisition by the group (see Note 28).

Note 8 – Directors and employees

	2011 **£000**	2010 **£000**
Staff costs		
Staff costs during the year were as follows:		
Wages and salaries	47,968	50,340
Share awards and options granted to directors and employees (see Note 20)	31	–
Long-term employee benefits	423	141
Termination costs	604	538
Social security costs	5,058	5,126
Other pension costs	860	624
	54,944	56,769
Average number of employees:		
– staff (including directors)	316	317
– operatives	995	1,124
	1,311	1,441

Note 9 – Taxation

Taxation expense	2011 £000	2010 £000
Current tax expense		
UK corporation tax payable on profits for the year	929	1,663
Adjustment for over provision in prior periods	(16)	(30)
	913	1,633
Deferred tax expense		
Arising on:		
Origination and reversal of temporary differences	(69)	117
Effect of change in tax rate	47	–
	(22)	117
Total income tax expense	891	1,750
Reconciliation of tax charge		
Profit for the year from continuing operations	4,900	5,738
Tax at standard UK tax rate of 26.5% (2010: 28%)	1,299	1,607
Tax effect of:		
Acquisition related expenses	–	84
Net profit on disposal of land and buildings	(550)	–
Other permanently disallowable items	111	89
Effect of change in tax rate	47	–
Over provision in prior years	(16)	(30)
	891	1,750

A number of changes to the corporation tax system were announced in the March 2011 UK budget statement. A resolution passed by Parliament on 29th March 2011 reduced the main rate of corporation tax from 28% to 26% from 1st April 2011. A further reduction in the main rate of corporation tax to 25% with effect from 1st April 2012 was included in the Finance (No3) Bill 2010-11 that was enacted bt Parliament on 5th July 2011, and therefore had been substantially enacted at 31st December 2011 for the purpose of IAS12 'Income Taxes'. The effect of these changes was to reduce the UK deferred tax asset provided at the balance sheet date by £216,000.

Further reductions to the main rate are proposed to reduce the rate by 1% each year to 23% by 1st April 2014, but these further changes had not been substantially enacted at the balance sheet date and are therefore not reflected in these financial statements.

Note 10 – Earnings per share

A. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2011 **£000**	2010 **£000**
Earnings:		
Profit attributable to equity holders of the company	4,009	3,604
Loss from discontinued operations attributable to equity holders of the company	–	384
Profit from continuing operations attributable to equity holders of the company	4,009	3,988
Weighted average number of ordinary shares in issue (000s)	41,400	40,433

B. Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: share options granted under the Savings Related Share Option Scheme and conditional share awards granted under the Equity Incentive Plan. Further details of these schemes are given in Note 20.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The options granted during the year are considered to be non-dilutive.

	2011 **£000**	2010 **£000**
Earnings:		
Profit attributable to equity holders of the company	4,009	3,604
Loss from discontinued operations attributable to equity holders of the company	–	384
Profit from continuing operations attributable to equity holders of the company	4,009	3,988
Weighted average number of ordinary shares in issue (000s)	41,400	40,433
Adjustments:		
- Equity Incentive Plan (000s)	140	–
Weighted average number of ordinary shares for diluted earnings per share (000s)	41,540	40,433

Note 10 – Earnings per share continued

C. Underlying earnings per share

Underlying earnings per share represents profit for the year from continuing operations adjusted for amortisation of intangible assets, acquisition expenses, long-term employee benefit expenses arising from acquisitions, restructuring costs, equity settled share based payment expense and net profits on the disposal of property assets and the tax effect of these items, divided by the weighted average number of shares in issue. Underlying earnings is the basis on which the performance of the operating divisions of the business is measured.

	2011 **£000**	2010 **£000**
Profit from continuing operations attributable to equity holders of the company	4,009	3,988
Adjustments:		
Acquisition expenses	–	344
Amortisation of intangible assets	491	299
Long-term employee benefits arising from acquisitions	423	141
Restructuring costs	603	551
Equity settled share based payment expense	31	–
Net profit on disposal of property assets	(2,156)	–
Tax effect of adjustments	(353)	(290)
Underlying profit from continuing operations	3,048	5,033
Weighted average number of ordinary shares in issue (000s)	41,400	40,433
Adjustments:		
- Equity Incentive Plan (000)	140	–
	41,540	40,433
Underlying earnings per share	7.34p	12.44p
Diluted underlying earnings per share	7.33p	12.44p

Note 11 – Discontinued operations

During 2010 the group wound down and closed the operations of JJ Cross Limited, based near Preston, Lancashire, and in accordance with IFRS 5 this operation was classified as a discontinued operation.

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

Results of discontinued operations	2011 **£000**	2010 **£000**
Revenue	–	1,033
Cost of sales	–	(958)
Gross profit	–	75
Other operating income	–	64
Administrative expenses	–	(662)
Operating loss	–	(523)
Finance income	–	4
Finance costs	–	–
Loss from discontinued operations before taxation	–	(519)
Taxation	–	135
Loss on discontinued operations, net of tax	–	(384)
Basic and diluted loss per share (pence)	–	(0.95p)

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

	2011 **£000**	2010 **£000**
Operating activities	–	(403)
Investing activities	–	(127)
Financing activities	–	350
Net cash used in discontinued activities	–	(180)

Note 12 – Intangible assets

	Goodwill £000	Other intangible assets £000	Total £000
Cost:			
At 1st January 2010	14,006	–	14,006
Acquisitions (see Note 28)	10,214	2,888	13,102
At 31st December 2010 and 31st December 2011	24,220	2,888	27,108
Impairment and amortisation:			
At 1st January 2010	2,231	–	2,231
Amortisation	–	344	344
At 31st December 2010	2,231	344	2,575
Amortisation	–	491	491
At 31st December 2011	2,231	835	3,066
Net book value:			
1st January 2010	11,775	–	11,775
31st December 2010	21,989	2,544	24,533
31st December 2011	21,989	2,053	24,042

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 operating company within the group has been assessed as a separate cash generating unit, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. As a result of the merger of their operations from 1st January 2011, TClarke Midlands and Mitchell & Hewitt, which previously have been treated as separate cash generating units, have been combined into a single cash generating unit. Value in use has been calculated using budgets and forecasts approved by management covering the period 2012 to 2014, which take into account secured orders, business plans and management actions. The results of periods subsequent to 2014 have been projected using 2014 forecasts with no growth assumed.

The key assumptions to which the assessment of the recoverable amounts of cash generating units are sensitive are the projected turnover and operating margin to 2014 and beyond, and the discount rate. The group's businesses are expected to continue to face challenging market conditions throughout 2012, but trading conditions are expected to return to more normal levels by 2014 and beyond. A discount rate of 10.9% (2010: 10.8% has been applied to the extrapolated cash flow projections.

Note 12 – Intangible assets continued

The significant elements of goodwill at 31st December 2011 are as follows:

	Operating segment £000	£000
TClarke Midlands	South	5,776
TClarke Scotland	Scotland	3,046
TClarke North West (formerly D&S Engineering Facilities)	North	2,709
DG Robson Mechanical Services	South	2,255
TClarke London	South	2,200
TClarke East	North	1,995
Waldon Electrical Contractors	South	1,300
Others		2,708
		21,989

The elements of goodwill most sensitive to a change in the key assumptions are TClarke Midlands and TClarke Scotland. The recoverable amounts of these business units exceed their carrying amounts by £313,000 and £1,248,000 respectively. A fall in projected turnover of 1% and 4% respectively or a fall in projected operating margin of 5% and 32% respectively would result in the recoverable amount of these businesses being equal to the carrying amounts. An increase in the discount rate to 11.4% and 14.0% respectively would also result in the recoverable amount of these business units being equal to the carrying amounts. The directors consider that the key assumptions used to calculate the recoverable amounts are prudent and do not believe that any other reasonably possible change in the key assumptions on which recoverable amount is based would cause the aggregate carrying value of each of the cash generating units to exceed their aggregate recoverable amount.

Other intangible assets comprise customer relationships and related contracts acquired on the acquisition of subsidiaries. Further details of the acquisitions are given in Note 28 below.

Amortisation of other intangible assets is included in other expenses in the income statement.

Note 13 – Property, plant and equipment

GROUP	Freehold properties £000	Leasehold improvements £000	Plant, machinery and vehicles £000	Total £000
Cost or valuation				
At 1st January 2010	6,500	–	5,251	11,751
Additions	–	–	818	818
Disposals	–	–	(613)	(613)
At 31st December 2010	6,500	–	5,456	11,956
Additions	–	359	403	762
Revaluation	200	–	–	200
Disposals	(2,036)	–	(1,528)	(3,564)
At 31st December 2011	4,664	359	4,331	9,354
Accumulated depreciation and impairment				
At 1st January 2010	1,320	–	3,772	5,092
Charge for the year	129	–	568	697
Disposals	–	–	(499)	(499)
At 1st January 2011	1,449	–	3,841	5,290
Charge for the year	125	6	501	632
Revaluation	(823)	–	–	(823)
Disposals	(751)	–	(1,400)	(2,151)
At 31st December 2011	–	6	2,942	2,948
Net book value at 1st January 2010	5,180	–	1,479	6,659
Net book value at 31st December 2010	5,051	–	1,615	6,666
Net book value at 31st December 2011	4,664	353	1,389	6,406

The group's freehold land and buildings were valued at 31st December 2011 based on an external valuation provided by an independent valuer dated 14th October 2011. The external valuation was conducted on the basis of market value as defined by the RICS Valuation Standards, and was determined by reference to recent market transactions on arms length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to other comprehensive income and is shown in the revaluation reserve in shareholders' equity. The net book value of the freehold properties would have been £3,641,000.

The net book value of group plant, machinery and vehicles includes £253,000 (2010: £476,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £70,000 (2010: £64,000) was charged on these assets during the year.

The group has granted a charge in favour of the TClarke Group Retirement Benefit Scheme over a number of properties occupied by the group, to secure the future pension obligations of the scheme. The book and fair value of the properties at 31st December 2011 was £3,100,000 (2010: charge over a single property with a book value of £924,000 and a fair value of £3,100,000, the charge being restricted to £1,500,000).

Note 13 – Property, plant and equipment continued

COMPANY	Leasehold improvements £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1st January 2010	–	732	732
Disposals	–	(102)	(102)
At 31st December 2010	–	630	630
Additions	358	86	444
At 31st December 2011	358	716	1,074
Accumulated depreciation and impairment			
At 1st January 2010	–	683	683
Charge for the year	–	20	20
Disposals	–	(102)	(102)
At 31st December 2010	–	601	601
Charge for the year	6	29	35
At 31st December 2011	6	630	636
Net book value at 1st January 2010	–	49	49
Net book value at 31st December 2010	–	29	29
Net book value at 31st December 2011	352	86	438

Note 14 – Investments

COMPANY	2011 £000	2010 £000
Investments in subsidiaries comprise:		
Cost:		
At 1st January	40,819	23,855
Additions	–	17,536
Disposals	–	(572)
At 31st December	40,819	40,819
Impairment:		
At 1st January	9,033	5,255
Impairment charge	–	4,350
Disposals	–	(572)
At 31st December	9,033	9,033
Net book value:		
At 1st January	31,786	18,600
At 31st December	31,786	31,786

An annual impairment review is undertaken at 31st December each year in conjunction with the goodwill impairment review (see Note 12), using the same underlying cash flow projections and other key assumptions.

The impairment provision comprises the entire cost of subsidiaries where operations have ceased, or a reduction to recoverable amount where there has been a significant reduction in underlying trading and significant losses have been incurred such that the group is unable to recover the cost of the investment through future trading. The provision also includes an amount equivalent to dividends paid out of pre-acquisition reserves in respect of TClarke North West (formerly D&S (Engineering Facilities) Limited).

Note 15 – Inventories

GROUP	2011 £000	2010 £000
Raw materials	441	451

Note 16 – Construction contracts

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Contract work in progress comprises:				
Contract costs incurred plus recognised profits less recognised losses to date	195,438	158,478	71,659	56,983
Less: progress payments	(181,582)	(148,733)	(64,354)	(55,071)
	13,856	9,745	7,305	1,912
Contracts in progress at the reporting date:				
Gross amounts due from customers	19,210	12,179	7,687	2,417
Gross amounts due to customers	(5,354)	(2,434)	(382)	(505)
	13,856	9,745	7,305	1,912

At 31st December 2011 retentions held by customers of the group for contract work amounted to £7,174,000 (2010: £8,012,000) and retentions held by customers of the company for contract work amounted to £2,212,000 (2010: £3,648,000). These amounts are included in trade receivables (see Note 17).

Advances received from customers for contract work amounted to £nil (2010: £nil).

Note 17 – Trade and other receivables

GROUP	2011 £000	2010 £000
Trade receivables - gross	20,885	21,091
Trade receivables - allowances for credit losses	(612)	(587)
Trade receivables	20,273	20,504
Other receivables	1,656	893
Prepayments and accrued income	4,500	2,013
	26,429	23,410
Movements in allowances for credit losses are as follows:		
At 1st January	(587)	(1,202)
Arising on acquisition	–	(127)
Charged in year	(178)	(96)
Recovered in year	132	430
Written off in year	21	408
At 31st December	(612)	(587)

Trade receivables (including retentions) are due as follows:		
Due within 3 months	11,860	10,314
Due in 3 to 6 months	1,361	889
Due in 6 to 12 months	2,302	1,840
Due after more than one year	1,110	2,262
Overdue	4,252	5,786
	20,885	21,091
The ageing of trade receivables past due but not impaired is as follows:		
Less than 30 days	1,587	2,122
31-60 days	647	1,112
61-120 days	405	816
Greater than 120 days	1,001	1,149
	3,640	5,199

Note 17 – Trade and other receivables continued

COMPANY	2011 £000	2010 £000
Trade receivables - gross	4,989	6,130
Trade receivables - allowances for credit losses	(44)	(94)
Trade receivables	4,945	6,036
Owed by group companies	3,943	4,171
Other receivables	275	159
Prepayments and accrued income	383	203
	9,546	10,569
Movements in allowances for credit losses are as follows:		
At 1st January	(94)	(464)
Credited in year	–	254
Recovered in year	50	120
Written off in year	–	(4)
At 31st December	(44)	(94)

COMPANY	2011 £000	2010 £000
Trade receivables (including retentions) are due as follows:		
Due within 3 months	3,436	3,170
Due in 3 to 6 months	106	192
Due in 6 to 12 months	942	313
Due after more than one year	323	1,141
Overdue	182	1,314
	4,989	6,130
The ageing of trade receivables past due but not impaired is as follows:		
Less than 30 days	–	721
31-60 days	–	95
61-120 days	17	133
Greater than 120 days	121	271
	138	1,220

As of 31st December 2011 allowances of £612,000 (2010: £587,000) are held against trade receivables of the group and allowances of £44,000 (2010: £94,000) 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.

Note 18 – Trade and other payables

GROUP	2011 £000	2010 £000
Current:		
Trade payables	27,933	26,966
Other taxation and social security payable	3,818	4,422
Accruals and deferred income	4,877	7,391
Other payables	499	147
	37,127	38,926
Non current:		
Other payables	–	183
	37,127	39,109
COMPANY		
Current:		
Trade payables	9,914	11,000
Owed to group companies	7,160	6,915
Other taxation and social security payable	601	923
Accruals and deferred income	1,632	1,225
Other payables	200	335
	19,507	20,398
Non current:		
Other payables	–	183
	19,507	20,581

Trade payables payments terms are as follows:

GROUP	2011 £000	2010 £000
30 days or less	15,243	17,143
31-60 days	9,895	8,122
Greater than 60 days	2,795	1,701
	27,933	26,966
COMPANY		
30 days or less	7,247	9,660
31-60 days	2,033	447
Greater than 60 days	634	893
	9,914	11,000

Other payables includes £200,000 (2010: 495,000, of which £183,000 was due after more than one year and £312,000 was due within one year) contingent consideration payable in respect of the acquisition of DG Robson Mechanical Services Limited in 2010. Full details of the acquisition are disclosed in note 28.

Note 19 – Deferred taxation

GROUP	Revaluations £000	Retirement benefit obligation £000	Accelerated capital allowances £000	Other £000	Total £000
Asset at 1st January 2010	–	2,318	66	27	2,411
Acquisitions	–	–	–	(706)	(706)
Credit / (charge) to income	–	(136)	(18)	37	(117)
Credited to other comprehensive income	–	376	–	–	376
Asset at 31st December 2010	–	2,558	48	(642)	1,964
Credit / (charge) to income	–	(153)	33	141	21
Credited to other comprehensive income	(256)	69	–	–	(187)
Asset at 31st December 2011	(256)	2,474	81	(501)	1,798

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

	2011 £000	2010 £000
Deferred tax liabilities	(756)	(833)
Deferred tax assets	2,554	2,797
	1,798	1,964

COMPANY	Retirement benefit obligation £000	Accelerated capital allowances £000	Other £000	Total £000
Asset at 1st January 2010	2,318	19	25	2,362
Charge to income	(136)	(4)	(25)	(165)
Credited to other comprehensive income	376	–	–	376
Asset at 31st December 2010	2,558	15	–	2,573
Charge to income	(153)	–	(41)	(194)
Credited to other comprehensive income	69	–	–	69
Asset at 31st December 2011	2,474	15	(41)	2,448

Note 20 – Capital and reserves

A. Components of owners equity

The nature and purpose of the components of owners equity are as follows:

Component of owners equity	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value, net of allowable expenses.
Revaluation reserve above depreciated cost.	Cumulative gains recognised on revaluation of land and buildings
Retained earnings	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income to the extent not distributed by way of dividends.

B. Share capital and premium	Number of shares	Ordinary shares **£000**
Authorised:		
Ordinary share of 10p each:		
At 1st January 2010, 31st December 2010 and 31st December 2011	50,000,000	5,000

Allotted, called up and fully paid:	Number of shares	Ordinary shares **£000**	Share premium **£000**
At 1st January 2010	39,947,889	3,995	1,234
Issue of shares on acquisition of subsidiary (see Note 28)	1,451,906	145	1,815
At 31st December 2010 and 2011	41,399,795	4,140	3,049

All shares rank equally in respect of shareholder rights.

The group issued 1,451,906 10p ordinary shares during 2010 to the shareholders of DG Robson Mechanical Services Limited as part of the purchase consideration for 100% of the share capital. The fair value of the shares issued amounted to £1,960,000.

Note 20 – Capital and reserves continued

C. Employee share option plan of the Company

The following options have been granted to employees and directors of the group under the TClarke plc Savings Related Share Option Scheme ('the 2011 SAYE scheme'), an approved save as you earn ('SAYE') share option scheme.

Scheme	Number of options	Grant date	Exercise date	Exercise price	Fair value at date of grant
2011 SAYE	1,547,000	08/11/11	01/01/15 to 30/06/15	40.00p	13.00p

The 2011 SAYE scheme was approved by HM Revenue and Customs on 14th July 2011. In accordance with the scheme rules all employees of the group with at least six months continuous service were eligible to participate in the scheme, the only vesting condition being that the individual remains an employee of the group over the savings period. The impact of recognising the fair value of employee share option plan grants as an expense under IFRS2 is £11,000 for the year ended 31st December 2011. The scheme is open to all eligible employees including the executive directors. Under the rules of the scheme all participating employees have entered into an approved Save As You Earn contract ('SAYE contract') under which the employee agrees to make monthly contributions of between £5 and £75 per month for a period of three years, at the end of which the employee may use part or all of the proceeds to acquire the shares under option. Options will be exercisable within a period of six months commencing on the date of maturity of the participants SAYE contract.

The weighted average fair value of the options granted in the year was 13p. Options were priced using a model based on the Black-Scholes model. The key inputs into the model were as follows:

Inputs into the model	
Grant date share price	43.00p
Exercise price	40.00p
Expected volatility	64%
Expected option life	3 years 2 months
Dividend yield	6.96%
3 year Treasury bond yield	0.62%

The volatility was measured at the standard deviation of continuously compounded share returns based on statistical analysis of daily prices over the last year. Each employee share option converts into one ordinary share of the company on exercise.

The number of options outstanding during the year were as follows:	Number	Weighted average exercise price
At 1st January 2010 and 31st December 2010	–	–
Granted during the year	1,547,000	40.00p
Forfeited during the year	(6,750)	40.00p
At 31st December 2011	1,540,250	40.00p

The share options outstanding at the end of the year had an exercise price of 40.00p and a weighted average remaining contractual life of 1,096 days.

Note 20 – Capital and reserves continued

D. Equity Incentive Plan ('the Plan')

The TClarke Equity Incentive Plan ('the Plan') was established during the year. All employees, including executive directors, are eligible to participate in the Plan at the discretion of the Remuneration Committee. Awards may be made in the form of approved options, unapproved options, conditional awards of shares and matching awards of shares. Awards may be made in the six-week periods after adoption of the Plan and after the announcement of the group's interim or final results. No award may be made more than ten years after the date on which the Plan was approved by shareholders (13th May 2011). Options and awards of shares are subject to performance conditions as determined by the Remuneration Committee.

The total number of shares issued or made available pursuant to the Plan, when aggregated with the total number of shares issued or made available pursuant to any other employee's share scheme in the ten years immediately preceeding the date upon which an award is made, shall not exceed ten percent of the company's issued share capital at the date of the grant.

The following conditional share awards have been granted under the TClarke Equity Incentive Plan ('the Plan').

	Number
At 1st January 2010 and 31st December 2010	–
Granted on 16th June 2011	255,000
At 31st December 2011	255,000

The share price at the date of grant was 83p. The conditional share awards will vest on 16th June 2014 being the third anniversary of the date of grant, subject to continued employment with the company and satisfaction of the following performance conditions:

Annual growth in EPS above RPI	Proportion of award vesting
Less than 3%	Nil
3%	25%
Between 3% and 10%	Between 25% and 100% on a straight line basis
Above 10%	100%

The impact of recognising the fair value of Equity Incentive Plan grants as an expense under IFRS2 is £20,000 for the year ended 31st December 2011.

Note 20 – Capital and reserves continued

E. Company income statement

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 £4,220,000 (2010: £4,022,000) has been included in the financial statements of the holding company.

F. Dividends paid	2011 £000	2010 £000
Final dividend of 4.25 (2010: 8.75p) per ordinary share proposed and paid during the year relating to the previous year's results	1,760	3,495
Interim dividend of 1.00p (2010: 4.25p) per ordinary share paid during the year	414	1,760
	2,174	5,255

The directors are proposing a final dividend of 2.00p (2010: 4.25p) per ordinary share totalling £828,000 (2010: £1,760,000). This dividend has not been accrued at the reporting date.

Note 21 – Notes to the statement of cash flows

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

GROUP	2011 £000	2010 £000
Profit / (loss) from operations:		
Continuing operations	5,364	6,017
Discontinued operations	–	(519)
Depreciation charges	631	697
Equity settled share based payment expense	31	–
Amortisation	491	344
Defined benefit pension scheme credit	(549)	(805)
Profit on sale of fixed assets	(2,128)	(32)
Operating cash flows before movements in working capital	3,840	5,702
Decrease / (increase) in inventories	10	(68)
Increase in contract balances	(4,111)	(5,577)
Increase in trade and other receivables	(3,019)	(2,853)
(Decrease) / increase in trade and other payables	(1,661)	1,959
Cash used in operations	(4,941)	(837)
Corporation tax paid	(1,781)	(2,059)
Interest paid	(82)	(47)
Net cash used in operating activities	(6,804)	(2,943)

COMPANY		
Loss from operations	(132)	(1,058)
Equity settled share based payment expense	31	–
Depreciation charges	35	20
Impairment charge - investments in subsidiaries	–	4,350
Defined benefit pension scheme credit	(549)	(805)
Operating cash flows before movements in working capital	(615)	2,507
Increase in contract balances	(5,393)	(5,107)
Decrease / (increase) in trade and other receivables	1,182	(2,877)
(Decrease) / increase in trade and other payables	(920)	3,762
Cash used in operations	(5,746)	(1,715)
Corporation tax paid	(523)	(896)
Interest paid	(104)	(44)
Net cash used in operating activities	(6,373)	(2,655)

Note 21 – 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	2011 £000	2010 £000
Cash and cash equivalents	624	8,252
Bank overdrafts	(64)	(1,047)
	560	7,205

COMPANY		
Cash and cash equivalents	6	3,174
Bank overdrafts	(1,321)	–
	(1,315)	3,174

C. Significant non-cash transactions

Additions to plant, machinery and vehicles during the year amounting to £63,000 (2010: £276,000) were financed by new finance leases.

In 2010 1,451,906 ordinary 10p shares were issued at fair value of £1,960,000 as part of the consideration for the acquisition of DG Robson Mechanical Services Limited.

Note 22 – Bank overdrafts & loans

GROUP	2011 £000	2010 £000
Bank overdrafts	64	1,047
The borrowings are repayable as follows:		
– on demand or within one year	64	1,047

The weighted average interest rates paid were as follows:	Year ended 31.12.2011 %	Year ended 31.12.2010 %
Bank overdrafts	3.0	4.0

COMPANY	2011 £000	2010 £000
Bank overdrafts	1,321	–
The borrowings are repayable as follows:		
– on demand or within one year	1,321	–

The weighted average interest rates paid were as follows:	Year ended 31.12.2011 %	Year ended 31.12.2010 %
Bank overdrafts	3.0	–

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.

During 2011 the group completed the arrangement of an £8,000,000 overdraft facility. All operating companies within the group are included within the facility, and cross guarantees and charges have been granted in favour of National Westminster Bank plc. At 31st December 2011 the group had unused overdraft facilities of £8,000,000 (2010: £5,803,000). No value has been attributed to the guarantee contracts in the company's financial statements as the amount is considered to be negligible.

Note 23 – Related party transactions

A. Directors remuneration	2011 £000	2010 £000
Salaries, fees and other short-term employee benefits	748	678
Termination benefits	–	202
Post-employment benefits	65	99
Total	813	979

B. Key management remuneration

Compensation payable to key management for employee services is shown below. Key management includes members of the group management board and directors of subsidiary companies.

	2011 £000	2010 £000
Salaries, fees and other short term employee benefits	3,587	3,461
Termination benefits	38	26
Post-employment benefits	491	359
Other long-term benefits	375	125
Total	4,491	3,971

C. Sales and purchases of goods and services to / from key management

The following trading transactions and balances with key management arose during the year (2010: £nil):

	Included in trade receivables at 31/12/11 £000	Included in sales revenue £000
Total	12	63

The receivables are due within two months of the year end and bear no interest.

D. Sales and purchases of goods and services to / from subsidiaries

The amounts due from and to subsidiaries are disclosed in Notes 17 and 18 respectively. All balances are repayable on demand.

TClarke plc was charged rent of £160,000 (2010: £160,000) during the year by a subsidiary company for occupation of group properties. TClarke plc charged subsidiary companies £449,000 (2010: £399,000) during the year for insurance services and £174,000 (2010: £150,000) for IT services. Sales to other group companies of £594,000 (2010: £nil) and cost of sales from other group companies of £1,143,000 (2010: £68,000) are included in the financial statements of the company.

Note 24 – 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 £621,000 (2010: £542,000) 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. With effect from 1st March 2010 the benefit structure was altered from a final salary scheme with an accrual rate of 1/60th to a Career Average Revalued Earnings scheme with an accrual rate of 1/80th. No other post-retirement benefits are provided. The assets of the scheme are held separately from those of the participating companies, 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 31st December 2009 by Mr.J. Seed, Fellow of the Institute of Actuaries, showed a deficit of £7,905,000, which represented a funding level of 71.5%.

The most recent IAS19 actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out at 31st December 2011. 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:	2011 **%**	2010 **%**
Rate of increase in salaries	3.40	4.40
Rate of increase of pensions in payment	2.55	3.00
Discount rate	4.80	5.40
Inflation assumption	2.90	3.40
Expected return on scheme assets	5.00	6.10

Note 24 – Pension commitments continued

The mortality assumptions used in the IAS 19 valuation were:		2011 **Years**	2010 **Years**
Life expectancy at age 65 for current pensioners	- Men	23.7	24.0
	- Women	26.1	26.4
Life expectancy at age 65 for future pensioners (current age 45)	- Men	25.1	26.0
	- Women	27.3	28.3

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

	2011 **£000**	2010 **£000**
Current service cost	289	58
Interest cost	1,710	1,569
Expected return on scheme assets	(1,350)	(1,249)
	649	378

Of the charge for the year £289,000 (2010: £58,000) has been included in administrative expenses and a charge of £360,000 (2010: £320,000) 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 £6,563,000 (2010: loss £5,618,000).

There was a positive return on scheme assets in 2011 of £945,000 (2010: positive return of £2,299,000).

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

	2011 **£000**	2010 **£000**
Present value of defined benefit obligations	33,590	31,489
Fair value of scheme assets	(23,627)	(22,354)
Deficit in scheme	9,963	9,135
Unrecognised past service cost	–	–
	9,963	9,135

This amount is presented in the statement of financial position under non-current liabilities.

The deferred tax asset in respect of the retirement benefit obligation (see Note 19) has been calculated using a corporation tax rate of 25% (2010: 28%).

Note 24 – Pension commitments continued

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

	2011 **£000**	2010 **£000**
At 1st January	31,489	28,005
Current service cost	289	58
Interest cost	1,710	1,569
Employee contributions	418	539
Transfers received	–	–
Actuarial loss	593	2,393
Benefits paid	(909)	(1,075)
At 31st December	33,590	31,489

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

	2011 **£000**	2010 **£000**
At 1st January	22,354	19,728
Expected return on scheme assets	1,350	1,249
Gain on scheme assets	(424)	1,050
Employer contributions	838	863
Employee contributions	418	539
Transfers received	–	–
Benefits paid	(909)	(1,075)
At 31st December	23,627	22,354

The actuarial loss of £1,017,000 (2010: loss £1,343,000) represents the net movement between the actuarial losses of £593,000 (2010: actuarial losses £2,393,000) and losses of £424,000 (2010: gain £1,050,000).

Note 24 – 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	
	2011 **%**	2010 **%**	2011 **£000**	2010 **£000**
Insurance contracts:				
Equities	5.50	7.00	9,393	8,620
Bonds	4.70	5.40	8,140	7,611
Property	5.50	7.00	2,335	2,344
Cash	2.50	4.00	1,239	1,235
Insurance annuity contracts	4.90	5.40	2,520	2,544
Weighted average expected return	5.00	6.10	23,627	22,354

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:

	2011 **£000**	2010 **£000**	2009 **£000**	2008 **£000**	2007 **£000**
Present value of defined benefit obligations	(33,590)	(31,489)	(28,005)	(18,924)	(22,290)
Fair value of scheme assets	23,627	22,354	19,728	16,233	18,963
Deficit in the scheme	(9,963)	(9,135)	(8,277)	(2,691)	(3,327)
Experience adjustments on scheme liabilities					
Amount (£000)	(593)	(2,393)	(7,724)	5,048	3,212
Percentage of scheme liabilities (%)	2%	8%	28%	27%	14%
Experience adjustments on scheme assets					
Amount (£000)	(424)	1,050	1,852	(4,724)	(39)
Percentage of scheme assets (%)	2%	5%	9%	29%	0%

The estimated amount of employer contributions expected to be paid to the scheme during the current financial year to 31st December 2012 is £865,000 (year to 31st December 2011: £757,000).

Note 25 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2011 **£000**	2010 **£000**	2011 **£000**	2010 **£000**
Amounts payable under finance leases:				
Within one year	93	158	85	143
In the second to fifth years inclusive	107	182	104	159
	200	340	189	302
Less: future finance charges	(11)	(38)	–	–
Present value of lease obligations	189	302	189	302
Less: Amount due for settlement within 12 months			85	(143)
Amount due for settlement after 12 months			104	159

The average lease term is three to four years. For the year ended 31st December 2011 the average effective borrowing rate was 11.0% (2010: 10.4%). 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 26 – Operating lease obligations

At the reporting 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 2011 **£000**	Other operating leases 2011 **£000**	Land and buildings 2010 **£000**	Other operating leases 2010 **£000**
Within one year	325	646	70	859
In the second to fifth years inclusive	999	808	–	1,845
After five years	–	110	–	721
	1,324	1,564	70	3,425

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

	Land and buildings 2011 **£000**	Other operating leases 2011 **£000**	Land and buildings 2010 **£000**	Other operating leases 2010 **£000**
Within one year	255	252	160	374
In the second to fifth years inclusive	999	443	640	483
After five years	–	–	–	–
	1,254	695	800	857

Note 27 – Contingent liabilities

Group banking facilities and surety bond facilities are supported by cross guarantees given by the company and participating companies in the group. There are contingent liabilities in respect of surety bond facilities and guarantees under contracting and other arrangements entered into in the normal course of business.

The company was previously 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 £nil (2010: £45,000). The fair value of the financial guarantee contracts had not been accounted for in the financial statements as the directors considered the amount was not material. During 2011 the separate banking facilities were replaced by a group banking facility as disclosed in note 22 above.

Note 28 – Business combinations

A. Subsidiaries acquired in the prior year

On 18th March 2010 the group acquired the entire issued share capital, being 100% of the voting equity interests, of D&S (Engineering Facilities) Limited ('D&S') (now TClarke North West Limited), a facilities maintenance business based in Accrington, specialising in mechanical, electrical and related civil engineering services. D&S is reported as part of the North operating segment. The acquisition significantly enhances the group's facilities maintenance capabilities and provides a strong regional base in the North-West.

On 24th August 2010 the group acquired the entire issued share capital, being 100% of the voting equity interests, of DG Robson Mechanical Services Limited ('DGR'), a mechanical services and public health contractor based in Brentwood, Essex. DGR is reported as part of the South operating segment. The acquisition gives the group a mechanical contracting and prefabrication presence in the London market and enables the group to bid for work requiring a combined mechanical and electrical solution.

The fair value of the assets and liabilities acquired and the fair value of the consideration are disclosed below.

B. Consideration transferred	D&S **£000**	DGR **£000**
Cash - at date of completion	10,600	1,875
Cash - on agreement of net assets	1,000	1,256
Ordinary shares issued in TClarke plc	–	1,960
Contingent consideration	–	495
Total	11,600	5,586

i) D&S (Engineering Facilities) Limited

The consideration was settled in cash, including the additional consideration which was paid on agreement of the completion accounts on the basis that cash and net asset targets set out in the sale and purchase agreement had been met.

ii) DG Robson Mechanical Services Limited

1,451,906 10p ordinary shares were issued to the vendors as part of the consideration and were fair valued using the closing share price at the date of acquisition.

Under the contingent consideration arrangement the group is required to pay additional amounts to the vendors equivalent to:

- 58.125% of the amount by which DGR's pre-tax profits exceed £900,000 for the year to 24th August 2011, capped at £348,750; and
- 38.75% of the amount by which the pre-tax profits of the company exceed £900,000 in the year to 24th August 2012, capped at £426,250.

The maximum contingent consideration payable is £775,000 and the minimum contingent consideration payable is £nil. The fair value of the contingent consideration at the date of acquisition was £495,000, based on projected future profits and discounted at 9.75%. An amount of £348,750, being the maximum first instalment, was paid to the vendors on 31st October 2011.

Note 28 – Business combinations continued

C. Assets acquired and liabilities recognised at date of acquisition	D&S Fair value £000	DGR Fair value £000
Intangible assets	2,688	200
Property plant and equipment	230	15
Deferred tax	(701)	(5)
Inventories	–	38
Amounts due from customers under construction contracts	683	426
Trade and other receivables	3,246	850
Cash and cash equivalents	5,215	1,972
Amounts due to customers under construction contracts	(824)	–
Trade and other payables	(4,340)	(1,939)
Corporation tax	(356)	(426)
Identifiable net assets	5,841	1,131
Goodwill	5,759	4,455
	11,600	5,586

i) D&S (Engineering Facilities) Limited

The gross contractual amounts of trade and other receivables were not significantly different from their fair values, and no allowance was made for credit losses.

Intangible assets represented the value attributed to D&S's customer relationships and related framework contracts.

The principal constituent elements of goodwill were the synergies and opportunities expected to arise from the acquisition and the skilled and accredited workforce employed by D&S, none of which qualified for separate recognition. The goodwill was not deductible for tax purposes.

ii) DG Robson Mechanical Services Limited

The gross contractual amounts of trade and other receivables was £977,000 at the date of acquisition, and an allowance of £127,000 was made for trade and other receivables which were not expected to be collected. Intangible assets represented the value attributed to DGR's customer relationships and related contracts.

The principal constituent elements of goodwill were the synergies and opportunities expected to arise from the acquisition, which gave the group a mechanical contracting presence in London, management know how and the skilled workforce employed by DGR, none of which qualified for separate recognition. The goodwill was not deductible for tax purposes.

DGR had contracted to pay certain employees future bonuses in respect of their past services to the company prior to the acquisition, totalling £750,000. These bonus arrangements include limited vesting conditions which nevertheless mean that they fall to be treated as post acquisition expenses of the group, and were being charged to the income statement over the vesting period, which is the two years following the acquisition.

Note 28 – Business combinations continued

D. Net cash outflow on business combinations	D&S £000	DGR £000
Consideration paid in cash	11,600	3,131
Less: cash and cash equivalent balances acquired	(5,215)	(1,972)
Net cash outflow - year ended 31st December 2010	6,385	1,159
Contingent consideration paid	–	349
Net cash outflow - year ended 31st December 2011	–	349

E. Impact of the acquisitions on the results of the group

D&S contributed £12,474,000 revenue, £891,000 profit before tax and before amortisation of £294,000, and operating cash inflows of £1,634,000 to the group's results for the year ended 31st December 2010.

DGR contributed £3,882,000 revenue, £826,000 profit before tax and before intangibles amortisation of £50,000 and long-term employee benefits arising out of pre-acquisition agreements of £141,000, and operating cash inflows of £702,000 to the group's results for the year ended 31st December 2010.

Had D&S and DGR been part of the group throughout the prior reporting period the group's total revenue would have been approximately £190 million and the profit for the year from continuing operations would have been approximately £4.6 million.

The group incurred acquisition costs of £299,000, comprising £161,000 arising on the acquisition of D&S and £138,000 arising on the acquisition of DGR, which were expensed during the prior period and included in other expenses.

Note 29 – 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. Dividends form an important part of the overall return to shareholders. The group is mindful of the need to ensure that the dividend is covered by earnings over the business cycle and paid out of cash reserves in order to secure the long-term interests of shareholders. The board considers that it has sufficient capital to undertake its activities for the foreseeable future.

The 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. 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 25.

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 21
Bank deposits	Note 21
Bank overdrafts	Note 22
Trade receivables	Note 17
Trade payables	Note 18

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the bases on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

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

Note 29 – Financial instruments continued

C. Financial risk management

The group is exposed to credit risk, liquidity risk and cash flow interest rate risk. During the year the group completed the arrangement of an £8 million overdraft facility with National Westminster Bank plc, replacing separate facilities held by a number of group companies. There have been no other significant changes to the nature of these risks or the group's objectives and policies for managing these risks, but as noted last year the current prolonged economic downturn has heightened the likelihood of these risks crystallising and the group continues to be vigilant in its monitoring and management of 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. There were no significant concentrations of credit risk at 31st December 2011.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. Based on an interest rate of 3%, the effect of a delay / acceleration in the maturity of the group's trade receivables at the balance sheet date would be to decrease / increase profit by approximately £51,000 (2010: £51,000) for each month of delay / acceleration, and the effect of a delay / acceleration in the maturity of the group's trade payables at the reporting date would be to increase / decrease profit by approximately £70,000 (2010: £67,000) 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 £6,000 (2010: £72,000) per annum. Details of the group's and the company's overdraft facilities are disclosed in Note 22. Details of finance lease commitments are disclosed in Note 25.

The group does not enter into any derivative transactions and has minimal exposure to exchange rate movement as its trade is based in the United Kingdom.

Note 30 – Subsidiary companies

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

Electrical and mechanical contractors	Type of shares
DG Robson Mechanical Services Limited	Ordinary
H&C Moore Limited	Ordinary
Mitchell & Hewitt Limited	Ordinary
TClarke (Bristol) Limited	Ordinary
TClarke East Limited	Ordinary
TClarke (Midlands) Limited	Ordinary
TClarke North West Limited (formerly D&S (Engineering Facilities) Limited)	Ordinary
TClarke (Scotland) Limited	Ordinary
Veale-Nixon Limited	Ordinary
Waldon Electrical Contractors Limited	Ordinary
WE Manin Limited	Ordinary

Property holding company	
Weylex Properties Limited	Ordinary

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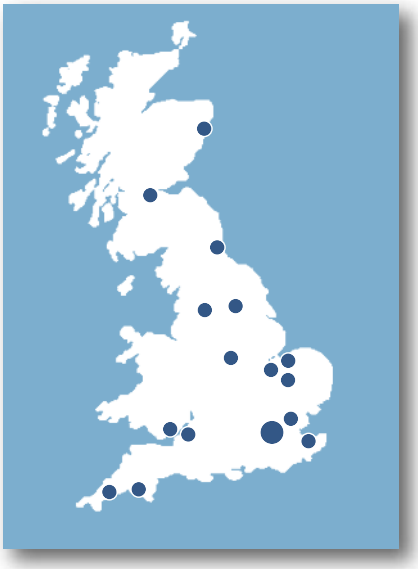

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