

Annual Report and  
Financial Statements

2020

INFRASTRUCTURE

TECHNOLOGIES

ENGINEERING SERVICES

RESIDENTIAL & HOTELS

FACILITIES MANAGEMENT

# TClarke

In Touch With Tomorrow

# Who we are

TClarke is an industry leader in the design, installation, integration and maintenance of the digital, mechanical and electrical technologies and infrastructures that a 21st century building needs for control, performance and sustainability.

Across the UK, we provide a large-scale, flexible resource of specialist expertise, based in market-leading Engineering Services and digital capabilities, to help our customers deliver their construction programmes safely.

Our reputation for high quality and the successful application of new technologies has been built over 130 years.



Infrastructure



Technologies



Engineering Services



Residential & Hotels



Facilities Management

# Contents

Who we are	
Strategic Report	
Chairman's Statement	01
Chief Executive's Report	02
Business Model	08
Our Strategy	09
Group Financial Review	10
Section 172 Statement	14
Sustainability	16
Principal Risks	22
Long-term Viability Statement	26
Governance	27
Financial Statements	66

## 2020 in numbers

Group Revenue

£231.9m

2019: £334.6m

Underlying Operating Margin

2.6%

2019: 3%

Underlying Operating Profit

£6.0m

2019: £10.2m

Profit Before Tax

£1.2m

2019: £9.0m

Underlying Earnings Per Share

10.29p

2019: 18.81p

Dividend

4.4p

2019: £4.4p

Forward Order Book

£456m

2019: £403m

Net Cash

£10.2m

2019: £12.4m

For further information and for a definition of underlying, forward order book and dividend, see page 11 of the Group Financial Review. See page 13 for definition and calculation of net cash.

## Investor Case

Our investor case shows a strong, balanced business, funding its own growth and focused on new technologies.



### Balanced Business Model

Sustainable revenues across our five market sectors. An integrated offering and expertise in technology solutions differentiates us from competitors and we strive to be the contractor of choice for all projects. 90% of our revenue comes from existing clients.



### Disciplined and Robust Risk Management

We operate a highly effective and selective approach to tendering and potential customer risk assessment. We adopt a robust and consistent approach with regard to profit recognition and claims provisioning.



### Growth Strategy

We have a revenue target of £500m within 3 years whilst maintaining our operating margin.



### Forward Revenue Visibility

Our secured forward order book at 31st December 2020 stood at £456 million, including £168 million booked for 2022 and beyond. Pipeline bid opportunities typically exceed £1 billion.



### Improving Profitability

We are focused upon margin sustainability at 3% but always seeking ways to improve upon this. We seek to sustain this alongside a growing order book.



### EPS Growth and Progressive Dividend Policy

We strive to increase earnings over the cycle and are committed to a progressive dividend policy, whilst balancing the rewards to shareholders with the interests of our wider stakeholders.



### Strong Cash Flow and Balance Sheet

Our cash generation is strong and planned capital investment for efficiency and growth is funded from internal resources. At 31st December 2020 net cash stood at £10.2 million.

## Chairman's Statement

In common with many businesses throughout the UK, TClarke faced significant and unprecedented challenges in 2020. It is therefore particularly pleasing that TClarke has remained profitable and our average daily net cash balance was positive throughout 2020. It is also a year in which emerging opportunities for top line growth allows us to announce a three year plan to deliver £500m of revenue whilst maintaining our margins.

We delivered our underlying operating margin target of 3% in the first quarter and in the second half of the year. In the second quarter, at the height of the national lockdown, we achieved a breakeven performance at the operating level, which was an outstanding performance given the significant impact this had on our sector through site closures and major client driven project delays and reschedules.

Swift and effective management responses and actions in response to the pandemic have positioned us strongly for the future. Our forward order book stands at a record £456m, an increase of 13% on the year. This increase is not represented by work delayed from 2020. It results from new projects, many from existing clients who value our stability, our relationship with them, and our proven ability to deliver quality.

Our strategy of strengthening our core Engineering Services markets while building and developing our capabilities in key areas of technology and infrastructure is succeeding. This was a major factor in our 2020 performance. Importantly, however, it puts us in a very strong position as we move into 2021 and beyond.

TClarke is very aware of the importance of our dividend stream to shareholders and investors. We continue to be fully committed to a progressive dividend policy and continue to focus on our ability to ensure dividend streams are maintained, while at the same time balancing the needs and interests of all stakeholders. We fully maintained our final and interim dividend payments in 2020 and we are proposing a 2020 final dividend of 3.65 per share – maintaining our 2019 dividend level.

It is particularly important that we continue to grow and develop the skills of all our people. Our people are our future. It is heartening to note the leadership's continued support for 199 apprentices across the Group and the decision to welcome a new cohort of apprentices during summer 2020. These are not small investments – but they are made with long-term belief in our company.

As I look forward into 2021 and beyond, I am optimistic. TClarke is very strongly placed to continue to grow and deliver outstanding performance and results. This comes from the success of its strategies and deliveries, the quality of its products, services and methods, and from the strength and depth of its client relationships.

However, the biggest strength and asset we have as we move forward is our people. Their outstanding achievements this year have allowed us to take a positive stance and deliver as a business, and I want to thank them all for their professionalism and hard work during the period.

**Iain McCusker**  
Chairman  
24th March 2021



# Chief Executive's Report

## Demonstrating Ambition - Setting Attainable Growth Targets

It is my pleasure to reflect on 2020, a year like no other. I feel a great sense of pride in what we have achieved. We faced challenges as our business operations and supply chains were disrupted and normal work routines and social structures were interrupted. However, we have stayed focused and demonstrated that the business is strong, resilient, and capable of delivering for all our stakeholders whatever the circumstances. None of this would have been possible without the dedicated contributions of our employees all of which have played their part and without whom we would not have been able to navigate this challenging year, our people remain one of the unique factors that we have at TClarke.

### 2020 Apprentice Intake Underlines our Positive Outlook

Across the UK we welcomed 22 new apprentices to our business - making the decision to do so during the height of uncertainty in the first lockdown - when it would have been very easy indeed to do otherwise. This continued investment in new talent ensures we can repeat our successes in the years to come.

### Ambitious Business Plan to Deliver £500m Annual Revenue

As we enter 2021 the Board has set itself an ambitious strategically backed three-year plan to deliver £500m annual revenues supported by a year end record forward order book of £456m: £288m for 2021 and £168m for 2022 and beyond. The growth in our order book is an important step in our plan to deliver growing revenue targets whilst maintaining margins and continuing to reward our shareholders.

As a UK wide, specialist engineering company with market leading capabilities we focus in five key sectors:

- Infrastructure
- Residential and Hotels
- Facilities Management
- Engineering Services
- Technologies

Our strategy for growth is very straightforward, a business led by people empowered to deliver. Building upon long term relationships, leading to continuous repeat business which is as close to achieving reoccurring revenues as is possible in our markets.

Being focused on excellence in delivery enables us with confidence to be ambitious in setting this revenue target for the Group. The five sectors we focus on are made up of our established business strengths to which we have supplemented with additional skill sets to ensure we can offer the complete engineered solution whatever the project, delivered in the most effective and advantageous way using the best technologies.



## Expanded Potential Market Creates Headroom for Growth

Our growth potential is a result of previous investments in our offering and in the business as a whole, the broader opportunities available to TClarke are now permanently greater. The mechanical division of our Engineering Services has doubled its revenues in recent years with the flagship project KGX1 at Kings Cross well underway. At completion over 70% of the project will have been designed and prefabricated off site. Our technology business is already contributing 14% of turnover.

The range of potential packages available to TClarke within a major project has grown significantly and with the business less dependent on the traditional contracting sectors, by way of illustration providing 1.275 million sq ft of flexible workspace the recently completed 22 Bishopsgate project offers a clear picture of this effect and shows the sensible additional headroom we can grow into going forward.

### Five Strong Sectors – Growth Opportunities

Our potential for growth to meet our ambitions is clear. The opportunities before us are of a considerable scale led by an effective Group which, fit our high-quality engineering skillset. We illustrate some examples below.

#### Infrastructure

We are extremely well positioned in the key growth sector of healthcare. This sector requires complex, technical engineering solutions and in 2020 we secured further projects to underpin our capacities.

Our selection for £40m of healthcare packages in the South West is one of the very first to be announced from the Government's £3.7bn ten-year, Health Infrastructure Plan, is a major success for the business. We know that we are one of a handful of UK companies with the scale and skillset to deliver these projects.

As our healthcare teams engage with the NHS at national level, we also hold four strategic advantages:

1) 70% Offsite Manufacture Target - The NHS target of using modern construction methods in the HIP projects

is heavily focused on offsite manufacture. Our in house DfMA (Design for Manufacturing and Assembly) capability is therefore of huge importance.

2) Smart and Digital Buildings - Our exclusive partnerships with leading smart buildings software providers, gives us the potential to be a clear industry leader in smart hospitals - once again this represents a major advantage for us.

3) Net Zero Carbon Target - The Government pledge to achieve this target by 2050 means that all these hospitals will need to achieve net zero or be a long way down the road in doing so. Our current work on the most technically advanced large scale Passivhaus (low energy) project in the country in Exeter is therefore another major advantage.

4) Adaptability for Future - Taken together, our longevity in healthcare construction, current leadership in smart and sustainable large buildings, and overall group demonstration of innovation in the sector provide a very strong and under this heading too

As well as the vast potential of healthcare, we are also very strong in education. We have delivered 49 projects in this sector in 2020 (previously on the EFA, and now the ESFA Framework) and have secured a further 25 projects commencing in 2021.

Our confidence for future opportunities was bolstered with the government's announcement for a further £1bn funding for a further round of 50 schools for the medium term.

#### Residential and Hotels

Our Scotland team reported highly buoyant residential markets in 2020, with a record 2,500 new homes already secured for 2021. They went on to win their largest residential project ever - a first phase of 170 new homes - at the 1,000 home £250m Northbridge development. One of the direct benefits of increased agility is our confidence within the regional residential markets where the work of our regional teams has shown we can deliver large scale residential successfully from every point of view. As a result, the group is actively evaluating large scale

## Chief Executive's Report continued

residential opportunities across the UK with our long-term house building partners in areas we currently under-serve.

The Group is immensely proud of the range and calibre of hotel projects we are involved with, current landmark schemes include The Peninsula Hotel at Hyde Park Corner and the Pan Pacific Hotel, in the City of London. For future opportunities in London, 19 hotel schemes with 2,891 rooms are under development for 2022 and another 37 are in the pipeline for 2023, bringing an extra 6,993 rooms.

### Facilities Management

We provide market-leading in-house Facilities Management (FM) expertise in a complete range of mechanical and electrical specialisms from chilled water systems and BMS controls to fire safety systems and air handling plants. Our in-house teams provide preventative services to address legislation, manufacturer recommendations, best practice and specific client needs. We also provide 24/7 call-out services nationwide.

FM delivers sustainable reoccurring revenues and margins with minimal risks. FM also allows us to leverage the power of our Group-wide, directly employed expert resource to deliver a unique range of specialist M&E services for the FM industry.

### Engineering Services

Our core Engineering Services has won major new

London landmark office projects including

- 8 Bishopsgate, City of London
- Bankside Yards, Southwark
- Facebook, Kings Cross
- Gateway Central, White City
- Ruskin Square, Croydon

A key part of our strong performance across all sectors has been our advanced offsite DfMA manufacturing facility at Stansted. This capability and expertise in prefabricating and modularising large Engineering Services of all kinds for precision installation within a building, is increasingly the key to our winning and delivering major projects - it has become exactly the strategic advantage we hoped it would be.

Outside of London the news has been just as encouraging. Having identified the North West as a strong market for our Engineering Services offering and setting up in Liverpool and Manchester, in 2020 we won our first major project - the £3.5m Royal College of Physicians, in Liverpool.

In the South West we are underway with Britain's most advanced and ambitious large scale Passivhaus development - St Sidwell's Leisure Centre, Exeter - whilst in parallel resource and engineering expertise helped design and deliver the Exeter NHS Nightingale hospital in just six weeks. Just a couple of examples

highlighting our regional engineering expertise, quality work and resource scale.

### Technologies

The opportunity is just as exciting in data centres. This is a worldwide growth sector.

Data consumption is ever increasing, and we forecast a decade long boom in the requirement of data centre capacity ahead of us to deliver the fully digital world we are moving into, driven by enterprise cloud and software utilities, office productivity and file storage as well as e-commerce, social networking, streaming video services, gaming, and mobile apps.

The engineering of data centre requires specialists' skills which we possess to not only deliver complex designs but to demanding timescales. Moreover, our strengthening relationships with some of the biggest hyperscalers in the global industry will ensure we have the ability to secure the most high-profile schemes.

This growth of opportunity within the UK data centre market means that there is more potential for us here than we reported last year, whilst continuing to actively evaluate options in Europe, alongside our global partners.

Market data shows 39 current large data centre projects in the UK with a construction value of £1.35bn.

TClarke currently has live opportunities on four significant schemes in the South East.

### Good Governance

The feedback from many of our customers is that the levels of corporate governance, risk management and transparency that come with our public listing and the 'TClarke Way' of working are also of considerable competitive value. This is a significant factor in the selection process - particularly for the major projects we target.

### Outlook and Summary

In summary having secured such a strong order book at this early stage of the year gives the Board strong confidence for the year ahead. Following a slightly slower start we expect revenues and profit to build rapidly throughout the course of the second half of the year as our recently secured projects gain momentum.

We remain focused on delivering results for all our stakeholders and have the capacity and depth of expertise to expand to successfully meet our ambitious goal of £500m revenues, 2021 marks an exciting new chapter in the evolution of TClarke.

### Mark Lawrence

Group Chief Executive Officer  
24th March 2021



**Infrastructure**



**Residential  
& Hotels**



**Facilities  
Management**



**Engineering  
Services**



**Technologies**



**£500m**



## On our Journey to £500m Turnover

Our five core sectors can support a step change in scale for TClarke and 2020's wins have set us in a strong position.



### Infrastructure

**£100m**

Forward order book  
2019: £89m

**£59m**

2020 Revenue – 2019 £56m

	No. of 2020 Projects	Projects in Order Book
Defence	10	5
Education	49	25
Healthcare	36	36
Prisons	4	3
Other Government	15	11
<b>Totals</b>	<b>114</b>	<b>80</b>



### Residential & Hotels

**£115m**

Forward order book  
2019: £110m

**£42m**

2020 Revenue – 2019 £56m

	No. of 2020 Projects	Projects in Order Book
Hotels	3	4
New Build	82	73
Refurbishment	10	4
<b>Totals</b>	<b>95</b>	<b>81</b>



### Facilities Management

**£19m**

Forward order book  
2019: £12m

**£18m**

2020 Revenue – 2019 £29m

	No. of 2020 Projects	Projects in Order Book
Long Term Frameworks	2,303	2,431
Planned and Reactive Maintenance	11,891	12,552
<b>Totals</b>	<b>14,194</b>	<b>14,983</b>



### Engineering Services

**£175m**

Forward order book  
2019: £142m

**£81m**

2020 Revenue – 2019 £148m

	No. of 2020 Projects	Projects in Order Book
Commercial Offices	29	32
Leisure	11	9
Retail	8	5
Other	16	4
<b>Totals</b>	<b>64</b>	<b>50</b>



### Technologies

**£47m**

Forward order book  
2019: £50m

**£32m**

2020 Revenue – 2019 £45m

	No. of 2020 Projects	Projects in Order Book
Manufacturing and Prefabrication	3	6
Data Centres	1	2
Smart Buildings	23	20
Other	7	7
<b>Totals</b>	<b>34</b>	<b>35</b>



## Business Model

Our strategic advantages give us market leadership. Our service mix allows us to deliver value at each stage of the project. Our delivery is underpinned by our core values, known as **The TClarke Way**.

Our Strategic Advantages	What we do	Value Created for our Stakeholders
<p><b>People</b> We directly employ expert professional engineering staff and operatives and run industry-leading apprenticeship and future leader schemes to sustain our talent pipeline.</p> <p><b>Relationships</b> We focus on building long- term relationships with principal contractors and clients, underpinned by a systematic programme of engagement.</p> <p><b>Nationwide Coverage</b> We cover the whole of mainland UK with 19 offices to serve our clients where they need us. We can deliver international projects where the opportunity meets our business goals.</p> <p><b>Integrated Services And Technology</b> We offer integrated and complete building services. We are a high-technology business and leaders in the delivery of complex installations, prefabrication, Design for Manufacture and Assembly (DfMA) and new digital technologies.</p> <p><b>Reputation</b> Our performance maintains our brand reputation for total reliability, safety, delivery and quality.</p>	<p><b>Design</b> We design and value-engineer systems, drawing on our expertise to provide intelligent building solutions.</p>	<p><b>Shareholders</b> The total dividend has increased by 38% over the last five years.</p> <p><b>Customers</b> Total reliability in project delivery, quality and safety, operating a collaborative and open approach to work which maximises value, efficiency and productivity.</p> <p><b>Employees</b> Industry-leading career paths and project work to take pride in. 42 participants in the Future Leaders programme and 199 apprentices in training in 2020.</p> <p><b>Suppliers</b> A collaborative and open approach to the working relationship, providing fair payment terms.</p> <p><b>Community and Environment</b> Delivery of high-quality built environments across the UK. Support for the local and wider community in which we work.</p>
	<p>↓</p> <p><b>Procure</b> We add value through expert procurement of equipment, materials, services and expertise across the life of a project.</p>	
	<p>↓</p> <p><b>Install</b> We employ highly-qualified and experienced in-house engineering teams of professionals and operatives to install and deliver our solutions and services.</p>	
	<p>↓</p> <p><b>Maintain</b> Our in-house teams deliver specialist mechanical, electrical and digital infrastructure maintenance services to support the ongoing functioning of a building through its lifecycle.</p>	

## Our Strategy

A strategy for profitable growth



Objective	How we will Achieve it	2020 Achievement Highlights
<b>Sustainable 3% Operating Margin</b>	Through successful targeted tendering and operational efficiency, we will focus on delivering a 3% operating margin.	<ul style="list-style-type: none"> <li>Operating margin of 3.0%. For Q1, H2 2020. Breakeven Q2 2020.</li> </ul>
<b>£500m p.a. Revenue Target</b>	We focus on five market sectors. We intend to grow our market share organically by winning and delivering larger scale opportunities across all sectors throughout the UK. In addition we continue to target Data Centres in Europe on a selective basis.	<ul style="list-style-type: none"> <li>Strategic partnership established with smart technology provider.</li> <li>Record order book £456m</li> <li>Number of significant bids awaiting decision.</li> </ul>
<b>Remain Contractor of Choice for Landmark Projects</b>	<p>There is a substantial premium market of major London projects and their complexity and scale means few can deliver the same quality of work, depth of resource and integrated services offering as TClarke.</p> <p>We will continue to target and deliver this work and increase our market and engineering leadership.</p>	<ul style="list-style-type: none"> <li>8, 22, 100 &amp; 150 Bishopsgate, London</li> <li>One Nine Elms, London</li> <li>KGX1, Kings Cross, London</li> <li>Beaufort Park, London</li> <li>The Peninsula Hotel, London</li> <li>Battersea Power Station, London</li> </ul>
<b>Maintain a Balanced Business</b>	We balance our business by strategic management of our order book with a blend of existing markets of Infrastructure, Residential and Hotels, renewing FM contracts, Engineering Services and new markets such as Technologies.	<p>No dependence on one market sector in respect of revenue:</p> <p>Engineering Services 38% Infrastructure 22% Residential &amp; Hotels 25% Technologies 10% Facilities Management 4%</p>
<b>Build Long-term, Lasting Relationships</b>	We will continue to grow, supporting principal contractors and our clients, working on major projects across the UK, leveraging the quality of our regional resources and national brand reputation.	<ul style="list-style-type: none"> <li>90% of turnover in 2020 was with repeat clients</li> </ul>

# Group Financial Review

The Group has shown its strength and resilience in the most difficult of years. Underlying operating profit was maintained at 3% in Q1 2020; broke even in the face of a 50% drop in revenue Q2 vs Q1; returning to 3% for H2. Underlying earnings per share were 10.29p. TClarke paid its 2019 final dividend in full in July 2020 and maintained its level of interim dividend.

TClarke remains financially secure; Average daily net cash remained positive throughout 2020 and in addition the Group has £25 million of bank facilities at its disposal. The £15 million RCF facility has been extended to August 2024 on its normal terms. The Group has not needed to apply for any of the COVID-19 loan schemes.

## Performance

The Group remained profitable for the year ended 31st December 2020 in spite of all the challenges resulting from the COVID-19 pandemic. Underlying operating profit was £6 million (2019 £10.2 million) at a time when turnover fell to £231.9 million (2019: £334.6 million). The reduction in turnover was the result of site closures or sites operating with much reduced numbers between mid March and end of July.

The Group undertook a swift restructuring programme to protect the health of the business. The cost of the programme was £3.7 million accounted for in non underlying items. The programme has reduced the Group's cost base by in excess of £4 million per annum; 2020 results have benefited by £2.5 million of these savings.

Overall TClarke reported a statutory operating profit of £2.1 million before interest and tax (2019: £10.0 million).

Finance costs fell to £0.9 million (2019: £1.0 million). Finance costs comprise: £0.3 million bank interest (2019: £0.2 million); a reduction in the Group's defined benefit pension scheme interest charge of £0.2 million to £0.5 million (2019: £0.7 million) and an interest charge of £0.1 million arising from IFRS 16 (2019: £0.1 million).

There is no tax charge for the year. (2019: £1.2 million). This was primarily due to prior year tax adjustments.

TClarke maintains an open and transparent working relationship with HMRC.

The Board is proposing a final dividend of 3.65p (2019: 3.65p), maintaining the 2019 dividend level. Total dividend for the year therefore remains at 4.4p (2019: 4.4p). The dividend is covered 2.2 times by underlying earnings. TClarke recognises that many of its shareholders invest for dividends.

We move into 2021 with a forward order book at £456 million (2019: £403 million) providing excellent revenue visibility.



"Year-end net cash was £10.2 million (2019: £12.4 million). Average daily net cash was positive throughout 2020."

**Trevor Mitchell**  
Group Finance Director

## Summary of Financial Performance

	2020 £m	2019 £m
<b>Revenue</b>	<b>231.9</b>	334.6
<b>Operating profit</b>		
– Underlying <sup>1</sup>	<b>6.0</b>	10.2
– Reported	<b>2.1</b>	10.0
<b>Profit before tax</b>		
– Underlying <sup>1</sup>	<b>5.1</b>	9.2
– Reported	<b>1.2</b>	9.0
<b>Profit after tax</b>		
– Underlying <sup>1</sup>	<b>4.3</b>	8.0
– Reported	<b>1.2</b>	7.8
<b>Profit for the year</b>	<b>1.2</b>	7.8
<b>Earnings per share - basic</b>		
– Underlying <sup>2</sup>	<b>10.29p</b>	18.81p
– Reported	<b>2.87p</b>	18.37p
<b>Dividend per share</b>	<b>4.4p</b>	4.4p

1. Underlying operating profit, profit before tax and operating margin are stated before amortisation of intangible assets and restructuring costs.  
2. Underlying earnings per share is calculated by dividing underlying profit after tax by the weighted  
3. Dividend per share represents the interim and final dividend proposed or paid for the year in question.

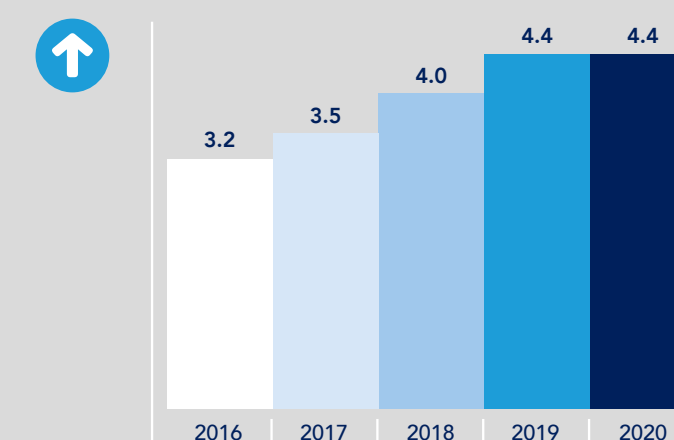
## Forward Order Book

	2020 £m	2019 £m	% change
Market sector			
Infrastructure	<b>99.9</b>	89.0	11%
Residential & Hotels	<b>115.1</b>	110.0	5%
Technologies	<b>46.8</b>	50.4	(7%)
Engineering Services	<b>175.2</b>	141.9	23%
Facilities Management	<b>19.0</b>	11.7	62%

Forward Order Book comprises jobs which are secured through contracts or letters of intent.

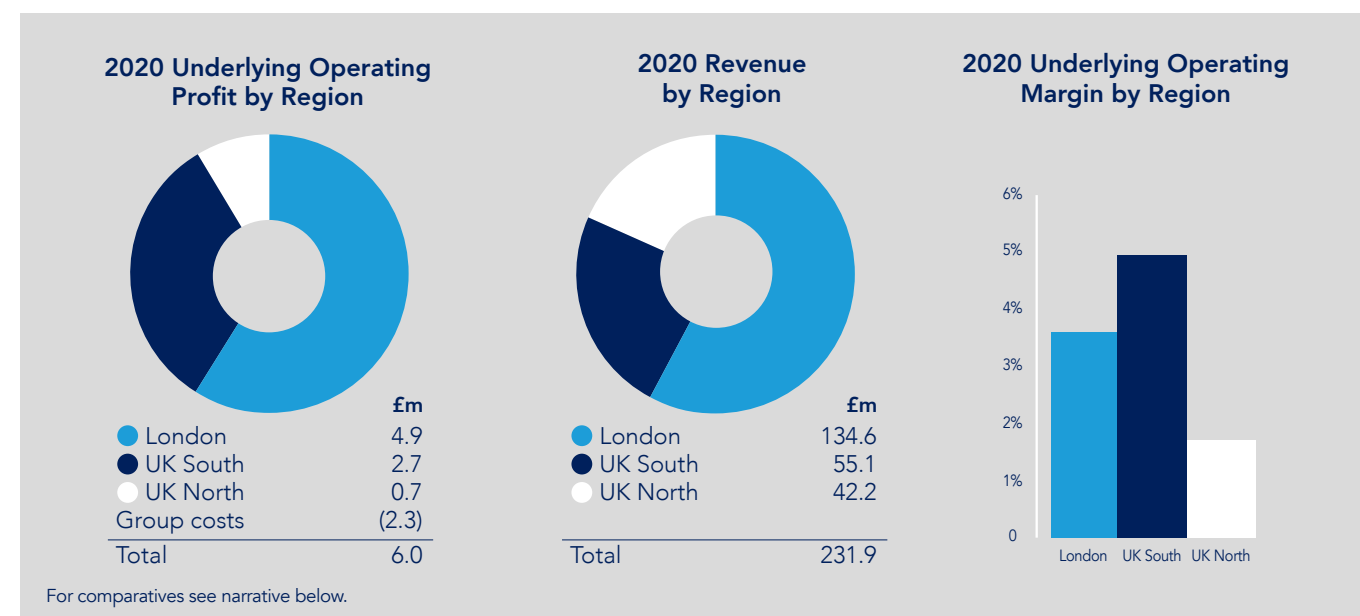
## Progressive Dividend Policy

2016 -2020





## Group Financial Review continued



### London

Revenue from our London operations fell to £134.6 million (2019: £201 million). The fall in revenue was as a direct result of some large London sites remaining closed during the first national lockdown until a safe method of working could be established. These sites opened during the second half of 2020 and remain open. London generated an underlying operating profit of £4.9 million (2019: £8.2 million). Underlying operating margin was 3.6% (2019: 4.1%).

For 2021 the region is engaged on a number of high-profile shell and core commercial and hotel developments all of which offer future fit-out opportunities. A number of areas continue to be regenerated and offer large -scale mixed commercial and residential opportunities such as the International Quarter London, Battersea Power Station, Kings Cross and the area of Bishopsgate, London.

London is currently working on some key data centres and is also bidding a number of data centre opportunities both in the UK and Europe.

In addition, TClarke has an exclusive contract to sell, install and maintain the Gooee suite of products offering both initial and recurring revenue streams.

### UK South

Revenue from UK South fell by 17% to £55.1 million (2019: £66.3 million) but the focus on higher-quality projects has resulted in an underlying operating profit of £2.7 million (2019: £3.6 million) giving rise to an underlying operating margin of 4.9% (2019: 5.4%). The region has developed a high-quality customer base providing a significant quantity of repeat business.

The region is particularly strong in infrastructure with many projects being undertaken in defence, education and healthcare. Of particular note TClarke delivered the Exeter Nightingale Hospital in 6 weeks during May and June 2020.

Our established FM operation in Birmingham is performing well and has a pipeline of opportunities, many with repeat customers.

### UK North

Revenue fell to £42.2 million (2019: £67.3 million), in part the result from Scotland being unable to work on any sites for a number of months. UK North generated an underlying operating profit of £0.7m million (2019: £1.4 million) in spite of the site closures. Underlying operating margin was 1.7% (2019: 2.1%). Within the region, Scotland's residential work performed well in the latter part of the year; a number of educational projects were delivered by the Leeds office and our recently opened offices in Manchester is well on the way to completing its first major project.

### Pension Obligations

The triennial valuation of the pension scheme at 31st December 2018 showed a deficit of £24.9 million, representing a funding level of 59% (2015 valuation: deficit £14.9 million, funding level 67%). The principal reason for the increase in deficit is the fall in long-term interest rates over the period.

The Group has been pursuing an agreed deficit reduction plan over a number of years; however, market factors have meant that the deficit has not been reduced as intended and the cost of funding current pension commitments has increased. Following agreement of the 2018 valuation, the Group has agreed to continue the deficit reduction contributions of £1.5 million per annum. The recovery plan period is 12 years. The Group continues to provide security to the pension scheme in the form of a charge over property assets up to a combined market value of £3.1 million.

From 1st April 2020 the future service contribution increased to 22.4% of pensionable payroll (including employee contributions). Employee contributions increased from 10% to 12% from 1 July 2020.

The scheme is closed to new members and the Group continues to meet its ongoing obligations to the scheme. In accordance with IAS 19 'Employee Benefits', an actuarial loss net of tax of £4.8 million (2019: loss of £5.7 million), has been recognised in reserves, with the pension scheme deficit rising by £3.8 million to £30.2 million (2019: £26.4 million).

### Cash Flow and Funding

Cash balances totalled £25.2 million at 31st December 2020 (2019: £12.4 million). £15 million RCF was drawdown at 31 December 2020 (2019: Nil) resulting in net cash of £10.2 million (2019: £12.4 million).

The Group has a £15.0 million revolving credit facility, which is committed until 31st August 2024, and a £10.0 million overdraft facility, renewable annually and repayable on demand. Interest on overdrawn balances is charged at 2.0% above base rate, and interest on balances drawn down under the revolving credit facility is charged at 1.7% above LIBOR, fixed for the duration of each drawdown. The Group was compliant with the terms of the facilities throughout the year ended 31st December 2020 and the Board's detailed projections demonstrate that the Group will continue to meet its obligations in the future.

The Board's detailed cash flow projections include an allowance for the impact of a change in the VAT regime from 1st March 2021. From this date the Government has introduced a VAT domestic reverse charge for building and construction services. Under this scheme TClarke will continue to charge VAT to end customers but will no longer be able to charge VAT to contractors and will not pay VAT on costs incurred with subcontractors.

The Board's projections show that TClarke is expected to maintain a healthy cash position throughout the next three year period.

The Group also has in place £40.1 million of bonding facilities (2019: £40.1 million), of which £27.0 million were unutilised at 31st December 2020 (2019: £21.7 million.)

### Net Assets and Capital Structure

The Group is funded by equity capital, retained reserves and bank facilities, and there are no plans to change this structure. Shareholders' equity is £15.7 million (2019: £22.9 million).

Goodwill and intangible assets were £25.3 million (2019: £25.5 million). The Board has undertaken a rigorous impairment review in respect of the intangible assets at 31st December 2020 and concluded that no impairment is necessary.

### Accounting Policies

The Group's consolidated financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. There have been no new Accounting policies adopted in the year.

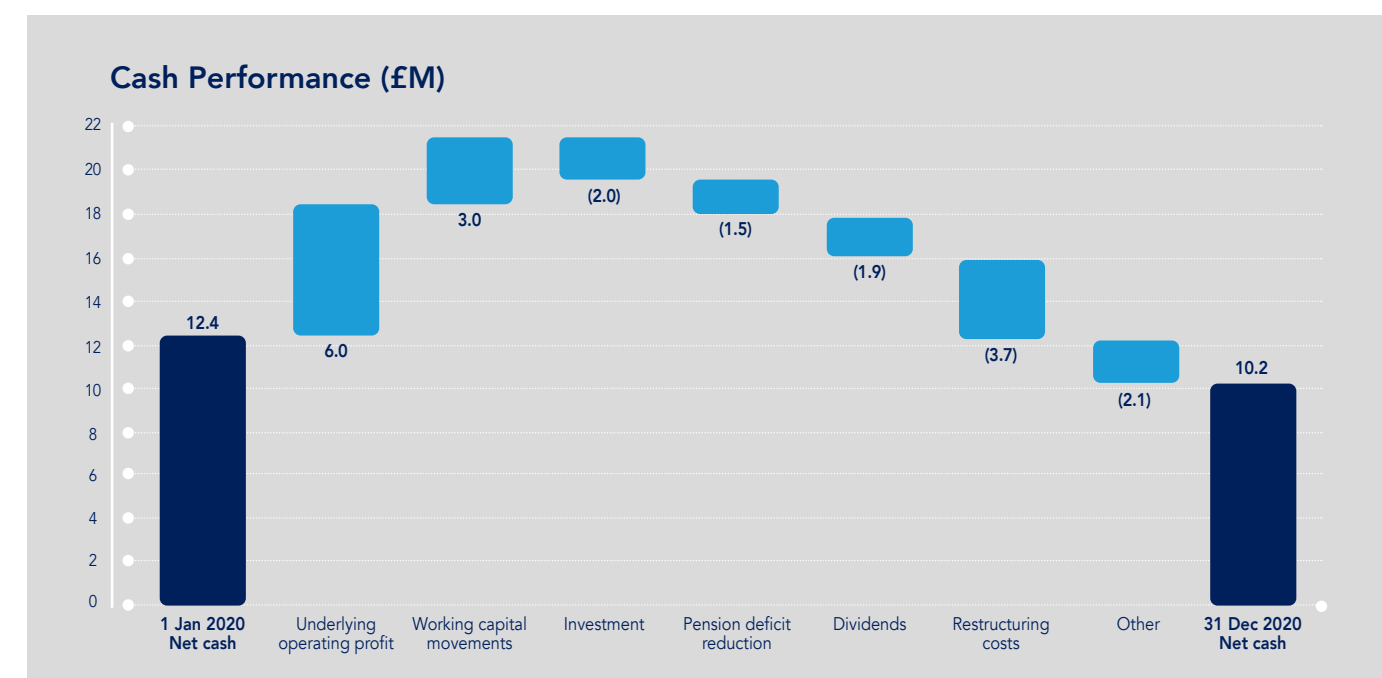
### Financial Risk Management

The Group's main financial assets are contract and other trade receivables, 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 is considered prior to signing contracts and 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.

### Trevor Mitchell

Group Finance Director  
24th March 2021



## Section 172 Statement

Section 172 of the Companies Act requires each Director to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its shareholders. In doing this, the Director must have regard, amongst other matters, to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The reputation for high standards of business conduct;
- The need to act fairly between members of the Company.

The Board of Directors have complied with these requirements.

As a Board we have always taken decisions for the long term, and collectively and individually our aim is always to uphold the highest standards of conduct. Similarly, we understand that our business can only grow and prosper over the long term if we understand and respect the views and needs of our customers, colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable. This is reflected in our business principles, and the Sustainability section on pages 16 to 21 sets out in more detail how we manage our relationships with them.

### Summary of how the Board Engages with our Stakeholders

The following table describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

### Iain McCusker

Chairman  
24th March 2021

Stakeholder Group	Why we engage	How we engage	What matters to this Group
<b>Shareholders and Potential Shareholders</b>	<ul style="list-style-type: none"> <li>• Continued access to capital is important for the long term success of our business</li> <li>• We work to ensure that our shareholders and their representatives have a good understanding of our strategy, business model and culture</li> <li>• We create value for our shareholders by generating strong and sustainable results that translate into dividends</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Report and Financial Statements</li> <li>• Corporate website</li> <li>• Social media</li> <li>• AGM</li> <li>• Results announcements and presentations</li> <li>• Shareholder and analyst meetings with management, followed by feedback from brokers and financial PR consultants</li> <li>• Private investor events</li> </ul>	<ul style="list-style-type: none"> <li>• Long term value creation</li> <li>• Growth opportunity</li> <li>• Financial stability</li> <li>• Culture</li> <li>• Transparency</li> <li>• Ethics and sustainability</li> </ul>
<b>Our People</b>	<ul style="list-style-type: none"> <li>• The Company's long-term success is predicated on the commitment of our workforce to the values embodied in the TClarke Way</li> <li>• We engage with our workforce to ensure that we are fostering an environment that they are happy to work in and that best supports their well-being</li> <li>• We believe TClarke is a great place to work and we can only deliver our services to our customers through the hard work and commitment of our workforce</li> </ul>	<ul style="list-style-type: none"> <li>• Designated Non-Executive Director has Board responsibility for engagement with the workforce</li> <li>• The Non-Executive Directors undertake a programme of regional office visits and visit project sites</li> <li>• Annual conference for Regional Directors and weekly conference call</li> <li>• The TOMMY employee hub</li> <li>• TClarke Career Pathway and Training Academy</li> <li>• TClarke Future Leaders Programme</li> <li>• Whistleblowing Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Fair employment</li> <li>• Fair pay and benefits</li> <li>• Diversity and inclusion</li> <li>• Training, development and career opportunities</li> <li>• Responsible use of personal data</li> <li>• Environment</li> <li>• Ethics and sustainability</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Our purpose is to design, install, integrate and maintain the full range of mechanical and electrical services and the digital infrastructure to create a 21st century building</li> <li>• We aim to build long-term lasting relationships with principal contractors and clients and remain the contractor of choice for landmark projects</li> </ul>	<ul style="list-style-type: none"> <li>• TClarke has deep, long-term partnerships with both major principal contractors and with property owners and developers</li> <li>• We offer a full, comprehensive service during the lifecycle of a project through design, procurement, installation and maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Total reliability in project delivery</li> <li>• Quality of product</li> <li>• Health and safety</li> <li>• Responsible use of personal data</li> <li>• Environment</li> <li>• Ethics and sustainability</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Our suppliers are fundamental to the quality of our product and services and to ensuring we maintain the high standard of work we set ourselves</li> <li>• Suppliers must demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• TClarke employ a formal supply chain management selection process to build our approved and preferred supply chain list.</li> <li>• Key supply chain partners are invited to TClarke's Health, Safety and Environmental meetings to understand Health &amp; Safety best practice</li> <li>• Regular performance reviews of all key supply chain partners for total reliability in project delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Fair trading and payment terms</li> <li>• Anti-bribery</li> <li>• Ethics and slavery</li> <li>• Environment and sustainable sourcing</li> </ul>
<b>Community and Environment</b>	<ul style="list-style-type: none"> <li>• We aspire to be responsible members of our community as it reflects our principle to do the right thing</li> <li>• We are committed to minimising the impact of our business operations on the environment</li> <li>• The community and environment is also important to our workforce, customers and shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• TClarke is proactive in its corporate responsibility to the local and wider community in which we work</li> <li>• We encourage employee involvement in community projects and programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Charitable donations and sponsorships</li> <li>• Volunteering</li> <li>• Energy usage</li> <li>• Recycling</li> <li>• Waste management</li> </ul>

Sustainability

Environmental Sustainability



Carbon Impact



Pollution Prevention



Protection of Habitats and Natural Resources




Responsible Sourcing




Zero Waste


Social Sustainability




Workforce Wellbeing and Retention




Diversity, Inclusion and Respect



Stakeholder engagement



Supply Chain and Human Rights



Social Value

For more information about our activity to minimise our impact on the environment, visit [www.tclarke.co.uk](http://www.tclarke.co.uk)

Sustainability the TClarke Way

Active Collaboration with World Class Partners; Positive Action in our Areas of Direct Control

We recognise the impact climate change has on the environment and society and accept the known environmental implications of our engineering works and procedures. We are committed to minimising the impact our business operations have on the environment and continue to actively manage our energy efficiency.

In key areas of environmental sustainability, the nature of our work as specialist engineers means that our strongest impacts can be generally achieved by collaborating with progressive clients and principal contractors nationwide upon whose programmes we work.

By doing so, our teams not only adhere to and help deliver benchmark standards for sustainable performance, we also support the achievement of groundbreaking sustainability

targets and the highest standards of environmental performance, from Passivhaus, to Well Building and BREEAM standards of quality.

In many areas of social sustainability, TClarke can and does take the lead, creating social value and strong performance for the benefit of all our stakeholders, supporting fully the ethos and objectives of Section 172 of the Companies Act.

Non-financial Information Statement

This section (pages 16 to 21) provides information as required by regulation in relation to:

- Environmental matters
- Our employees
- Social matters
- Human rights
- Anti-bribery and corruption

Other related information

- Our business model (page 8)
- Principal risks (pages 22 to 25)

Environmental Sustainability

Environment

TClarke recognises and accepts the known environmental implications of its engineering works and procedures and is committed to minimising the impact our business operations have on the environment. As part of our commitment to sustainable development, we undertake regular appraisals as a means of identifying significant impacts for our works, including: health and safety, climate change and air quality, travel and transport, energy consumption, noise vibration, water and drainage, geology and soils and wastage. TClarke maintains an Environmental Management System accredited to ISO 14001:2015 to provide its clients and other stakeholders with verifiable evidence that environmental performance is integral to business management.

Greenhouse Gas Emissions (CO2e)

Energy consumption was measured across the Group by recording data on the combustion of fuel and the use of electricity at its offices and facilities, and we have collated Scope 1 and Scope 2 emissions data for the year ended 31st December 2020.

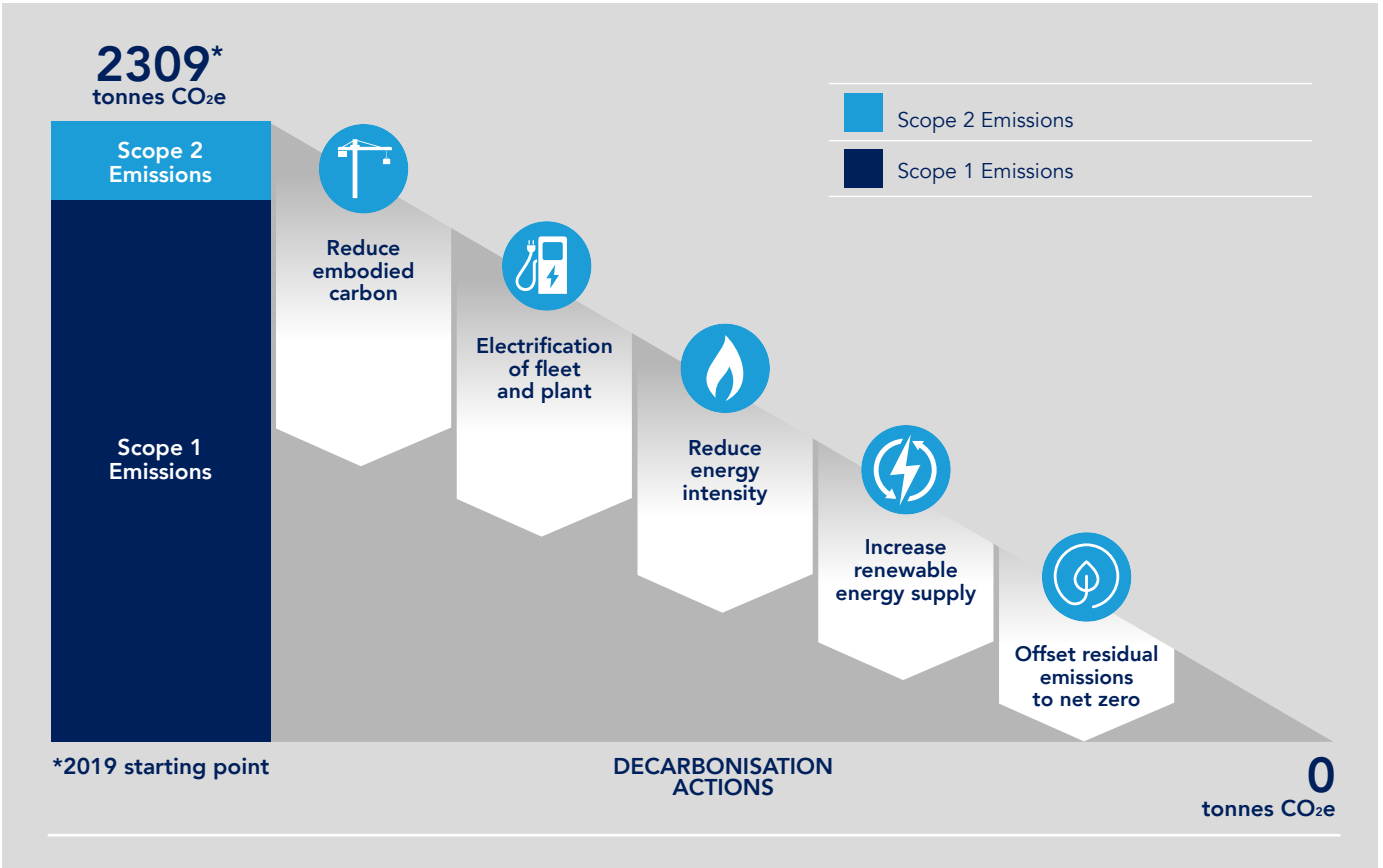
Our CO2e emissions have been calculated using UK Government guidelines for conversion of fuels and electricity.

Greenhouse Gas Emissions	2020	2019
Scope 1 emissions (tCO2e)	1,654	2,098
Scope 2 emissions (tCO2e)	164	211
Total Scope 1& 2 emissions (tCO2e)	1,818	2,309
Revenue (£m)	231.9	334.6
Emissions / £ million revenue (£1m)	7.8	6.9

Definitions:

1. Scope 1 emissions: Combustion of fuel and operation of facilities.
2. Scope 2 emissions: Electricity purchased from the national grid.
3. tCO2e: Tonnes carbon dioxide equivalent.

Net Zero Carbon Roadmap to 2030





# Our People

## Positive Culture, Local Opportunities and a Pipeline of World Class Engineers

TClarke recognises that as a specialist engineering company, we can play our role by rooting ourselves in local communities and providing high quality, long term career paths and opportunities for people. Equally we can promote and deliver the highest possible standards of health, safety, wellbeing and respect for people - our own employees and those with whom we work.

Our apprenticeships, advanced future leaders training and our health, safety and wellbeing programmes are by accepted metrics, absolute industry leaders and deliver far beyond the benchmark norms.

This does not happen by chance or without substantial cost or long term investment. TClarke's longstanding commitments and deep cultural focus across these areas is central to who we are, the pride we take in our business and the value that we deliver to our stakeholders.

### Diversity, Inclusion and Respect

TClarke recognises fully the need to actively foster and create an environment where everyone is respected and fully empowered to be their best.

As an organisation which relies heavily on the qualities its people display daily when working in collaboration with our partners, this idea has strong practical value and application and is embedded within our working culture. Going forward, we have no complacency. We recognise the need to constantly improve and work hard to further the goals of this agenda within our business.

### Responsibility

In each community where we operate, we endeavour to operate in a way which adds both financial and non-financial value to the local economy. This section of the Annual Report focuses on the responsible approach we take on areas of non-financial performance. This activity has an impact on the way we run our business and on our performance, revenue and profit.

### Our policies

TClarke is committed to creating a diverse and inclusive place to work, where our people can be themselves and be at their best. The Group maintains an equality and diversity policy, recruiting and promoting employees based on their aptitudes and abilities, regardless of age, sexual orientation, ethnic or national origin or colour, sex, transgender status, religion or belief, pregnancy and maternity, marital or civil partnership, or any other group who face disadvantage in our society.

TClarke is committed to ensuring that any individual who becomes disabled during the course of their employment remains in their own role, where possible, or is employed in another suitable position. Training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

### Community

With regards to social engagement and the local community, TClarke understands its corporate responsibility to the local and wider community in which we work. TClarke are registered with the Considerate Constructors Scheme and monitored against a Code of Considerate Practice designed to raise industry standards and requires us to carry out our construction activity with the greatest care and consideration.

Following the outbreak of Covid-19, we have continued to work with communities and provide help where needed.

- The UK South Team had an exceptional year with every team playing its part, delivering NHS Nightingale facilities in record breaking time. The team delivering NHS Nightingale Hospital Exeter worked around the clock to deliver a £6.5m infrastructure package in under 6 weeks.
- Further work for the NHS included installing the first temperature reading cameras in the UK.
- TClarke supported the roll out of circa 300 testing stations across the UK with electrical installation and maintenance.

Donations have also been made to local communities to support those who are struggling in many different ways at this time including families, foodbanks, VODA's Good Neighbour Project and St Rollox Community Outreach.

TClarke and its people value the contribution we can make through charitable organisations and sponsored events that we support. TClarke employees often partake in company/client organised charity events such as 'Tough Mudder' and 'Nuclear Race'. Last year, TClarke supported Maggie's, a charity which supports people with cancer and their families, and sponsored ISG's first-ever virtual challenge Move for Charity 2020 for their charity partner, Mental Health UK.

### Human Rights

Whilst TClarke does not have a separate human rights policy, a respect for human rights is implicit in all our employment policies, corporate values and policies on data protection, privacy, modern slavery, anti-bribery and corruption.

### Training and Development

The annual TClarke Apprentice of the Year is a key part of our culture and all finalists gain automatic entry to our Future Leaders programme. The standard of entrant is extremely high. Through the usual strict process we managed to get the number down to 3 finalists; Ryan Pitcher (London) Chris Marshall (UK South and Nicholas McKenna (UK North). In a very close final, Ryan emerged victorious this year.

### Future Leaders

The Future Leaders Programme identifies strong leadership candidates at various stages of their careers within our business and provides them with continuous additional professional training, networking, and personal development.

We currently have 42 employees enrolled on the Future Leaders Programme.

All Future leaders gain opportunities for growth and career progression and many have moved into management positions

across the TClarke Group, some are currently project managing some of the biggest projects TClarke have in London.

### Apprentice Intake 2020

We are renowned for our apprentice programme within the industry and have one of the highest intakes in our sector. We currently have 199 apprentices currently working their way through the programme. As a group our normal intake level is around 40 apprentices every September. Despite COVID-19 and projects being delayed we continued with an intake of 22 (still in advance of the industry gold standard for a normal year.) TClarke's longstanding culture and approach to quality has driven our continued commitment in this area.

### TClarke Academy

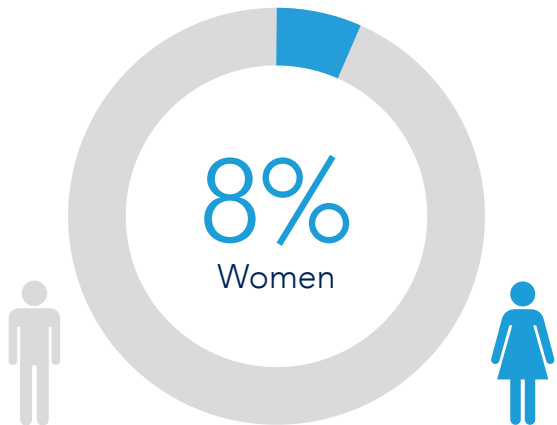
TClarke operates a Career Pathway and Training Academy designed to provide employees with a clear career pathway with training and opportunities for personal and professional growth to achieve their goals. We have successfully rolled out an eLearning platform to ensure all staff are trained in TClarke's procedures and kept up to date with new systems and technologies.

### Tommy Digital Employee Hub

TClarke has in 2020 continued the highly successful roll out of our digital employee Hub Tommy. The Hub provides all our employees with a direct digital resource for a series of HR services and information. It also gives the company an immediate and highly efficient communications channel. During 2020 we have continued the roll out of new and improved services on Tommy. Tommy also delivers substantial subsidiary advantages in cutting the consumption of paper and energy across the business.

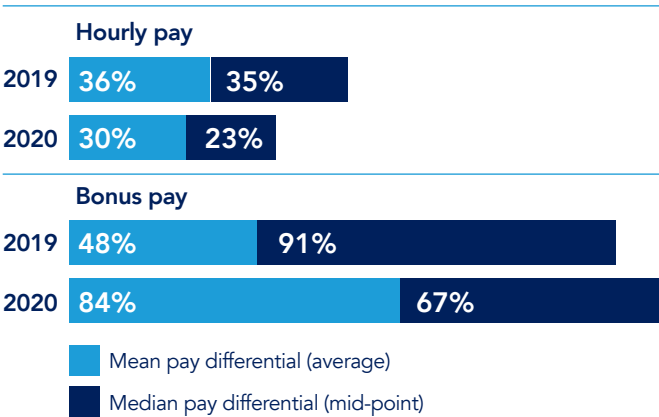
### Anti-bribery & Corruption

TClarke values its reputation for lawful and ethical behaviour and has zero tolerance of any form of bribery or inappropriate inducement to ensure that business can be conducted in a free and fair market. Our anti-bribery and corruption policy has been communicated to all staff and is published on TOMMY, the new TClarke employee hub. Every individual and organisation that acts on the Company's behalf or represents the Company is responsible for ensuring that this principle is upheld and the policy is implemented so that the Company conducts all business in an honest and professional manner in line with the Bribery Act 2010.



### Gender Pay

Gender is just one aspect of diversity, we remain steadfast in our commitment to create a diverse, inclusive culture, one which supports and encourages everyone to give their best, and bring their whole selves to work.



In the construction sector, there is a long-standing lack of women in the industry. For those women who are employed in the industry they are usually in non-delivery or non-client facing roles and often in more junior positions. This means that across construction a significant pay and bonus gap exists between men and women. The small proportion of women employed means that the measures above, particularly the bonus measure, can be volatile from one year to the next.

The TClarke Group as a whole had 1,342 employees as at 5 April 2020 (2019: 1,355), of which 8.20% were women (2019: 8.41%).

Large sections of our business rely on employing large numbers of people with qualifications in science, technology, engineering and mathematics (STEM) related fields. We, like others in similar industries, face challenges recruiting female employees with STEM qualifications and experience because there are significantly fewer women who study and work in these fields.

We recognise we have more work to do, as the industry looks to bring about change over the longer term.

	Number		Percentage	
	Male	Female	Male	Female
Directors (including Non-Executive Directors)	6	1	86%	14%
Senior Management	7	1	88%	13%
Management	27		100%	0%
Staff	275	88	76%	24%
Skilled operatives	594	2	100%	0%
Apprentices	192	7	96%	4%
Trainees	18		100%	0%
Total	1119	99	92%	8%

# Health, Safety and Wellbeing

## Robust, Innovative, and Highly Productive Nationwide Safety Operation Delivering for all our Stakeholders.

At TClarke, we are wholeheartedly committed to the health, safety and wellbeing of our personnel and all those who have any undertakings with the business.

We pride ourselves on our consistent approach to Health, Safety and Wellbeing Management and we are proud of the culture we have created and maintained.

Investment in our H&S Management Systems is continual to ensure we remain industry leaders. This includes a collective approach to innovation, Health, Safety and Wellbeing awareness.

The Company is totally committed to the prevention of injury and ill-health. We recognise that statutory regulations, codes of practice client and industry rules will provide minimum standards only, therefore wherever practicable we strive to improve such standards.



### Innovation

Innovation is key in refreshing our safety behaviour and culture. We operate an ongoing cycle of innovation with new campaigns and the extensive use of traditional and digital platforms in new ways. 2020 saw a series of campaigns, practical safety merchandise, materials and engagements. It also saw substantial developments in the use of our digital staff portal Tommy to communicate and support good practice. During the year we also upgraded our industry leading 'Have Your Say' Safety and incident reporting smartphone app.

### Training

We operate a comprehensive range of internal and external training programmes including a complete range of video training materials which are reviewed constantly. We invest heavily and systematically in the best training for our people.

### Wellbeing

TClarke continuously aim to keep Health & Safety at the forefront of everybody's mind and do so by continuing to implement our full range of well-established Health & Safety initiatives. These initiatives include 'Have Your Say' which focuses on drawing out Health & Safety topics and issues for discussion, which encourages engagement and consultation with the employees. The 'You See You Say' reporting card and mobile phone app identify potential Health & Safety risks.

TClarke have a Mindful Worker initiative, supported by a mindful worker campaign we are proud to have introduced Mental Health First Aid training sessions across the Group to enable staff to become qualified Mental Health First Aiders. Our Green Hearts Mindfulness classes for all staff & supervisors have been well attended and appreciated. The classes cover practical breathing and meditation techniques which help to manage stress. The classes were so successful that we have now created a series of videos. These measures are a big step forward within the construction industry and prove how serious TClarke is about managing every aspect of our employees' mental health, health and wellbeing.

### Procedures and Communications

At TClarke we have dedicated, professionally qualified regional Health and Safety Departments. These teams deliver excellent day to day control, oversight and action to ensure that our safety standards and procedures are actively engaged with, enforced and encouraged across our business. On a Group and Regional basis we run an ongoing cycle of campaigns, tool box talks, briefings and safety tours, supported with a full range of quality communications tools.

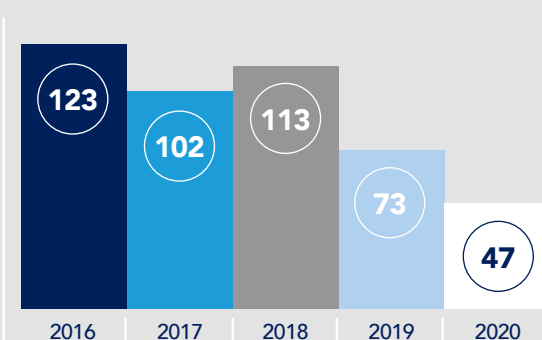
## 5 Year Accident Reduction

Continued and persistent focus on accidents and incidents



### Annual Group Accidents

2016 -2020



# Customers and Suppliers

## Strong Relationships and Smart Systems Ready for Sustainable Growth

### Strong Engagement and Leadership

All our client relationships are underpinned by a systematic programme of ongoing engagement. Only through this ongoing collaboration can we continue to evolve as a business, improve our ways of working and continue to meet or exceed the expectations of our clients. TClarke's structure and organisation means that our executive leadership team has direct, personal control and accountability for this engagement.

### Delivering Increasing Value to our Customers

Our long history of total reliability, safety and delivery of quality projects enables us to remain long term partners and the contractor of choice for many clients. We operate a collaborative and open approach to work which maximises value, efficiency and productivity. As we increase our leadership in critical areas of technology, manufacturing and our portfolio of engineering specialisms, we keep pace with and in many cases are anticipating our clients requirements.

### An Efficient Unified Procurement Operation

Work we have done in recent years has added a series of strategic benefits to our long-standing and effective supply chain partnerships. Across the UK, the last year has shown the value of having such a supportive and loyal group of suppliers in helping to keep our clients programmes on track, around the UK.

### A Nationwide Precision Logistics Operation Focused on Efficiency

The scale of our operation is considerable. Every day TClarke's nationwide procurement team ensures the correct delivery of more than 100 orders nationwide. This is a precision logistics operation, dovetailing with our clients' operational requirements. In the last years, as a dividend from group wide structural improvements, we have streamlined and unified our nationwide procurement team, including the introduction of a new digital portal, dashboards, reporting tools and processes.

We have a new simplified approvals process for supply chain membership and a streamlined procurement process which gives our buying teams a stronger support community, better information flows, access to deals and opportunity to concentrate on value creation. We have also been able to create new logistics efficiencies as we share resources, knowledge and relationships across our UK team. In addition to process improvements we are also able to drive increased value through the scale of our Group purchasing.

TClarke is committed to compliance with the Modern Slavery Act 2015 go to [www.tclarke.co.uk/downloads](http://www.tclarke.co.uk/downloads) for full policy.



# Principal Risks

### Risk Management

The ability of the Group to identify and manage effectively the risks to its business and operations is fundamental to the successful delivery of the Group’s strategy and the protection of its assets and reputation.

The Board is responsible for defining the Group’s appetite for, and approach to, risk, including the Group’s system of risk management and internal controls. The Board has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the Group’s internal controls, including the systems established to identify, assess, manage and monitor risk and provide assurance.

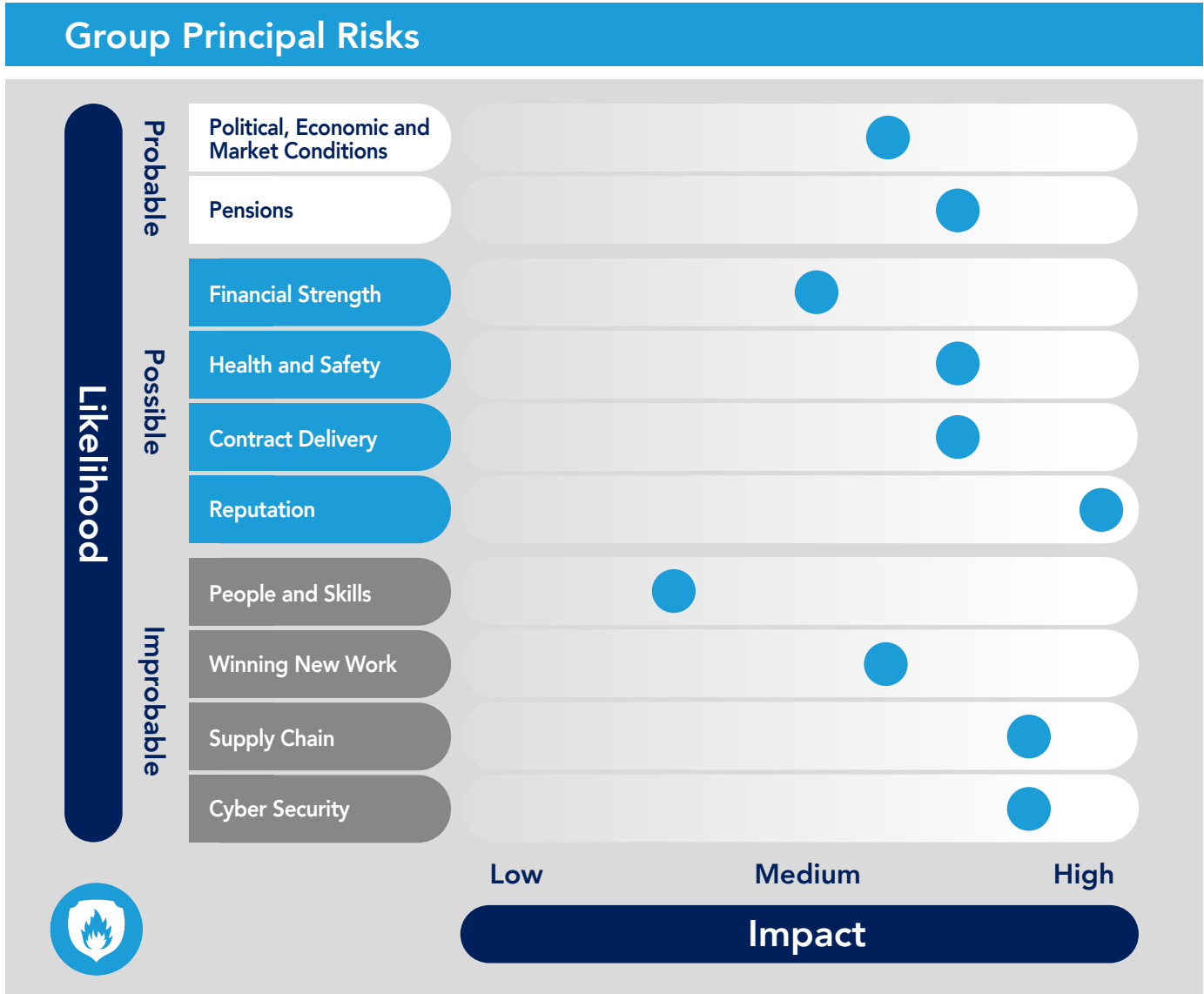
### Our Risk Management Process

The Group’s risk management framework requires all business units to identify, assess and quantify the specific risks facing them which could impact on their ability to deliver their financial and operational objectives. The business units maintain a register of the significant risks facing the business,

including an assessment of the potential and likely impact pre and post-mitigation, and an assessment of the effectiveness of the controls in place to identify and manage potential risks. Actions designed to mitigate identified risks and implement control and process improvements are discussed and agreed with Group Management. Developments in key risks, including an assessment of the effectiveness of mitigating actions and controls, are reported to and discussed by the Board each month. The principal risks faced by the Group (including any emerging risks), and the mitigating actions and controls in place to address these risks, were reviewed by the Board in February 2021 and are presented in the graphic below and on pages 23 to 25.

Following its review, the Board agreed that the ten principal risks remained unchanged from the previous year.

The Group continues to monitor the impact of COVID-19 on its operations.




Risk	Strategy Impact	Mitigation	Movement
<b>Political, Economic and Market Conditions</b> 1. The construction sector is highly cyclical. The Group is dependent on the planned level of construction and maintenance expenditure by both the public and private sectors. 2. 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.	Sustainable balanced business.  Increase technology market share.  Build long-term, lasting relationships.	1. The Group continues to operate throughout the UK using its core engineering skills base to enable agile movement in and out of sectors to meet changing market demands. 2. The Group monitors its order book to ensure an appropriate balance of work between London and the regions and across the various sectors in which it operates. 3. The Group develops long-term client and contractor relationships and seeks to secure framework agreements to mitigate against demand fluctuations. 4. Cost and skills base are aligned to reflect anticipated workload. 5. The Group monitors legal and regulatory developments in the areas in which it operates, and seeks legal or other specialist advice as appropriate. All employees, suppliers and subcontractors are required to comply with all applicable laws and regulations. Training is provided on legal and regulatory changes as required.	No Change
<b>Pensions</b> The Group is exposed to funding risks arising from changes in longevity, inflation and investment assumptions in relation to its defined benefit pension scheme.	Sustainable balanced business.  3% sustained operating margin.	1. The Group’s defined benefit scheme closed to new members from January 2015. 2. Ongoing regulatory and funding requirements are monitored in conjunction with external actuarial advisers and regular meetings are held with the pension scheme trustees.	No Change
<b>Financial Strength</b> 1. The construction sector is highly cyclical. The Group is dependent on the planned level of construction and maintenance expenditure by both the public and private sectors. 2. The Group is subject to complex and evolving tax, legal and regulatory requirements. A breach of laws and regulations could lead to litigation.	Sustainable balanced business.  Increase technology market share.	1. The Group continues to operate throughout the UK using its core engineering skills base to enable agile movement in and out of sectors to meet changing market demands. 2. The Group monitors its order book to ensure an appropriate balance of work between London and the regions and across the various sectors in which it operates. 3. The Group develops long-term client and contractor relationships and seeks to secure framework agreements to mitigate against demand fluctuations. 4. The Group has a strong internal controls framework and maintains significant headroom in its cash and banking facilities.	No Change



## Principal Risks continued

Risk	Strategy Impact	Mitigation	Movement
<b>Health and Safety</b> 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.	Sustainable balanced business.  Remain contractor of choice.	1. The Group Managing Director has overall responsibility for health and safety, ensuring safety is prioritised throughout the Group. 2. The Group Health and Safety Director monitors and responds to legal and regulatory developments. 3. Industry-leading health and safety policies and procedures are maintained. 4. All employees receive regular training and updates to ensure they are aware of their responsibilities. 5. All employees, suppliers and subcontractors are required to comply with all applicable laws, regulations and standards. 6. Continued focus on 'You See, You Say.' 7. Introduction of Mindfulness workshops.	<b>No Change</b>  
<b>Contract Delivery</b> The Group concurrently runs several hundred contracts across the UK, some of huge complexity. These require high-quality, proactive management to ensure delivery of value objectives for all stakeholders. The risk of non-availability of resource and/or sites is increased during the pandemic. Failure to deliver could result in significant financial and reputational damage.	Remain contractor of choice.  Sustainable balanced business.  Build long-term, lasting relationships.	1. Ongoing assessment and management of operational risk throughout project lifecycle. 2. Train and maintain industry-leading teams of directly employed engineers, surveyors, supervisors and skilled tradespeople. 3. Regular performance reviews of all key suppliers and subcontractors. 4. Insurance cover reassessed each year, to guard against liability claims. 5. Profit and cash flow are monitored throughout the project lifecycle, with regular reviews at contract and business unit level. 6. Contracts of a significant size or risk are regularly reviewed by Executive Management and discussed at Board level.	<b>Increased</b>  
<b>Reputation</b> The Group's ability to tender for new business and to maintain strong relationships with customers is dependent on maintaining its reputation for leadership in technological innovation and quality of delivery.	Sustainable balanced business.	1. The Group continues to operate throughout the UK using its core Engineering Services skills base to enable agile movement in and out of sectors to meet changing market demands. 2. The Group monitors its order book to ensure an appropriate balance of work between London and the regions and across the various sectors in which it operates.	<b>No Change</b>  

Risk	Strategy Impact	Mitigation	Movement
<b>People and Skills</b> Attracting, retaining and developing high-calibre staff and skilled tradespeople are key to our ability to deliver value for our stakeholders.	Sustainable balanced business.	1. The Group remains committed to providing apprenticeships, career paths and ongoing training and development for all employees. 2. Remuneration packages for all staff are linked to performance and monitored to ensure they remain competitive. 3. Labour rates are monitored regularly to ensure tender rates are realistic and increases are managed. We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.	<b>No Change</b>  
<b>Winning New Work</b> Our ability to secure profitable new work is dependent on our ability to: <ul style="list-style-type: none"> <li>adequately resource tenders;</li> <li>understand the technical and commercial challenges incumbent in each tender; and</li> <li>price the associated risks accordingly.</li> </ul> If risks are underpriced, contract losses and reputational damage may result; if risks are overpriced, the Group will not secure sufficient tenders to replenish the order book and grow the business.	Increase technology market share.  Build long-term, lasting relationships.	1. Focus on strong relationships enables us to understand client needs and focus our tendering activity accordingly. 2. We have experienced teams of estimators throughout the UK, with all bids reviewed by a Director and checks carried out to avoid incorrect or non-competitive pricing. 3. The Board remains committed to the principle that we will not bid for work below commercially acceptable rates. 4. A detailed business case is prepared for any proposed expansion into new geographic areas or business sectors, and is subject to prior Board approval.	<b>No Change</b>  
<b>Supply Chain</b> To deliver projects to the correct specification and to budget requires the availability of components and materials of sufficient quality and at the right price. The majority of projects we secure do not allow for the recovery of increased material costs.	Sustainable balanced business.  Build long-term, lasting relationships.	1. Formal supplier framework agreements are maintained to mitigate this risk, with prices locked in through procurement at the beginning of a contract wherever possible. 2. Regular performance reviews of all key suppliers and subcontractors. 3. Whilst we are not experiencing any post-Brexit challenge in respect of our supply chain, we continue to monitor events.	<b>No Change</b>  
<b>Cyber Security</b> Cyber attack and data loss are a risk to all organisations and individuals. The Group handles sensitive information of a personal, confidential and commercial nature. Its business operations depend upon its IT systems.	Sustainable balanced business.	1. The Group maintains robust cyber security policies to guard against third-party access and malicious attacks. 2. The Group's core systems are outsourced to a third party with robust processes and procedures. 3. The Group maintains an access control process.	<b>No Change</b>  

# Long-term Viability Statement

The Directors have assessed the Group’s prospects and viability, taking into account its current position and the principal risks outlined on pages 22 to 25.

The nature of the Group’s business is long-term. The UK construction market in which the Group operates is subject to considerable peaks and troughs. The Directors consider a three year period as appropriate for assessing the ongoing viability of the Group as most of the projects undertaken by the Group are completed within a three year time horizon from initial tender and the Group uses a three year time frame for the preparation of its strategic business plans and financial projection models.

The Group’s prospects are assessed primarily through its strategic business planning process and the ongoing monitoring of the principal risks and mitigating actions. The process is led by the Chief Executive and involves senior management throughout the Group.

- All business units formally update their strategic plans on an annual basis. This process, which takes place in the fourth quarter each year, includes:
- an assessment of the business unit’s current position taking into account its operating environment and the threats and opportunities it faces;
  - the business unit’s achievements over the previous twelve months measured against its strategic objectives;
  - a detailed review of the risks faced by the business units and the strength of the controls and mitigating actions in place;
  - the agreement of financial and strategic targets covering the following three years; and
  - the preparation of detailed budgets and projections for the next three years in support of the strategic business plan.

The business unit strategic plans are formally reviewed and challenged by the Executive Directors prior to presentation to the full Board.

Based on the financial models submitted by the business units, the Group’s financial projections are updated and tested using a range of sensitivities to identify potential threats to the financial viability of the Group over the three year projection period. These sensitivities include changing assumptions with regard to revenue and profit, including a repeat of the first national lockdown where a large number of construction sites were closed. The key assumptions underlying the financial model include the renewal and continuing availability on similar terms of the Group’s existing banking facilities, which comprise a £10 million overdraft facility repayable on demand and a committed £15 million revolving credit facility expiring on 31 August 2024, and the ability to flex the cost base sufficiently to address any significant change in workload.

The three year projections demonstrate that taking into account reasonable sensitivities, the Group will be able to operate within its existing facilities over the three year projection period, and the Directors are confident that the Group’s business model allows sufficient flexibility to meet any significant change in demand for its services. Whilst the market conditions at present are particularly challenging in view of the global COVID-19 pandemic and VAT changes add further layers of complexity and

uncertainty, the Group’s response to the first national COVID lockdown has demonstrated its ability to respond quickly to changes in market conditions and remain profitable. The Group takes a conservative approach to strategic risk. The business case for all significant investments and entry into or exit from specific markets is reviewed and signed off by the Board. Risk registers are maintained and reviewed regularly throughout the year to identify potential threats to the Group’s business, to assess the financial, operational and strategic impact of these threats, and to determine appropriate mitigating actions.

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31st December 2023.

### Strategic Report Approval

The Board confirms that, to the best of its knowledge, the Strategic report on pages 1 to 26 includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included on the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Directors and signed on behalf of the Board on 24th March 2021.

**Mark Lawrence**  
Group Chief Executive Officer  
24th March 2021

# Board of Directors

## Executive Directors

**Mark Lawrence**  
**Group Chief Executive Officer**  
Appointed to the Board on 2nd May 2003. Age 53. Mark has been with the Company for 34 years and started his career here by completing an electrical apprenticeship in 1987. His career progressed through the Company, becoming Technical Director in 1997, Executive Director in 2003 and Managing Director, London Operations in 2007. As Group Chief Executive Officer since January 2010, Mark has led strategic change across the Group and remains a hands-on leader, taking personal accountability and pride in TClarke’s performance and, ultimately, our clients’ satisfaction. He regularly walks project sites and gets involved personally with many of our clients, contractors and our supply chain.

**Mike Crowder**  
**Group Managing Director**  
Appointed to the Board on 1st January 2007. Age 56. Mike has over 35 years of significant experience in the construction industry and started at TClarke as an apprentice. His vast project-based experience includes the delivery of many flagship jobs and has detailed knowledge of large infrastructure projects. Mike has overall responsibility for Operations and ensuring that all projects are properly managed. He also monitors our engineering departments and projects on a regular basis as a Main Board Director. Mike is responsible for Group Health and Safety and is actively involved with health and safety risk management and with raising awareness, influencing attitudes and changing behaviour.

**Trevor Mitchell**  
**Group Finance Director and Company Secretary**  
Appointed to the Board on 1st February 2018. Age 60. Trevor is a Chartered Accountant and accomplished finance professional with extensive experience across many sectors, including financial services, construction and maintenance, education and retail, working with organisations such as Balfour Beatty plc, Kier Group plc, Rok plc, Clerical Medical Group and Halifax plc. Prior to his appointment, Trevor had been working with TClarke since October 2016, assisting with simplifying the structure and improving the Group’s financial controls and procedures. Trevor is an Executive Director of It’s Purely Financial Limited.

- Committees**
- Audit Committee
  - Nomination Committee
  - Remuneration Committee
  - Chair

## Non-Executive Directors

**Iain McCusker**  
**Chairman**  
**Nomination Committee Chairman**   
Appointed to the Board on 1st January 2009 and appointed Chairman on 1st October 2015. Age 69. Iain is a Chartered Accountant and former partner at Coopers & Lybrand. He has significant international financial and management experience, gained through senior executive roles at Xerox, Unisys and ACCA. This includes in-depth commercial, operational and risk management experience. Iain is a former member of the Qualifications Board of the Institute of Chartered Accountants of Scotland. He is Senior Visiting Fellow, City, University of London and Chairman of NPA Insurance and a former Non-Executive Director of Cripps LLP.

**Mike Robson**  
**Senior Independent Director**  
**Audit Committee Chairman**   
Appointed to the Board on 18th November 2015. Age 60. Mike is a Chartered Accountant with extensive experience of audit, financial management and reporting, gained at PwC and in industry. In a career including 28 years of Board-level experience, Mike has worked in a range of business sectors as Finance Director, Managing Director, owner or adviser. He has a strong focus on improving business performance and developing management teams. Mike has also launched, developed and successfully sold his own internationally based business. Mike is a Director of Azure Partners Ltd.

**Peter Maskell**  
**Independent Director**  
**Remuneration Committee Chairman**  
**Non-Executive Director for Employee Engagement**   
Appointed to the Board on 1st January 2018. Age 63. Peter joined Philips Electronics after studying Electrical and Electronic Engineering at Kingston University and he worked there for 37 years. For the last 20 years, he held a number of senior management positions in both the UK and Europe. His last position was as Chairman of the UK group. In the last five years, Peter managed the transformation of the lighting business into a fully digital business offering. Peter is also a Non-Executive member of the board of the University of Surrey.

**Louise Dier**  
**Independent Director**   
Appointed to the Board on 1st January 2019. Age 61. Louise was previously Managing Director of London based David Chipperfield Architects having joined them in 2013. Prior to that, Louise was General Manager UK for DO & CO Catering and Restaurants AG, a publicly listed Austrian company, for four years. Louise studied law at Cambridge University and was called to the bar, however she quickly moved into management, spending nearly eight years at International Management Group, the US based sports management group, the last two years as head of HR for IMG Europe. Louise is also a Trustee of the charity Sported.

Board of Directors continued

Group Management Board

The Group Management Board comprises the Executive Directors and:

Gary Jackson UK North Director	Rob Faro UK South Director	Garry Julyan London Director
Kevin Mullen UK North Director	Anton Malia UK South Director	Mick Jobling Group Human Resources Director
	Andy Griffiths Systems Director	Sally Higgins Group Procurement Director



Corporate Governance Report

Chairman’s Introduction

The Board is committed to high standards of corporate governance and complies with the principles contained in the UK Corporate Governance Code 2018 (‘the Code’), which took effect for accounting periods starting on or after 1st January 2019. The Code sets out principles to which the Listing Rules require all listed companies to adhere, supported by more detailed provisions. This governance section describes the principal activities of the Board and its committees and how the Company has applied the principles contained within the Code. Our statement of compliance with section 172 of the Companies Act 2006 is set out on pages 14 to 15.

The Board recognises that a high standard of corporate governance is essential to support the growth of our business and to protect and enhance shareholder value. The Directors, whose names and details are set out on page 27, are collectively responsible to shareholders for the long-term success of the Company. The Board does this by supporting entrepreneurial leadership from the Company’s executive team whilst ensuring effective controls are established that enable the proper assessment and management of risk. The Board is ultimately responsible for the Company’s strategic aims and long-term prosperity; it seeks to achieve this by ensuring that the right financial resources and human talent are in place to deliver the Company’s strategy and objectives. Our culture is fundamental to the successful delivery of our strategic objectives.

The day-to-day management and leadership of the Company is delivered by the Group Management Board, which comprises the Executive Directors and other key members of the Group’s senior management team, including representatives of the regional businesses, details of whom are provided on page 28.

During 2020, we undertook a formal, internal evaluation of the Board’s and its committees’ effectiveness. The results of this exercise are summarised on page 37. I am pleased to report that I am satisfied that the Board and each of the Directors are operating effectively. Mike Robson, Senior Independent Director, has decided not to offer himself for re-election at the 2021 AGM. I am therefore happy to recommend that all Directors except Mike Robson standing for re-election should be re-elected at the 2021 AGM.

As Chairman, I will continue to evolve our governance framework, being mindful of best practice and the latest developments surrounding corporate governance.

Iain McCusker  
Chairman  
24th March 2021



# Statement of Compliance

## Statement of Compliance

Throughout the year ended 31st December 2020, the Board considers that it has complied with the principles and provisions of the UK Corporate Governance Code 2018 ('the Code'), other than the tenure of the Chairman, which is explained below. The Code is issued by the Financial Reporting Council (FRC) and is publicly available on the FRC's website, [www.frc.org.uk](http://www.frc.org.uk).

## Structure of the Board

The Company is managed by the Board of Directors, which currently consists of four Non-Executive Directors (including the Chairman) and three Executive Directors. The Non-Executive Directors who served during the year ended 31st December 2020 were deemed to be independent, notwithstanding their shareholdings held during the year, which are not considered significant by the Board. At the time of his appointment as Chairman, Iain McCusker was considered to be independent, but is not considered to be independent by virtue of his appointment as Chairman.

All Directors are subject to annual re-election unless a Director has been newly appointed during the year, when they will seek election. At the forthcoming AGM on 5th May 2021, all Directors will be retiring and all, except Mike Robson, are offering themselves for re-election.

All Executive Directors have signed service agreements which take into account best practice and contain a notice period of 12 months from either party. All Non-Executive Directors have letters of appointment specifying their roles, responsibilities and required time commitment to the Board.

The Board maintains procedures whereby potential conflicts of interests are reviewed regularly. The Board has considered the other significant commitments undertaken by the Directors, details of which are provided in their biographies on page 27, and considers that the Chairman and each of the Directors are able to devote sufficient time to fulfil the duties required of them under the terms of their service agreements or letters of appointment.

Iain McCusker was appointed Chairman in October 2015, although he has been a Non-Executive Director since 2009. The Board notes that the Code states that the Chair should not remain in the post beyond nine years from the date of first appointment to the Board, but provides that this period may be extended to facilitate effective succession planning and the development of a diverse Board, particularly in those cases where the Chair was an existing Non-Executive Director on appointment. Therefore, in order to provide continuity and stability given the relative short periods of office of the other Non-Executive Directors, Iain McCusker will stand for re-election at the 2021 AGM and his position as Chairman will be kept under review.

The Chairman is responsible for the leadership and management of the Board and its governance. By promoting a culture of openness and debate, he facilitates the effective contribution of all Directors and helps maintain constructive relations between Executive and Non-Executive Directors. The Chief Executive Officer is responsible for the executive leadership and day-to-day management of the Company, to ensure the delivery of the strategy agreed by the Board. Through his leadership of the Group Management Board, he demonstrates his commitment to health and safety, operational and financial performance.

The Senior Independent Director acts as a sounding board for the Chairman and serves as an intermediary for the other Directors, where necessary. The Senior Independent Director is also an additional point of contact for shareholders if they have reason for concern and where contact through the normal channel of the Chairman, Chief Executive or other Executive Directors has failed to resolve or for which such contact is inappropriate.

Independent of management, the Non-Executive Directors bring diverse skills and experience vital to constructive challenge and debate. The Non-Executive Directors provide the membership of the Audit, Remuneration and Nomination Committees.

## Board Diversity

The Board recognises the benefits of Board diversity, including, but not limited to, the appropriate mix of skills, experience, gender, age, ethnicity, background and personality. The Board endorses a balance of diversity and experience to promote Board effectiveness, whilst taking into account the appropriate financial, managerial and industry skills which are relevant to the calibre of a Director of TClarke.

The Board stipulates that new appointments to the Board will be based on merit and suitability to the role, whilst also giving due consideration to diversity. Non-Executive Directors should have the ability to fulfil the requisite time commitment.

## Board Meetings

The composition of the Board is designed to ensure effective management, control and direction of the Group.

The Board is collectively responsible for the effective oversight of the Company, its businesses and its culture. It also determines the strategic direction and governance structure of the Company to enable it to achieve long-term success and deliver sustainable shareholder value, whilst taking account of the interests of all stakeholders. The Board takes the lead in safeguarding the reputation of the Company and ensuring that the Company maintains a sound system of internal control. The Board's full responsibilities are set out in the schedule of matters reserved for the Board.

## Matters Reserved for the Board Include:

- Consideration and approval of the Group's strategy, budgets, structure and financing requirements.
- Consideration and approval of the Group's annual and half-yearly reports and financial statements.
- Consideration and approval of interim and final dividends.
- Consideration and approval of the Group's trading statements.
- Ensuring the maintenance of a sound system of internal controls and risk management.
- Conducting a robust assessment of the principal risks facing the Company and setting risk appetite.
- Changes to the structure, size and composition of the Board as recommended by the Nomination Committee.
- Establishing committees of the Board and determining their terms of reference.

The Board meets formally once a month (other than August) 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 formal monthly Board and sub-committee meetings is set out in the table below. There were 5 additional board meetings as part of TClarke's response to the pandemic.

At each Board meeting 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 monitors monthly progress on contracts formally. Furthermore, the Company's risk appetite is discussed and considered when making key decisions.

## Board Committees

The Board has delegated certain responsibilities to the Audit Committee, Remuneration Committee and Nomination Committee, which report directly to the Board. The terms of reference of each committee are available in the Investor section of the Company's website.

The Board also established an Administration Committee at its Board meeting in January 2019 to which it delegated items of a routine and administrative nature. The Committee meets as and when required and is constituted by any two or more Directors. It met 4 times during 2020 to deal with the exercise of options under the TClarke Savings Related Share Option Scheme.

## Number of Meetings Attended by the Directors

	Board (Maximum 15)	Audit (Maximum 5)	Nomination (Maximum 1)	Remuneration (Maximum 7)
Iain McCusker	15	–	1	7
Mike Robson	15	5	1	7
Peter Maskell	15	5	1	7
Louise Dier	15	5	1	7
Mark Lawrence	15	–	–	–
Trevor Mitchell	15	–	–	–
Mike Crowder	15	–	–	–

## Statement of Compliance continued

### Group Management Board

The Group Management Board comprises the Executive Directors and other key members of the Group's senior management team, including representatives of the regional businesses. The role of the Group Management Board is to co-ordinate and direct the efforts of the three regional businesses and the individual offices below them to manage risk and deliver value for the Group as a whole across our target sectors in line with the Group's strategy. The Group Management Board considers Group initiatives on matters such as health and safety, procurement, employee engagement, and the development of new services and areas of expertise. The Group Management Board also reviews the operational effectiveness of the business units in matters such as tender submission and success rates, cash generation and maintenance, and health and safety performance.

### Performance Evaluation

The effectiveness of the contribution and level of commitment of each Director to fulfil the role of a Director of the Company is the subject of continuing evaluation, having regard to the regularity with which the Board meets, the limited size of the Board and the reporting structures which are in place within the Company to monitor performance.

The Chairman primarily, but acting in conjunction with the Chief Executive Officer, undertakes the task of annual evaluation of performance and commitment of individual Board members by conducting individual interviews. The evaluation of the Board as a whole, and its committees, is also undertaken on an annual basis. New Directors receive a formal induction, overseen by the Chairman and Chief Executive Officer in conjunction with the Company Secretary. Training is available for all Directors as and when necessary. The Senior Independent Director, in conjunction with the other independent Non-Executive Directors, undertakes the annual appraisal of the Chairman.

During the year, the Board conducted its annual internal appraisal of its own performance, led by the Chairman in conjunction with the Nomination Committee, covering the composition, procedures and effectiveness of the Board and its committees. The Board members are of the opinion that the Board and its committees operate effectively. Performance is regularly monitored to ensure ongoing obligations are adequately met and the Board regularly considers methods for continuous improvements.

### Company Secretary

All Directors have access to the advice and services of the Company Secretary, who is responsible for advising the Board on all governance matters and ensures that the Board receives appropriate and timely information, that Board procedures are followed and that statutory and regulatory requirements are met.

### Relationship with Shareholders

The Company recognises the importance of dialogue with both institutional and private shareholders in order to understand their views on governance and performance against strategy.

Presentations are made to brokers, analysts and institutional investors at the time of the announcement of the year-end and half-year 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. All such meetings are reported at Board meetings. In addition, the Chairman is available to meet with major shareholders periodically to discuss Board governance and strategy. The Company also presented to a major private investor event during the year and Mark Lawrence and Trevor Mitchell were available throughout the day to meet with private investors.

The Board has always invited communication from shareholders 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, including the Chairs of the Audit, Remuneration and Nomination Committees, during the meeting and remain available after the meeting to talk informally with shareholders. 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 in the Investor section of the Company's website.

### 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.

Risk management and internal control procedures are delegated to Executive Directors and Senior Management in the Group, operating within a clearly defined divisional structure. Each division assesses the level of authorisation appropriate to its decision-making process after the evaluation of potential benefits and risks. A three-year strategic plan is prepared for each division and updated annually, including the identification and consideration of significant risks to the division's strategic objectives. Progress against the strategy and the management of the risks identified is formally reviewed on a quarterly basis by the Group Management Board.

The Audit Committee reviews the Company's risk register and monitors risk management procedures as a regular agenda item and receives reports thereon from Group management. The Audit Committee Chairman provides a report on its findings to the Board. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting on 24th February 2021, the Board carried out the annual internal controls and risk management assessment

by considering documentation from the Audit Committee. In accordance with the Code, the Board confirms that, for the year ended 31st December 2020, it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks identified and the controls and mitigating actions in place are described on pages 22 to 25.

Further details concerning the Audit Committee's review of internal controls and risk management processes are included in the Audit Committee report on pages 34 to 36. Historically, the internal audit function has been covered through regular site visits conducted by Quality Assurance and Group finance personnel and the role was expanded in 2018 to include detailed reviews that the Committee felt appropriate. The Audit Committee reviewed the need for a separate internal audit function during 2020 and agreed that the current process worked well and should continue.

### Share Capital Structures

The statements within the Directors' report on share capital structures are incorporated by reference into this statement of compliance.

### Fair, Balanced and Understandable Assessment

In relation to compliance with the Code, the Board has given consideration as to whether or not the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy and concluded that this is the case. A statement to this effect is included in the Directors' Responsibilities Statement on page 58. The preparation of this document is co-ordinated by the Finance team and the Company Secretary with Group-wide input and support from other areas of the business. Comprehensive reviews have been undertaken at regular intervals throughout the process by Senior Management and other contributing personnel within the Group.

The Directors' responsibilities for preparing the financial statements and supporting assumptions that the Company is a going concern are set out on page 58.

### Long-term Viability Statement ('LTVS')

In relation to compliance with the Code, the Board has assessed the prospects of the Group, taking into account the Group's current position and principal risks. The LTVS and supporting assumptions are set out on page 26.

### Trevor Mitchell

Company Secretary  
24th March 2021

# Audit Committee Report

## Dear Shareholder

As Chairman of the Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st December 2020.

The Audit Committee continues to support the Board by providing detailed scrutiny of the integrity and relevance of the Group's financial reporting, monitoring the appropriateness of the Group's internal control and risk management systems and overseeing the external audit process.

The Audit Committee has continued to follow a programme of meetings which are timed to coincide with key events in the financial calendar. As a Committee, we are committed to discharging our responsibilities effectively and constructively challenge the information we receive. Over the past year, the regular reports the Audit Committee has received from management and the external auditors have been timely and well presented, which has enabled the Committee to discharge its responsibilities effectively. Where necessary, we request additional detailed information so that we may better assess certain issues, and the risks and opportunities presented.

The Committee's work has also focused on undertaking a statutory audit tender process as PricewaterhouseCoopers LLP will have completed ten years as auditor at the end of the 2020 financial year. The process was very thorough, beginning in July 2020 and concluding at the end of November. The Committee was pleased with the strong quality of presentations received from each of the participating audit firms. The Committee unanimously agreed to recommend that the Board reappoint PricewaterhouseCoopers LLP as auditor subject to shareholder approval at the AGM on 5th May 2021.

Further information concerning the activities of the Audit Committee during the year are set out on the following pages.

## Mike Robson

Chair of the Audit Committee  
24th March 2021

## Matters Considered by the Audit Committee

The Audit Committee met on five occasions during the year ended 31st December 2020. The principal matters discussed at the meetings are set out below.

### Principal Matters Considered

#### February 2020

- Draft Annual Report and Financial Statements for the year ended 31st December 2019, including significant judgements and disclosures therein.
- Annual assessment of internal controls and risk management.
- Finance Director's report on going concern and viability statement.
- Finance Director's report on goodwill impairment.
- Interim report of external auditors detailing their assessment on key risk audit areas.
- Consideration of, and agreement to the audit exemption of certain subsidiaries.
- Review of Committee's terms of reference.
- Review of Committee's effectiveness.
- Review of risk register and mitigating actions.
- Consideration of the internal audit work carried out by the Quality Assurance team.

#### March 2020

- Draft Annual Report and Financial Statements for the year ended 31st December 2019, including significant judgements and disclosures therein.
- Audit representation letter.
- Report of external auditors on their audit of the 2019 Annual report and Financial Statements.
- Consideration of the reappointment of external auditors.
- Independence of external auditors.

#### September 2020

- Consideration of the internal audit work carried out by the Quality Assurance team.
- Review of risk register and mitigating actions.
- 2019 external audit evaluation.
- 2021 Audit tender update.
- Consideration of the need for a separate internal audit function.

#### October 2020

- Audit plan presented by the external auditors.
- Governance and independence of the external auditors.
- Consideration of the need for a separate internal audit function.
- Review of policy on non-audit services.
- Update on 2021 Audit tender

#### November 2020

- Review of 2021 audit tender proposals
- Select preferred auditor to be approved by shareholders at 2021 AGM.

## Significant Judgements, Key Assumptions and Estimates

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and remuneration of

Senior Management, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements. The main areas of focus during the year are set out below:

### Matters Considered and Actions

#### Matter Considered: Contract Profit and Revenue Recognition

**Action:** The recognition of revenue and profit on construction contracts involves significant judgement due to the inherent difficulty in forecasting the final costs to be incurred on contracts in progress and the process whereby applications are made during the course of the contract with variations, which can be substantial, often being agreed as part of the final account negotiation.

The Committee considered the consistency and appropriateness of the Group's policies and the effect of IFRS 15 in respect of profit and revenue. Their specific application to a number of large contracts was considered.

The Committee concurred with management's assessment of the contracts and the revenue recognised.

#### Matter Considered: Pension Scheme Accounting

**Action:** The Group's defined benefit pension scheme is valued annually by external advisers in accordance with IFRSs. The valuation is subject to significant fluctuations based on actuarial assumptions, including:

- discount rates;
- mortality assumptions;
- inflation;
- salary increases;
- expected return on plan assets.

The Committee reviewed the basis of the valuation, including the assumptions used, and considered the sensitivity of the pension scheme valuation to changes in those key assumptions. Further details of the valuation, including the key assumptions used, are disclosed in note 23 to the financial statements on pages 98 to 102.

#### Matter Considered: Carrying Value of Intangible Assets and Investments

**Action:** Intangible assets comprise a significant element of the Group's net assets. As required by IFRSs, the Company conducts an impairment review of these assets every year.

The Committee considered the papers presented by the Group Finance Director supporting management's assertion that goodwill is not impaired. Other intangible assets comprise customer relationships on acquisition and are amortised. This assertion was supported by detailed cash flow and profit projections covering a three-year period, including sensitivity analysis and an analysis of secured workload. It also considered the independent auditors' comments on the key assumptions and detailed forecasts made. The issue of impairment involves making significant judgements about individual cash-generating units and the risks they face.

The Committee agreed with management's recommendation that no impairment charge should be made. Further details concerning the make-up of intangible assets, the assumptions used and the sensitivity of the carrying value of intangible assets can be found in note 11 to the financial statements on pages 87 to 88.

Aligned to the review of the carrying value of intangible assets, the Committee also considered the carrying value of the subsidiaries in the Parent Company's financial statements.

#### Matter Considered: Going Concern

**Action:** The Group conducts a review to ensure it has sufficient working capital to support its 3 year business plan. The review considers impact on working capital requirements of various sensitivities to ensure that plans are sufficiently robust to cater for reasonable worst case scenarios whilst still meeting all bank covenants.

The Committee considered the papers presented by the Group Finance Director supporting management's assertion that the Group remains a going concern and has sufficient working capital to support its business plans.

The Committee agreed with management's recommendation that the Group is a going concern. On all scenarios modelled the Group was able to meet all banking covenants with significant headroom. Further details can be found in the long term viability statement on page 26.

## Membership of the Audit Committee

The members of the Committee during the year were Mike Robson (Chair), Peter Maskell and Louise Dier. Biographies of the current members of the Audit Committee are included on page 27.



## Audit Committee Report continued

### Governance

The Committee members are all independent Non-Executive Directors. The Board is satisfied that Mike Robson has the requisite recent and relevant financial experience to chair the Audit Committee and the Committee as a whole has competence relevant to the construction industry. The Committee routinely meets four times a year, and additionally as required, to review or discuss other significant matters.

The Group Finance Director and the Group Chief Executive Officer attend the meetings; the external auditor also attend parts of the meetings.

The terms of reference of the Committee are available on the Company's website under the Investor section – Governance.

### Internal Controls

The Audit Committee receives regular updates on internal controls and has concluded that our controls are adequate and appropriate to our business. Following an independent review of the controls over expenses a number of changes and improvements have been made to the expenses policy and processes.

### Internal Audit

The internal audit function is covered through regular site visits conducted by Quality Assurance and Group finance personnel and the remit of the Quality Assurance department was expanded in 2018 to include detailed reviews that the Committee felt appropriate. The Audit Committee reviewed the need for a separate internal audit function during the year and agreed that the current practice worked well and was appropriate to our business.

### Risk Management

Assisted by Executive Directors, the Audit Committee has focused on maintaining and improving the procedures to identify, manage and mitigate the risks facing the business and to drill down on selected risks on a rolling basis through the year.

### External Audit

The Audit Committee is responsible for overseeing relations with the external auditors, including the approval of fees, and makes recommendations to the Board on their appointment and reappointment. Details of the auditors' remuneration can be found in note 7 to the financial statements on page 83.

The Committee accepts in principle that certain work of a non-audit nature is most efficiently undertaken by the external auditors. The policy on non-audit services provided by PricewaterhouseCoopers LLP ('PwC') is that the Chairman of the Audit Committee reviews and, if appropriate, approves all non-audit services and fees, and any such approval is put to the Audit Committee for review and ratification at the next Committee meeting. The auditors' fees for non-audit services during the year were £nil (2019: £nil).

The independence of the external auditors is essential to the provision of an objective opinion on the true and fair presentation in the financial statements. Auditor

independence and objectivity is safeguarded by limiting the nature and value of non-audit services performed by the external auditors and ensuring the rotation of the lead engagement partner at least every five years. The current lead engagement partner has held the position for four years.

The last external audit tender process was in 2011 when PwC were initially appointed and they have been the auditors since. The Audit Committee has undertaken an external audit tender process in 2020 and has recommended that PwC be reappointed for the 2021 external audit.

The Audit Committee reviews the effectiveness of the audit process through quality service reviews with the external auditors post-audit. At the end of the review process, the Audit Committee decides whether, given the results of the review, to recommend to shareholders that the auditors be reappointed.

### Mike Robson

Chair of the Audit Committee  
24th March 2021

### The Roles and Responsibilities of the Audit Committee Include:

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting issues and judgements contained therein.
- Reviewing the Company's internal controls and risk management systems and reviewing the need for an internal audit function on an annual basis.
- Making recommendations to the Board, to be put to shareholders, in relation to the appointment of external auditors and their remuneration and terms of engagement.
- Reviewing and approving the audit plan and ensuring it is consistent with the scope of audit engagement.
- Reviewing the independence of the external auditors and reviewing the effectiveness of the audit process.
- Reviewing the extent of non-audit services provided by the external auditors.
- Reviewing the Company's whistleblowing and anti-bribery procedures.

## Nomination Committee Report

### Dear Shareholder

As Chairman of the Nomination Committee, I am pleased to present the report of the Nomination Committee for the year ended 31st December 2020.

During the year, the Nomination Committee comprised Iain McCusker (Chair), Peter Maskell, Mike Robson and Louise Dier. Biographies of the current members of the Nomination Committee are included on page 27.

The Nomination Committee met once during the year to review the structure, size and composition of the Board and its Committees, undertake a Board evaluation process and to consider succession planning for Directors and senior management. As part of its succession planning this year the Committee formulated a plan to facilitate an orderly succession for the position of Chairman.

The Committee gives due consideration to diversification in the make-up of the Board but, due to the size of the Company, the most important consideration is to achieve an appropriate mix of skills, knowledge and experience, taking into account the Company's Board Diversity policy. Before any appointment is made by the Board, the Nomination Committee evaluates the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

The Committee's succession planning not only takes into consideration the Company's long-term and medium-term needs and natural evolution to the Board, but also short-term needs such as unforeseen departures and contingency for unexpected Board changes. The Committee also formulated succession plans for the Group Management Board taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

Mike Robson, Senior Independent Director, has decided not to offer himself for re-election at the 2021 AGM. Mike joined the Board in 2015 and has provided enormous support and good counsel to the Board throughout his tenure. He leaves TClarke with our very best wishes for the future.

The performance of individual Directors, the Board, its committees and the Chairman is reviewed annually. In 2020, in order to evaluate the performance of the Board, each member of the Board was asked to complete a detailed questionnaire. The responses to the questionnaire were summarised and were reviewed and discussed by the Nomination Committee and subsequently shared with and discussed by the Board. Topics covered in the review included strategy, risk management and the conduct and effectiveness of Board meetings. Whilst acknowledging that there are always opportunities for development and improvement, the Directors have concluded that the Board had effectively discharged its duties during the year.

As part of the evaluation process, as Chairman of the Nomination Committee and acting in conjunction with the Chief Executive Officer, I undertook the task of annual evaluation of performance and commitment of individual Board members by conducting individual interviews. The review of my own performance and commitment was undertaken by the Senior Independent Director.

Based upon the evaluation of the Board, its committees and the continued effective performance of individual Directors, the Committee recommended to the Board that the Directors stand for re-election at the Company's AGM in 2021.

### Iain McCusker

Chair of the Nomination Committee  
24th March 2021

### The Roles and Responsibilities of the Nomination Committee Include:

- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes.
- Evaluating the balance of skills, experience, independence and knowledge on the Board and preparing or approving a description of the role and capabilities required for a particular appointment.
- Responsibility for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Satisfying itself with regard to succession planning for Directors and senior management, taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future.
- Making recommendations to the Board concerning membership of the Audit and Remuneration Committees.
- Reviewing annually the time required from Non-Executive Directors.

# Remuneration Committee Report

## Dear Shareholder

I am pleased to present the remuneration report for the year to 31st December 2020. This report aims to set out how the Group pays our Directors, decisions made on their pay and how much they have received in the last financial year.

The report is split into two sections:

- A summary of the Directors' Remuneration Policy, which was approved at the AGM 24 June 2020 and which is reproduced this year for information purposes only, as it is unchanged.
- The Annual Report on Remuneration, which includes this letter and will be subject to an advisory shareholder vote at our AGM on 5 May 2021.

## Performance and Reward for 2020

2020 was a remarkable year for the Group in the face of the most difficult of trading conditions resulting from the Pandemic. Parts of the country were locked down for many months with several sites closed for extended periods. In spite of this TClarke recorded an underlying operating profit before interest and tax of £6m; paid the 2019 dividend in full to shareholders and maintained its interim dividend; maintained its deficit reduction payments for the defined benefit pension scheme and has easily passed all its bank covenant tests.

	2020	2019
Revenue	£231.9m	£334.6m
Underlying operating profit	£6.0m	£10.2m
Underlying EPS	10.29p	18.81p
Dividend per share	4.4p	4.4p

The Executive Directors' targets were set by the Remuneration Committee at the start of the first national lockdown in March 2020. Financial performance of TClarke combined with and the performance of the Executive Directors in executing against the strategic annual bonus objectives set for them would have resulted in a bonus of 111% being payable to each of the Executive Directors. The Executive Directors have requested that the Committee reduce this to 45% in recognition of the difficult year that the Group's staff have been through. The Committee believes this is a fair outcome.

LTIP awards granted in 2018, which vest on three year performance to 31 December 2020, will vest in full. The Committee used its discretion to impute a 3% underlying operating profit for Q2 2020; 3% being achieved for 2019 and Q1, Q3 and Q4 2020. On this basis earnings per share growth over the three-year period to 31st December 2020 was 16%. This was above the stretch vesting condition of EPS growth exceeding RPI by more than 10% for the LTIP award granted in 2018 and, as a result, the award will vest in full on 25th April 2021.

LTIP awards granted in 2020 contained a performance condition that was assessed by the Committee on 23 March 2021. The Committee assessed that the performance condition relating to increase in reserves had been met as profit after tax was £1.2m.

Further information on the actual targets set, and performance against them, is provided on page 50.

## Remuneration Policy

The Committee expects the 2020 remuneration policy to remain effective until the 2023 AGM. Our remuneration policy is designed to be sustainable and simple, and to encourage the effective stewardship that is vital to delivering our strategy of creating long-term value for all stakeholders. It promotes long term sustainable performance through significant deferral of remuneration through shares. Executive Directors are expected to build and maintain substantial personal shareholdings in the business. Our policy ensures that performance-related components will form a significant proportion of the overall remuneration package, with maximum rewards earned only through the achievement of challenging performance targets based on measures aligned with our long-term strategy.

## Implementation of the Remuneration Policy for 2021

The key highlights of how we intend to apply it for 2021 are:

- Fixed Pay – there was 0% increase in Executive Directors base salaries on 1 January 2021 in line with the wider workforce. No changes have been made to the benefit provision.
- Variable pay – annual bonus maximum will be 150% of salary and a normal LTIP award of 50% of salary will be made in April 2021. An additional LTIP award of 50% of salary will also be made as an incentive to support the £500 million revenue growth plan; the achievement of which would substantially increase earnings per share.
- Performance measures – will continue to be focused on simple and transparent measures. For the annual bonus, underlying profit before tax and interest will apply for two-thirds of the opportunity and key strategic objectives aligned with the Group's KPIs will apply for the remaining one-third of bonus. For the LTIP, stretching earnings per share targets will be set for the financial year 2023.
- Employee share schemes: Long-Term Incentive Plan, Save As You Earn Share Option Scheme – Shareholders approved the employee share scheme on 13 May 2011 for a 10 year period. Resolutions to approve the Long-Term Incentive Plan and Save As You Earn Share Option Scheme are proposed as ordinary resolutions numbers 10 and 11 for another 10 year period.

## Alignment with Shareholders

We are mindful of our shareholders' interests and are keen to ensure a demonstrable link between reward and value creation. We are proud of the support we have received in the past from our shareholders, with over 95% approval of the Directors' remuneration report received last year at the 2020 AGM. We hope that we will continue to receive your support at the forthcoming AGM in 2021.

## Peter Maskell

Chair of Remuneration Committee  
24th March 2021

## The Role and Responsibilities of the Remuneration Committee Include

- Determining the service contracts and base salary levels for the Executive Directors and other senior management.
- Setting remuneration policy for all Executive Directors and the Company's Chairman, taking into account relevant legal and regulatory requirements, the provision of the code and associated guidance.
- Approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and approving the total annual payments made under such schemes.
- Determining the policy for, and scope of, pension arrangements for each Executive Director and other designated senior executives.
- Reviewing the design of all share incentive plans for approval by the Board and shareholders.
- Agreeing the policy for authorising claims for expenses from the Directors.

# Directors’ Remuneration Policy

This part of the Directors’ remuneration report summarises the Directors’ Remuneration Policy for the Company which was approved by the shareholders at the 2020 AGM. The policy came into effect on the 24th June 2020 and is next due to be put to the shareholders for approval at the 2023 AGM.

**Policy Overview**

The primary objective of the remuneration policy is to promote the long-term success of the Company. In working towards the fulfilment of this objective, the Committee takes into account a number of factors when formulating the remuneration policy for the Executive Directors, including the following:

- the need to provide a remuneration structure that is sufficiently competitive to attract, retain and motivate Executive Directors of an appropriate calibre to deliver long-term, sustainable growth of the business;
- the alignment of interests between executives and shareholders through share ownership and appropriate recovery and withholding provisions;
- internal levels of pay and employment conditions across the Group as a whole;
- the principles and recommendations set out in the UK Corporate Governance Code and the views of institutional shareholders and their representative bodies; and
- periodic external comparisons of market trends and practices in similar companies taking into account their size (and in particular their FTSE ranking) and complexity.

Our remuneration structure is intended to be simple and transparent, and to contribute to the building of a sustainable performance culture. Our policy ensures that performance-related components will form a significant proportion of the overall remuneration package, with maximum total potential rewards earned only through the achievement of challenging performance targets based on measures selected to promote the long-term success of the Company.

The main elements of the remuneration package for Executive Directors are a base salary, benefits and pension provision, as well as an annual bonus plan and shares awarded under a long-term incentive plan (‘LTIP’), both of which are subject to stretching performance conditions. The Committee has determined that this structure will provide an appropriate balance between fixed and performance-related pay elements. The Committee will continue to review the remuneration policy to ensure it takes due account of remuneration best practice and that it remains aligned with shareholders’ interests.

**How the Executive Directors’ Remuneration Policy Relates to the Wider Workforce**

The Committee does not directly consult with employees regarding the remuneration of Directors. However, the pay and conditions elsewhere in the Company are considered when designing the policy for Executive Directors and continue to be considered in relation to implementation of the policy. The Committee regularly monitors pay trends across the workforce and salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. Reflecting the UK Corporate Governance Code and investor guidelines, new external Executive Director appointees will also have company pension contributions set in line with the level offered to the majority of the salaried workforce (in percentage of salary terms).

The remuneration policy described here provides an overview of the structure that operates for the most senior executives in the Company. Employees below executive level have a lower proportion of their total remuneration made up of incentive-based remuneration, with pay driven by market comparators and the impact of the role in question. Long-term incentives are reserved for those judged as having the greatest potential to influence the Group’s strategic direction, earnings growth and share price performance.

**How Shareholders’ Views are Taken into Account**

The Committee seeks to engage with its major shareholders when any significant changes to the remuneration policy are proposed. The Committee also considers shareholder feedback received in relation to the Directors’ remuneration report and at the AGM each year, and this, plus any additional feedback received from time to time, is considered as part of the Committee’s annual review of remuneration policy. The Committee also closely monitors developments in institutional investors’ best practice expectations.

**Summary Director Policy Table**

The table below summarises the remuneration policy for Directors.

**Element of Remuneration: Salary**

**Purpose and Link to Strategy**

- To provide competitive fixed remuneration to attract and retain Executive Directors of superior calibre in order to deliver growth for the business

**Operation**

- Normally reviewed annually with changes typically effective 1st January
- Paid in cash on a monthly basis
- Comparison against companies with similar characteristics are taken into account as part of the review
- Internal reference points, the responsibilities of the individual role, progression within the role and individual performance are also taken into account

**Maximum Opportunity**

- There is no prescribed maximum annual basic salary or salary increase. Details of the current salary levels are set out in the Annual Report on Remuneration on page 47
- Any salary increase (in percentage of salary terms) will ordinarily be up to the general increase for the broader employee population; however, a higher increase may be awarded to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account of relevant market movements
- Where an Executive Director’s salary is set below market levels at appointment, a series of increases may be given (in addition to the factors listed above) in order to achieve the desired salary positioning, subject to satisfactory individual performance

**Performance Targets**

- None, although the overall performance of the individual and the wider business context is considered as part of the salary review process

**Element of Remuneration: Benefits**

**Purpose and Link to Strategy**

- To support recruitment and retention
- To provide a market consistent benefits package

**Operation**

- Benefits may include a combination of car or car allowance, private medical insurance and life assurance
- Executive Directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms
- Travel allowances or time-limited relocation benefits may be offered if considered appropriate and reasonable by the Committee
- Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit
- Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with prevailing HMRC guidelines (where relevant), on the same basis as for other eligible employees

**Maximum Opportunity**

- There is no maximum limit but the Committee reviews the cost of the benefits provision on a regular basis to ensure that it remains appropriate
- Participation in the all-employee share plans is subject to the limits set out by HMRC

**Performance Targets**

- Not applicable



## Directors' Remuneration Policy continued

### Element of Remuneration: Pension

#### Purpose and Link to Strategy

- Provide competitive retirement benefits

#### Operation

- Defined benefit or defined contribution scheme (or cash alternative)
- Where the promised levels of benefits cannot be provided through an appropriate pension scheme, the Group may provide benefits through the provision of salary supplements

#### Maximum Opportunity

- For Executive Directors appointed externally from 1 January 2020, defined contribution pension contributions (or cash equivalents in lieu) will be aligned with the wider salaried staff
- Current employees, including Executive Directors, who are existing members of the Company's defined benefit scheme may be entitled to continue to accrue benefits under these arrangements rather than participating in the defined contribution (or cash equivalent) arrangements. The maximum pension on retirement at age 65 is 1/60th of final pensionable salary for service before March 2010, and 1/80th of revalued pensionable salary for service thereafter and these rates are consistent for all participants. A salary supplement may be provided in order to compensate the individual up to the value of benefits lost as a result of HMRC limits or if the individual opts-out of the plan

#### Performance Targets

- Not applicable

### Element of Remuneration: Bonus

#### Purpose and Link to Strategy

- Incentivise annual achievement of performance targets relating to the Company's KPIs
- Maximum bonus only payable for achieving demanding targets

#### Operation

- Normally payable in cash
- Levels of award are determined by the Committee after the year end based on performance against the targets set at the start of the year
- All bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding discretion (within the limits of the scheme) to ensure that overall bonus payments reflect its view of corporate performance during the year
- Payments in relation to the annual bonus are subject to withholding and recovery provisions

#### Maximum Opportunity

- Maximum of 150% of salary per annum
- Target performance would normally result in 60% of maximum becoming payable

#### Performance Targets

- Group financial measures (e.g. profit-related measures) will apply for the majority of the bonus
- If used, personal or strategic objectives will be applied for the minority of the bonus
- Measures and objectives will be determined over a one-year performance period

### Element of Remuneration: Long-Term Incentive Plan

#### Purpose and Link to Strategy

- Aligned to delivery of strategy and long-term value creation
- Align Executive Directors' interests with those of shareholders
- To promote retention

#### Operation

- LTIP awards take the form of conditional rights or nil, nominal cost or market value options and are normally granted annually
- Awards vest after three years' subject to the achievement of pre-set performance criteria and continued employment. Awards made from 2020 onwards are subject to a mandatory two-year holding period following the end of the vesting period, other than those sold to cover tax and NI liabilities and dealing costs
- The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures
- The Committee may determine at grant that an amount (in cash or shares) equivalent to the dividends paid or payable on vested shares up to the release date may become payable; any amount payable may assume the reinvestment of dividends over the period
- Awards under the LTIP are subject to withholding and recovery provisions, further details of which are included as a note to the policy table

#### Maximum Opportunity

- Annual awards of no more than 100% of salary (with this level generally reserved for exceptional circumstances).

#### Performance Targets

- Performance is measured over three years
- Awards currently vest based on performance against stretching earnings per share ('EPS') targets set and assessed by the Committee. However, different financial, strategic or share price-based measures may be set for future award cycles as appropriate to reflect the strategic priorities of the business at that time
- Notwithstanding the performance outcome, the Remuneration Committee retains the discretion to adjust the vesting outcome upwards or downwards (within the scheme limits) to reflect the underlying performance of the Company over the three-year period
- A maximum of 25% vests at threshold, increasing to 100% vesting at maximum on a straight-line basis

### Element of Remuneration: Share Ownership Guidelines

#### Purpose and Link to Strategy

- To increase alignment between Executives and shareholders

#### Operation

- Executive Directors are required to build and maintain a shareholding of 100,000 shares through the retention of vested share awards or through open market purchases
- Wholly owned shares and vested LTIP shares in the mandatory holding period (net of tax) will count towards the guideline

#### Maximum Opportunity

- Not applicable

#### Performance Targets

- Not applicable

Directors’ Remuneration Policy continued

Element of Remuneration: Post-employment Share Ownership Guidelines

Purpose and Link to Strategy

- To provide further long-term alignment between Executives and shareholders
- To ensure a focus on successful succession planning

Operation

- Executive Directors will normally be expected to maintain a holding of TClarke shares for two years after their employment as a Director has ceased
- The post-employment guideline will be equal to the lower of: the actual shareholding at the time of ceasing to be a Director and 100,000 shares
- The guideline will apply only to shares acquired from LTIP awards made from 2020 onwards; open market purchases are excluded from the post-employment guidelines
- The specific application of the shareholding guideline will be at the Committee’s discretion

Maximum Opportunity

- Not applicable

Performance Targets

- Not applicable

Element of Remuneration: Non-Executive Director

Purpose and Link to Strategy

- To provide competitive fees to attract and retain high-calibre Non-Executive Directors
- To reflect the time commitment and responsibilities of the role

Operation

- The Chairman’s fee is set by the Board on the recommendation of the Remuneration Committee. The Non-Executive Directors’ fees are set by the Board on the recommendation of the Executive Directors. No Director takes part in discussions relating to their own remuneration
- Non-Executives may be paid additional fees for chairing one of the major Board committees or for holding the Senior Independent Director position
- The fees are set taking into account the time commitment and responsibilities of the role
- In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees to recognise the additional workload
- Fees are normally paid monthly in cash and are normally reviewed annually
- Directors can be reimbursed for any reasonable business-related expenses (including the tax thereon if determined to be a taxable benefit)

Maximum Opportunity

- There is no prescribed maximum fee or fee increase
- Any increase will be guided by changes in market rates, time commitments and responsibility levels as well as by increases for the broader employee population

Performance Targets

- Not applicable

Pay for Performance Scenarios

The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: ‘Minimum’, ‘Target’, ‘Maximum’ and ‘Maximum including the impact of a 50% share price appreciation on LTIP awards’.

Potential reward opportunities are based on TClarke’s remuneration policy, applied to the base salaries effective 1 January 2021. The annual bonus and LTIP are based on the maximum opportunities set out under the remuneration policy for normal circumstances; being 150% of salary and 50% of salary respectively. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period).

Mark Lawrence				
	fixed pay	Annual Bonus	long-term incentives	2021 Total
Minimum	100%			£444,668
Target	51%	43%	6%	£873,631
Maximum	30%	42%	28%	£1,490,918

Mike Crowder				
	fixed pay	Annual Bonus	long-term incentives	2021 Total
Minimum	100%			£388,226
Target	51%	43%	6%	£754,151
Maximum	30%	42%	28%	£1,280,726

Trevor Mitchell				
	fixed pay	Annual Bonus	long-term incentives	2021 Total
Minimum	100%			£332,093
Target	51%	43%	6%	£651,252
Maximum	30%	42%	28%	£1,110,530

The ‘minimum’ scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the main elements of the Executive Director remuneration packages not linked to performance.

The ‘target’ scenario reflects fixed remuneration as above, plus a bonus payout of 60% of maximum and LTIP threshold vesting at 25% of maximum award.

The ‘maximum’ scenario includes fixed remuneration and full payout of all incentives (150% of salary under the annual bonus and 100% of salary under the LTIP). Under the ‘maximum’ scenario, if TClarke share price increased by 50% over the three-year performance period ( in effect valuing

this element of pay at 150% of salary) the indicative total remuneration value would be £1,700,168 for the Group Chief Executive, £1,459,226 for the Group Managing Director and £1,266,218 for the Group Finance Director.

Approach to Recruitment and Promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level over a period of two to three years once expertise and performance has been proven and sustained.

New appointees would receive company pension contributions or an equivalent cash supplement aligned to that offered to the wider salaried workforce at the time of appointment, and would be eligible to receive benefits of the same type and at similar levels as other Executive Directors. If the new appointee were promoted from within the business and was already a member of the defined benefit scheme, they would remain eligible for benefits from it in the same way as other members of the workforce who are members.

The maximum level of variable pay which may be awarded to new Executive Directors will be in line with the policy set above. In addition to this, the Committee may make buyout awards in the form of additional cash and/or share-based elements to replace remuneration forfeited by an executive as a result of leaving his or her previous employer. It will, where possible, ensure that these awards are consistent with awards forfeited in terms of vesting periods, expected value and performance tests.

The Committee may apply different performance measures, performance periods and/or vesting periods for initial awards made following appointment under the annual bonus and/or long-term incentive arrangements, subject to the rules of the scheme, if it determines that the circumstances of the recruitment merit such alteration. LTIP awards can be made shortly following an appointment (assuming the Company is not in a close period), whilst the maximum annual bonus in the year of appointment would generally be pro-rated to reflect the period of service during the year.

**Notes:**

1 The choice of the performance metrics applicable to the 2021 annual bonus scheme reflects the Committee’s belief that any incentive compensation should be appropriately challenging and tied to both the delivery of targets relating to a key financial measure, profit, and which support the Company’s strategic objectives through individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used over the life of the policy to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set. Targets are generally set with reference to the Group’s budget, with target performance typically requiring meaningful improvement on the previous year’s outcome.

2 The performance condition applicable to the 2021 LTIP awards is earnings per share growth (EPS). EPS was selected by the Remuneration Committee on the basis that it is aligned with the delivery of long-term returns to shareholders and it is the Group’s key financial metric. The Committee has retained flexibility on the measures which will be used for future award cycles to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted. Notwithstanding this, the Committee would seek to consult with major shareholders in advance of any material change to the choice of the LTIP performance measures. LTIP targets are intended to be stretching but achievable taking into account the Group’s long-term strategic plan, as well as a range of relevant internal and external reference points.

3 The Committee operates the annual bonus, LTIP and all employee share plans in accordance with the relevant plan rules and, where appropriate, the Listing Rules and HMRC legislation. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. These include, for example, the timing of awards and setting performance criteria each year, dealing with leavers, discretion to retrospectively amend performance targets in exceptional circumstances (providing the new targets are no less challenging than originally envisaged) and in respect of share awards, to adjust the number of shares subject to an award in the event of a variation in the share capital of the Company.

4 For the avoidance of doubt, in approving this Directors’ Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the exercise of past share awards). Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise. Notwithstanding the above, pension arrangements for new appointees after 1 January 2020 will be consistent with the wider workforce.

5 Consistent with HMRC legislation and market practice, the HMRC all-employee share plans do not have performance conditions.

6 The annual bonus and LTIP include withholding and recovery provisions which may be applied in certain circumstances, including following a material misstatement of the Company’s financial accounts, gross misconduct on the part of the award-holder or an error in calculating the award outcome. The 2020 annual bonus and awards made under the LTIP from 2020 onwards will be subject to an expanded list of triggers. In respect of the annual bonus, the provisions apply for up to two years following payment, whilst LTIP awards remain subject to the provisions throughout the vesting and holding period (where applicable). Participants in both schemes are now required to acknowledge their understanding of the withholding and recovery provisions to help ensure that the provisions would be enforceable the circumstances arise.

## Directors' Remuneration Policy continued

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its original terms.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

The fee structure for Non-Executive Director appointments will be based on the Non-Executive Director fee policy as set out in the policy table.

### Service Contracts and Approach to Leavers

The Company's policy is for Executive Directors to have service contracts which may be terminated with no more than 12 months' notice from either party. The Executive Directors' service contracts are available for inspection by shareholders at the Company's registered office.

No Executive Director has the benefit of provisions in their service contract for the payment of pre-determined compensation in the event of termination of employment. It is the Committee's policy that the service contracts of Executive Directors will provide for termination of employment by giving notice or by making a payment of an amount equal to basic salary in lieu of the notice period. It is the Committee's policy that no Executive Director should be entitled to a notice period or payment on termination of employment in excess of the levels set out in his or her service contract. Incidental expenses may also be payable, if appropriate.

Annual bonus may be payable with respect to the period of the financial year served, although it will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. In certain circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the vesting period actually served. Awards subject to a holding period will normally be released following completion of the holding period. Under the plan rules, the Remuneration Committee has overarching discretion to determine that awards vest at cessation of employment and/or to disapply the time pro-rating requirement if it considers it appropriate to do so.

In relation to a termination of employment, the Committee may make payments in relation to any statutory entitlements or payments to settle compromise claims as necessary. The Committee also retains the discretion to reimburse reasonable legal expenses incurred in relation to a termination of employment and to meet any transitional costs if deemed necessary. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

There is no provision for additional compensation on a change of control. In the event of a change of control, the LTIP awards will normally vest on (or shortly before) the change of control and the Committee shall determine the extent to which outstanding awards shall vest. Awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate. Outstanding awards under any/all employee share plans will vest in accordance with the relevant scheme rules. Bonuses may become payable, subject to performance and, unless the Committee determines otherwise.

### External Appointments

The Board allows Executive Directors to accept external Non-Executive Director positions provided the appointment is compatible with their duties as Executive Directors. The Executive Directors may retain fees paid for these services. Any appointment will be subject to approval by the Board.

### Non-Executive Directors

The Chairman and Non-Executive Directors' terms are set out in letters of appointment. The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

# Annual Report on Remuneration

## Single Total Figure Remuneration (Audited)

The table below reports the total remuneration receivable in respect of qualifying services by each Director during the year:

### Year ended 31st December 2020

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives £	Pension related benefits £	Total £
<b>Executive:</b>						
Mark Lawrence	418,500	26,168	188,325	166,153	–	799,146
Mike Crowder	357,000	31,226	160,650	141,765	–	690,641
Trevor Mitchell	311,375	20,718	140,119	123,596	–	595,808
<b>Non-Executive:</b>						
Iain McCusker	97,000	–	–	–	–	97,000
Mike Robson	56,200	–	–	–	–	56,200
Peter Maskell	56,200	–	–	–	–	56,200
Louise Dier	51,200	–	–	–	–	51,200

### Year ended 31st December 2019

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives £	Pension related benefits £	Total £
<b>Executive:</b>						
Mark Lawrence	313,875	21,177	369,274	117,082	315,824	1,137,232
Mike Crowder	267,800	21,177	315,067	101,810	336,733	1,042,587
Trevor Mitchell	293,500	20,718	274,713	–	–	588,931
<b>Non-Executive:</b>						
Iain McCusker	65,850	–	–	–	–	65,850
Mike Robson	48,775	–	–	–	–	48,775
Peter Maskell	48,775	–	–	–	–	48,775
Louise Dier	48,775	–	–	–	–	48,775



## Annual Report on Remuneration continued

The figures in the single total figure remuneration table are derived from the following:

Total salary and fees	The amount of salary and fees received in the year.
Taxable benefits	The taxable value of benefits received in the year. These are a car or car allowance and private medical insurance.
Annual bonus	<p>The 2020 annual bonus was subject to underlying profit before tax targets (two-thirds of bonus) alongside a scorecard of strategic objectives closely aligned with the KPIs of the business (one-third of bonus).</p> <p>The actual performance of £6m underlying operating profit resulted in 100% of maximum for this element being payable.</p> <p>The measures selected for strategic objectives reflect a range of key financial and operational goals which support the Company's strategic objectives. The respective targets have not been disclosed as they are considered by the Board to be commercially sensitive. Performance against strategic objectives resulted in 22% of maximum for this element being payable.</p> <p>Overall this resulted in a bonus of 111% of salary (maximum 150%) for Mark Lawrence, Mike Crowder and Trevor Mitchell being payable. The Executive Directors have requested this be reduced to 45% of salary for 2020 performance period.</p>
Long-term incentives	The value of LTIP awards that vest in respect of a performance period that is completed by the end of the relevant financial year. For 2020 this includes the 2018 Conditional shares awards which will vest in full on 25th April 2021. The value is based on the 3-month average share price ending 31 December 2020 of 91.5p. The performance conditions are detailed on page 50. EPS growth over the three-year period to 31st December 2020 was 16% after the Remuneration Committee imputed 3% underlying operating margin for Q2 2020.
Pension-related benefits	The Directors received no pension benefits in 2020.

### Directors' Interests and Minimum Shareholding Requirement ('MSR') (Audited)

Directors' interests in the issued share capital of TClarke plc are set out below. There is a current MSR for the Executive Directors whereby each Executive Director is required to build and maintain a holding of 100,000 shares in TClarke plc. For Non-Executive Directors, the MSR requirement is 2,000 shares in TClarke plc as defined in the Company's Articles of Association.

The beneficial interests of Directors in the Ordinary share capital of TClarke plc at 31st December 2020 and 31st December 2019 were:

	At 31st December 2020 10p Ordinary shares	At 31st December 2019 10p Ordinary shares	Outstanding conditional share awards <sup>1</sup>	Outstanding options held under SAYE	MSR achieved at 31st December 2020
Mark Lawrence	217,834	151,467	740,533	4,807	100%
Mike Crowder	201,177	143,467	631,759	4,807	100%
Trevor Mitchell	142,000	142,000	550,886	4,807	100%
Iain McCusker	2,000	2,000	–	–	100%
Mike Robson	6,000	3,000	–	–	100%
Peter Maskell	41,500	41,500	–	–	100%
Louise Dier	2,000	2,000	–	–	100%

<sup>1</sup> The outstanding conditional share awards are subject to performance conditions.

There have been no changes to Directors' interests since 31st December 2020.

The Directors' interests over shares as a result of their participation in the TClarke Equity Incentive Plan ('EIP') are as follows:

	Award date	01/01/2020 Number	Granted	Exercised	Lapsed	31/12/2020 Number	Exercise price	Earliest date of exercise	Date of expiry
<b>Mark Lawrence</b>									
Conditional shares	08/05/2017	115,000	–	(115,000)	–	0	–	08/05/2020	08/05/2027
Conditional shares	25/04/2018	181,588	–	–	–	181,588	–	25/04/2021	25/04/2028
Conditional shares	24/04/2019	119,344	–	–	–	119,344	–	24/04/2022	24/04/2029
Conditional shares	01/05/2020	–	439,601	–	–	439,601	–	01/05/2023	01/05/2030
<b>Mike Crowder</b>									
Conditional shares	08/05/2017	100,000	–	(100,000)	–	0	–	08/05/2020	08/05/2027
Conditional shares	25/04/2018	154,934	–	–	–	154,934	–	25/04/2021	25/04/2028
Conditional shares	24/04/2019	101,825	–	–	–	101,825	–	24/04/2022	24/04/2029
Conditional shares	01/05/2020	–	375,000	–	–	375,000	–	01/05/2023	01/05/2030
<b>Trevor Mitchell</b>									
Conditional shares	25/04/2018	135,078	–	–	–	135,078	–	25/04/2021	25/04/2028
Conditional shares	24/04/2019	88,783	–	–	–	88,783	–	24/04/2022	24/04/2029
Conditional shares	01/05/2020	–	327,025	–	–	327,025	–	01/05/2023	01/05/2030

Annual Report on Remuneration continued

The conditional share awards and options will vest subject to continued employment with the Group and satisfaction of the following performance conditions over a three-year period ending 31st December preceding the earliest vesting date. For the 2018, 2019 and 50% of the 2020 awards, the following performance conditions apply:

Annual growth rate in underlying EPS above RPI <sup>1</sup>	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%

1 The base point is based on average underlying EPS for the three years ending with the year preceding date of grant.

The remaining 50% of the 2020 award performance conditions relate to the actions taken by the Executive Directors to enable TClarke to increase retained reserves for the year ended 31 December 2020 (excluding any impact from Pension Deficit Movements). The Remuneration Committee assessed that the performance condition had been met as the 2020 profit after tax was £1.2m. For the shares to vest the Company must not breach any banking covenants for the remainder of the three year period.

The Directors’ interests in the TClarke Savings Related Share Option Scheme (‘SAYE Scheme’) are as follows:

	Award date	01/01/2020 Number	Granted	Lapsed	Exercised	31/12/2020 Number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence	24/10/2018	4,807	–	–	–	4,807	74.88p	01/12/2021	31/05/2022
Mike Crowder	24/10/2018	4,807	–	–	–	4,807	74.88p	01/12/2021	31/05/2022
Trevor Mitchell	24/10/2018	4,807	–	–	–	4,807	74.88p	01/12/2021	31/05/2022

The market price of a 10p Ordinary share on 31st December 2020 (being the last day of trading of 2020) was 97.6p and the range during the year ended 31st December 2020 was 73p to 137p.

External Appointments

Mark Lawrence and Mike Crowder do not hold any external appointments. Trevor Mitchell is an Executive Director of It’s Purely Financial Limited.

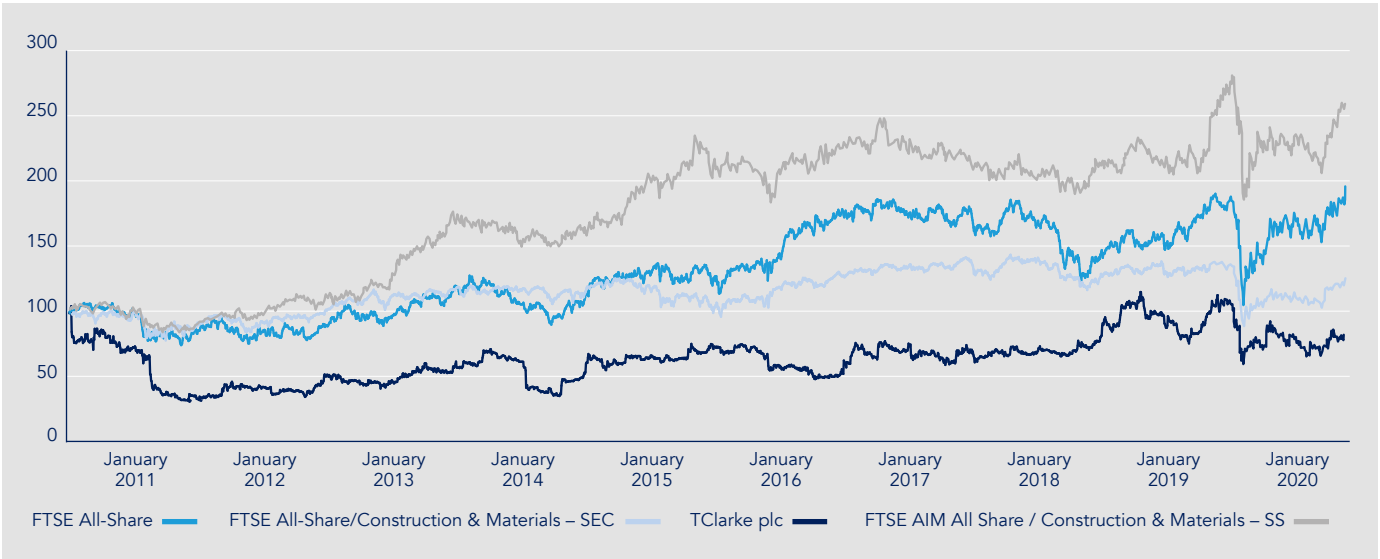
Pensions

At 31 December 2020 none of the Directors were members of the Company pension scheme.

Performance Graph

The graph below shows the total shareholder return that would have been obtained over the past ten years by investing £100 in shares of TClarke plc on 31st December 2011 and £100 in a notional investment in the FTSE All-Share Index and the FTSE All-Share Construction & 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-Share Construction & 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.

Shareholder Return 2011–2020



Total Remuneration (Audited)

The total remuneration figures for the Group Chief Executive Officer during each of the last ten financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year’s performance and LTIP awards based on three-year performance periods ending in the relevant year. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total remuneration (£000s)	245	266	308	300	436	567	875	1,056	1,137	799
Annual bonus (%)	0%	0%	9%	0%	24%	32%	69%	100%	78%	30%
LTIP vesting (%)	0%	0%	0%	0%	0%	0%	100%	100%	100%	100%

Ratio of Chief Executive’s Remuneration Relative to all UK Employees

The table below shows the ratio of the Group Chief Executive Officer’s single total figure of remuneration compared to all UK employees at the 25th percentile, median and 75th percentile. The method used for the calculation is Option C. Three employees were identified at each percentile from the list of all full time employees in the UK. The report will build up over time to show a ten year period on each year accompanied by narrative to explain any movements.

	2020 Remuneration (£)	Pay Ratio	2019 Remuneration (£)	Pay Ratio
Group Chief Executive Officer	799,146		1,146,650	
25th Percentile	30,710	26:1	29,719	39:1
Median	41,662	19:1	43,575	26:1
75th Percentile	57,975	14:1	66,192	17:1

## Annual Report on Remuneration continued

### Percentage Change in Chief Executive's Remuneration

The table below shows the percentage change in the Group Chief Executive Officer's salary, benefits and annual bonus between the financial year ended 31st December 2019 and 31st December 2020, compared with that of the total amounts for all UK employees of the Group for each of these elements of pay

	2020 £k	2019 £k	Change
<b>Salary:</b>			
Group Chief Executive Officer	<b>418.5</b>	313.9	33%
UK employee average	<b>44.6</b>	50.0	-11%
<b>Benefits:</b>			
Group Chief Executive Officer	<b>26.2</b>	21.2	24%
UK employee average	<b>2.0</b>	1.2	67%
<b>Annual bonus:</b>			
Group Chief Executive Officer	<b>188.3</b>	369.3	-55%
UK employee average	<b>1.94</b>	2.25	-13%
Average number of UK employees	<b>1,294</b>	1,389	

### Relative Importance of Spend on Pay

The following table illustrates the year-on-year change in total remuneration for all employees in the Group relative to dividends and total operating expenses. Total operating expenses comprise cost of sales and administrative expenses before amortisation of intangible assets and other non-underlying costs.

	2020 £m	2019 £m	Change
Staff costs	<b>72.0</b>	79.9	-10%
Dividends	<b>1.9</b>	1.7	12%
Total operating expenses	<b>225.9</b>	324.4	-30%

### Service Contracts and Letters of Appointment

All Executive Directors have 12-month notice periods from the Company (and 12 months from the Executive Director) in accordance with their service agreements.

Non-Executive Directors have letters of appointment which include initial terms of three years.

### Consideration by the Directors of Matters Relating to Directors' Remuneration

The Company's approach to the Chairman's and Executive Directors' remuneration is determined by the Board on the advice of the Remuneration Committee.

During the year, the Remuneration Committee comprised Peter Maskell (Chair), Iain McCusker, Mike Robson and Louise Dier. Biographical information on the Committee members and details of attendance at the Remuneration Committee's meetings during the year are set out on pages 27 and 31 respectively.

The Remuneration Committee has access to independent advice where appropriate. The Committee appointed Mercer Limited ('Mercer') in August 2019 to provide independent advice on remuneration matters. Mercer is a member of the Remuneration Consultants Group and operates voluntarily under the Group's code which sets out the scope and conduct of the role of executive remuneration consultants when advising UK listed companies. Mercer does not undertake any other work for the Company, and the Committee is satisfied that the advice provided by Mercer was objective and independent.

The Committee also receives input from the Group Chief Executive Officer and advice from the Company Secretary. No individuals are present when their own remuneration is being discussed.

### Statement of Voting at Annual General Meeting

The Company remains committed to ongoing shareholder dialogue and takes a keen interest in voting outcomes. The following table sets out voting outcomes in respect of the resolutions relating to approving Directors' remuneration matters at the Company's AGM on 24th June 2020:

Resolution	Votes for/ discretionary	% of vote	Votes against	% of vote	Votes withheld
Approval of Directors' remuneration report	10,162,537	95.65%	461,976	4.35%	17,149

### Implementation of the Remuneration Policy for the year ending 31st December 2021

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31st December 2021 is set out below.

		2021			2020			Change in
		Basic salary	Other*	Total	Basic salary	Other*	Total	Total pay
Mark Lawrence	Minimum	<b>£418,500</b>	<b>£26,168</b>	<b>£444,668</b>	£418,500	£26,168	£444,668	0%
	Target	<b>£418,500</b>	<b>£455,131</b>	<b>£873,631</b>	£418,500	£455,131	£873,631	0%
	Maximum	<b>£418,500</b>	<b>£1,072,418</b>	<b>£1,490,918</b>	£418,500	£1,072,418	£1,490,918	0%
Mike Crowder	Minimum	<b>£357,000</b>	<b>£31,226</b>	<b>£388,226</b>	£357,000	£31,226	£388,226	0%
	Target	<b>£357,000</b>	<b>£397,151</b>	<b>£754,151</b>	£357,000	£397,151	£754,151	0%
	Maximum	<b>£357,000</b>	<b>£923,726</b>	<b>£1,280,726</b>	£357,000	£923,726	£1,280,726	0%
Trevor Mitchell	Minimum	<b>£311,375</b>	<b>£20,718</b>	<b>£332,093</b>	£311,375	£20,718	£332,093	0%
	Target	<b>£311,375</b>	<b>£339,877</b>	<b>£651,252</b>	£311,375	£339,877	£651,252	0%
	Maximum	<b>£311,375</b>	<b>£799,155</b>	<b>£1,110,530</b>	£311,375	£799,155	£1,110,530	0%

\* Other for 2021 includes benefits at Minimum level; at target level includes benefits plus bonus payout of 60% of maximum and LTIP threshold vesting at 25% of maximum award in normal circumstances. Maximum level includes benefits plus full payout of bonus and LTIP at Maximum level.

### Basic Salary

2021 basic salary will be the same as 2020. Salaries of Executive Directors are shown in the table above:

### Pension Arrangements

None of the current Executive Directors will receive any pension benefit from the Company from 2020 onwards.

### Annual Bonus

The maximum bonus potential for the year ending 31st December 2021 is 150% of salary for all the Executive Directors.

Awards are determined based on a combination of both the Group's financial results, being growth in Group profit before tax (two-thirds of overall bonus) and strategic targets (one-third of overall bonus) being met.

Maximum bonus will only be payable when both the financial results of the Group have significantly exceeded expectations and all strategic targets have been met.

The measures have been selected to reflect a range of key financial and operational goals which support the Company's strategic objectives. The respective targets have not been disclosed as they are considered by the Board to be commercially sensitive.

The Executive Directors' performance will be assessed individually by the Committee against the measures and targets, relying on audited information where appropriate, and having regard to the value which has been created for shareholders.



Annual Report on Remuneration continued

Long-term Incentives

Consistent with past awards, LTIP awards that will be granted in 2021 will vest subject to continued employment with the Group and satisfaction of the following performance conditions over a three-year period ending on 31st December 2023.

Annual growth rate in underlying EPS above RPI <sup>1</sup>	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%

1 Base point from which performance is measured is based on average underlying EPS for the three years ended 31st December 2020.

Non-Executive Directors

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role. There are no fee increases in 2021. Fees are shown below:

Non-Executive Directors	Position	2021 base fee	Committee fee	2020 base fee	Committee fee	Change in Total pay
Iain McCusker	Chairman	£97,000	£0	£97,000	£0	0%
Mike Robson	Audit Committee Chair	£51,200	£5,000	£51,200	£5,000	0%
Peter Maskell	Remuneration Committee Chair	£51,200	£5,000	£51,200	£5,000	0%
Louise Dier	Independent Director	£51,200	£0	£51,200	£0	0%

On behalf of the Board

Peter Maskell

Chair of the Remuneration Committee  
24th March 2021

Directors' Report

The Directors' report should be read in conjunction with the Strategic report on pages 1 to 26 and the Corporate Governance report on pages 27 to 58, both of which form part of this Directors' report. The Directors' report comprises sections of the Annual Report incorporated by reference as set out below which, taken together, contain the information to be included in the Annual Report, where applicable, under Listing Rule 9.8.4.

Board membership	Page 27
Dividends	Page 11
Directors' long-term incentives	Pages 38 to 54
Corporate Governance report	Pages 27 to 58
Engagement with employees	Pages 18 to 19
Engagement with stakeholders	Pages 16 to 21
Future developments of the business of the Group	Pages 2 to 9
Employee equality, diversity and involvement	Pages 18 to 19
Carbon emissions	Page 17
Statement of Directors' responsibilities in respect of the financial statements	Page 58
Financial risk management	Pages 103 to 106
Subsidiaries	Page 107

Directors

The following Directors served during the year ended 31st December 2020 and as at the date of this report.

Name	Appointment
Iain McCusker	Chairman
Mike Robson	Senior Independent Director
Peter Maskell	Independent Director
Louise Dier	Independent Director
Mark Lawrence	Group Chief Executive Officer
Mike Crowder	Group Managing Director
Trevor Mitchell	Group Finance Director

Brief biographies of current serving Directors, indicating their experience and qualifications, can be found on page 27.

In line with the UK Corporate Governance Code, all the Directors apart from Mike Robson shall be subject to annual re-election at the forthcoming Annual General Meeting ('AGM') on 5th May 2021.

Powers of Directors

The powers of the Directors are determined by the Company's Articles of Association, the Companies Act 2006 and the directions given by the Company by resolutions passed in general meetings. The Directors are authorised by the Articles of Association to issue and allot Ordinary shares, to disapply statutory pre-emption rights and to make market purchases of the Company's shares. The Directors currently have shareholder approval for the issue of Ordinary share capital up to a maximum amount of £1,432,430 and for the buyback of Ordinary shares up to a maximum aggregate of 10% of the issued Ordinary share capital. The Directors will be seeking to renew their authorities at the forthcoming AGM.

Going Concern

The Group have a positive net cash balance of £10.2 million (2019: £12.4 million) at the year-end, reflecting £25.2 million of cash (2019: £12.4 million) and £15.0 million (2019: £nil) which it had drawn down under a revolving credit facility which expires on 31st August 2024. It also has access to a £10.0 million overdraft facility. For details of the covenants in place refer to note 21 on page 97.

The Group utilises its banking facilities 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 overdraft facility was renegotiated in May 2020. The Directors have received confirmation from the bank that they know of no reason why the overdraft facility will not be renewed when it falls due for review.

After making enquiries and taking account of reasonably possible changes in trading performance, including consideration of a severe but plausible downside scenario which reflected a repeat of the first Covid national lockdown and the closure of a large number of construction sites, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

## Directors' Report continued

### Share Capital

The Company's share capital consists of Ordinary shares with a nominal value of 10p each. The issued share capital as at 31st December 2020 was £4,305,255.80, consisting of 43,052,558 Ordinary shares of 10p each. The Company's issued Ordinary shares are fully paid and rank equally in all respects. There are no restrictions on the size of a holding nor on the transfer of Ordinary shares in the Company or on the exercise of voting rights attached to them, save that:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and
- pursuant to the Listing Rules of the Financial Conduct Authority, whereby certain employees of the Company require the approval of the Company to deal in the Company's shares.

Further details on share capital are shown in note 19 to the financial statements on pages 93 to 96.

### Substantial Shareholdings

Notifications of the following voting interests in the Company's Ordinary share capital had been received by the Company (in accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules) as at 31st December 2020 and 24th March 2021:

	Number of shares held at 31st December 2020	% of voting rights held	Number of shares held at 24th March 2021	% of voting rights held
Regent Gas Holdings Limited	6,928,182	16.09%	7,385,358	17.15%
Hargreaves Lansdown, stockbrokers	3,016,831	7.01%	3,060,402	7.11%
Interactive Investor	3,010,149	6.99%	3,424,620	7.95%
Heritage Capital Management	2,510,000	5.83%	2,510,000	5.83%
Barclays Smart Investor	1,974,459	4.59%	2,008,626	4.67%
Walker Crips Investment Management	1,347,764	3.13%	1,358,875	3.16%

The information shown above was correct at the time of disclosure, however the date received may not have been within the current financial reporting period. It should also be noted that these holdings may have changed since the Company was notified, however, notification of any change is not required until the next notifiable threshold is crossed.

### Significant Agreements – Change of Control

The Directors are not aware of any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

The Company has an Equity Incentive Plan ('EIP') in place for Directors and senior management, and an employee share save scheme in place which is available to all employees. The rules of the EIP provide that awards made under the EIP may vest on a change of control of the Company, at the discretion of the Remuneration Committee. The rules of the Savings Related Share Option 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. Further details on employee share schemes are disclosed in note 19 to the financial statements on pages 93 to 96.

There are no other 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.

### Significant Interests

Save for interests in service agreements, none of which extend beyond 12 calendar months, the Directors have no material interest in any contract of significance that would have required disclosure under the continuing obligations of the Financial Conduct Authority Listing Rules, nor have they any beneficial interest in the issued share capital of the subsidiary companies.

### 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 million. The insurance was in force throughout the year.

### 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.

### Political Donations

The Group made no political donations during the year ending 31st December 2020 (2019: £nil).

### Events After the Balance Sheet Date

There have been no significant events since the balance sheet date which would have a material effect on the financial statements.

### Company Status

So far as the Directors are aware, the Company is not a close company.

### Independent Auditors

PricewaterhouseCoopers LLP has completed a 10 year tenure following the audit of the 2020 Financial statements. As a result the Company held a competitive tender process for the 2021 statutory audit contract, which was overseen by the Audit Committee. On the recommendation of the Committee the Board proposes that PricewaterhouseCoopers LLP be reappointed as auditors.

A resolution is therefore proposed at the AGM for the reappointment of PricewaterhouseCoopers LLP as independent auditors of the Company at a rate of remuneration to be determined by the Audit Committee.

### Annual General Meeting ('AGM')

The AGM of the Company will be held at the Company's head office at 45 Moorfields, London EC2Y 9AE at 10am on Wednesday 5th May 2021. At the time of printing and posting of this Notice of AGM, the country is experiencing unprecedented disruption due to the outbreak of Coronavirus (COVID-19) and the Government has published compulsory measures (the 'Stay at Home Measures') prohibiting, among other things, indoor public gatherings.

In normal circumstances, the Board greatly values the opportunity to meet shareholders in person. However, if the Stay at Home Measures remain in place at the date of the AGM, you will not be able to attend the meeting and the quorum requirements for the meeting, which is two members present in person or by proxy, will be met by two directors who are shareholders in the Company in order to conduct the business of the meeting. If you seek to attend the meeting, I am afraid you will be refused entry. The AGM is important for any public company, but at the moment the health of the Company's shareholders, workforce and officers is paramount.

The Notice convening the AGM, together with details of the special business to be considered and explanatory notes for each resolution, is contained in a separate circular sent to shareholders. It is also available to be viewed on the Company's website.

Approved by the Directors and signed by order of the Board.

### Trevor Mitchell

Company Secretary  
24th March 2021

TClarke plc is registered in England No. 119351.

# Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

## Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information

On behalf of the Board

**Trevor Mitchell**  
Group Finance Director

**Iain McCusker**  
Chairman

24th March 2021

TClarke plc  
Registered number: 00119351

# Independent Auditors' Report to the Members of TClarke PLC

## Report on the Audit of the Financial Statements

### Opinion

In our opinion, TClarke Plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements ("Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2020; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

We have provided no non-audit services to the Group in the period under audit.

### Our audit approach

#### Overview

#### Audit Scope

- Our audit covered the audit of all the significant components in TClarke PLC, TClarke Contracting Limited, which is the main external trading entity, Weylex Properties Ltd which holds the Group's properties and TClarke Services Ltd, where the defined benefit pension is held. All work was completed by the Group audit team. The above accounted for 100% of the Group's revenue and profit before tax.

#### Key Audit Matters

- Revenue recognition and long-term contract accounting in respect of construction contracts (Group)
- Impact of Covid-19 (Group and Company)
- Goodwill and intangibles impairment assessment (Group)

#### Materiality

- Overall Group materiality: £1,483,000 (2019: £1,490,000) based on 0.5% of average revenue for the last five years.
- Overall Company materiality: £625,000 (2019: £519,000) based on 1% of total assets.
- Performance materiality: £1,112,250 (Group) and £469,000 (Company).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, Pensions legislation and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to increase revenue or reduce expenditure, management bias in accounting estimates, and inappropriate allocation of costs between contracts. Audit procedures performed by the engagement team included:



Independent Auditors’ Report to the Members of TClarke PLC continued

Report on the Audit of the Financial Statements

- Discussions with management in respect of known or suspected instances of non-compliance with laws and regulation and fraud, and review of board minutes and internal audit reports;
- Evaluation of the operating effectiveness of management’s key controls around the forecasting of costs and margin estimation;
- Challenging assumptions and judgments made by management in their significant accounting estimates, in particular those that involve the assessment of future events, which are inherently uncertain – the key estimates determined in this respect are those relating to Revenue and Margin, Impairment of Goodwill and Investments and Retirement Benefit Obligations ; and
- Identifying and testing journal entries, in particular testing a sample of journal entries posted with unusual account combinations, such as those with unusual or unexpected journal postings to the income statement as well as testing journals posted by unexpected users or those which contain unusual words.
- There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a

material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of Covid-19 is a new key audit matter this year. Defined Benefit Pension Plan Liabilities, which was a key audit matter last year, is no longer included because of the valuation of the liability being considered an elevated risk, with no one off unusual material transactions in current year, as compared to prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue Recognition and Long-term Contract Accounting in Respect of Construction Contracts (Group)</b></p> <p>Refer to Note 3 (Significant accounting policies), Note 4 (Significant judgements and sources of estimation uncertainty) and Note 5 (Segment information). Total revenue equalled £231.9m for the year ended 31 December 2020 (2019: £334.6m). We focused on the revenue and profit recognised on long term contracts because they result in material balances, involve judgements and can be complex. IFRS 15 requires revenue to be recognised over the course of the contract by selecting an appropriate method for measuring the entity’s progress towards complete satisfaction of that performance obligation. If a project is, or is forecast to be, loss making, it requires the full loss to be recognised immediately.</p> <p>Percentage completion of contracts is calculated based on the amount of costs incurred to date compared with the total expected costs to be incurred on the project, except where this would not be representative of the stage of completion. Forecast end of life costs are inherently subjective. Testing percentage completion enables us to determine the appropriateness of revenue recognition.</p>	<p>We obtained an understanding of management’s own processes and controls for reviewing long-term contracts and gained an understanding of the key judgements involved and the background to the sample of contracts discussed below.</p> <p>We selected a sample of contracts to test, based on both quantitative and qualitative criteria including:</p> <ul style="list-style-type: none"><li>• high levels of revenue recognised in the year;</li><li>• low margin or loss-making contracts;</li><li>• significant balance sheet exposure.</li></ul> <p>For our sample of contracts, we focused on the significant judgements adopted by management in relation to the revenue and margin recognition, and, in particular, judgements with respect to the percentage completion, as follows:</p> <ul style="list-style-type: none"><li>• We held discussions with management to understand and challenge areas of judgement taken.</li><li>• We agreed forecast revenue to signed contracts, signed variations or other supporting documentation and traced a sample of variations to client issued certification/instructions where appropriate;</li><li>• We compared revenue recognised with amounts certified by clients and confirmed, using our industry knowledge and experience, that the differences were appropriate and through this, assessed the recoverability of balance sheet items;</li></ul>

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"><li>• We re-performed the key calculations behind the margin applied, the profit taken and the stage of completion, as well as balance sheet exposure; and</li><li>• We evaluated forecast costs to complete through analytical procedures, compared to prior forecast (where applicable) and tested a sample of forecast costs to complete to supporting calculations or third-party pricing documentation.</li></ul> <p>In addition, for the remaining contract population we performed the following:</p> <ul style="list-style-type: none"><li>• We reviewed the forecast margins and for those which had moved significantly since tender and / or prior reporting periods, we obtained explanations from management;</li><li>• We target tested contracts with in year revenue above performance materiality. Costs to date were agreed to Contract Value Reports, which are produced by quantity surveyors and include costs to date based on invoiced costs. Revenue recognised has also been compared to year end certificates.</li></ul> <p>Based on all the evidence obtained in the above procedures, we are satisfied that revenue and profit recognised by management is supportable. We also considered the adequacy of the disclosures in the financial statements in relation to contracts and the disclosures in respect of significant judgements and estimates.</p>
<p><b>Impact of Covid-19 (Group and Company)</b></p> <p>The Covid-19 outbreak has been declared a pandemic by the World Health Organisation. It has caused significant disruption and economic uncertainty globally.</p> <p>As a result of the Covid-19 lockdown in March 2020, TClarke’s construction sites were closed for 2 to 3 months. They have all subsequently re-opened, but the outbreak has impacted Group and Company performance as a result. There is a potential impact on the Group’s and Company’s future expected cash flows due to the heightened uncertainty, which has a direct impact on the going concern assessment and asset impairment assessments.</p> <p>Management has considered its short-term and medium-term forecasts as part of the Company’s and Group’s going concern statements and the group’s viability assessment, including the impact of reduced revenues and operating profits due to Covid-19.</p>	<p>We reviewed and evaluated management’s cash flow forecasts and the process by which they were determined and approved, agreeing the forecasts with the latest approved budgets and confirming the mathematical accuracy of the underlying calculations.</p> <p>We assessed management’s forecast and various scenarios in respect of the impact of Covid-19 on the Group’s ability to continue as a going concern. We have assessed the Group’s liquidity and confirmed the revolving credit facility terms to support management’s going concern assessment.</p> <p>We considered any potential impairment indicators to the carrying value of assets and the broader impact to the Group’s financial statements as detailed in the ‘Goodwill and intangibles impairment assessment (Group), Key Audit Matter below.</p> <p>We considered whether changes to working practices brought about by Covid-19 had adversely impacted the effectiveness of management’s business process and IT controls. We did not identify any evidence of significant deterioration in the control environment.</p>

Independent Auditors’ Report to the Members of TClarke PLC continued

Report on the Audit of the Financial Statements

Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill Impairment Assessment (Group)</b> Refer to Note 3 (Significant accounting policies), Note 4 (Significant judgements and sources of estimation uncertainty) and Note 11 (Intangible assets). We focused on this area because the Directors’ assessment of the carrying value of goodwill being £25.3m (2019: £25.3m) involves complex and subjective judgements about the future results of the business.</p> <p>Management has prepared two scenarios; the first represents a base case and the second, a downside. The base case assumes increasing operating margins from 2021 to 2023. The downside emulates the recovery post site shutdown in the first half of the year, such that revenue and operating profit levels for the second half of 2020 are assumed to be maintained in perpetuity, with no growth year on year. Neither scenario resulted in an impairment.</p>	<p>We evaluated the Directors’ future cash flow forecasts, which were prepared to a sufficiently detailed level, including the following:</p> <ul style="list-style-type: none"><li>• Challenged the forecast cash flows over the 36 month period to consider whether the estimates and assumptions are reasonable.</li><li>• Tested the integrity of the underlying calculations;</li><li>• Compared 2020 financial performance to budget and understood the drivers of changes in profitability;</li><li>• Performed sensitivity analysis around the key drivers of the cash flow forecasts, in particular the revenue growth and profit assumptions; and</li><li>• Challenged the discount rate used by independently recalculating the cost of capital, which we have used in our sensitivities. Management’s calculation of the discount rate was also assessed by our valuation experts.</li></ul> <p>Management have prepared sensitivity analysis, in respect of all CGUs. We examined the disclosures made in the financial statements and compared these to the sensitivity analyses performed by management. We concluded that the disclosures are appropriate.</p>

How we Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Our audit covered the audit of all the significant components in TClarke PLC, TClarke Contracting Limited, which is the main external trading entity, Weylex Properties Ltd which holds the Group’s properties and TClarke Services Ltd, where the defined benefit pension is held. All work was completed by the Group audit team. The above accounted for 100% of the Group’s revenue and profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	£1,483,000 (2019: £1,490,000).	£625,000 (2019: £519,000).
How we determined it	Based on 0.5% of average revenue for the last five years.	Based on 1% of total assets
Rationale for benchmark applied	We used revenue as a basis for materiality as the Group’s profit margins have historically been low, consistent with the industry as a whole, and therefore revenue is used by the Group as a key performance indicator. An average measure was applied to avoid the volatility caused by fluctuations in revenue over the business cycle.	We used total assets as a basis for materiality as the Company does not trade and we believe that total assets is therefore the most appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £96,500 and £1,408,850. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,112,250 for the group financial statements and £469,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £74,150 (group audit) (2019: £74,000) and £26,000 (company audit) (2019: £24,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors’ assessment of the Group’s and the Company’s ability to continue to adopt the going concern basis of accounting included:

- assessing the inputs and underlying assumptions of the base case going concern model prepared by management;
- assessing the downside scenarios which have been used to sensitise the base case model, including consideration of the underlying assumptions within each of these forecasts;
- reviewing management’s analysis of both liquidity and covenant compliance to ensure there is sufficient liquidity and no forecast covenant breaches over the course of the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group’s and the Company’s ability to continue as a going concern.

In relation to the Company’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors’ Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Independent Auditors' Report to the Members of TClarke PLC continued

### Report on the Audit of the Financial Statements

#### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

#### Directors' Remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

#### Responsibilities for the financial statements and the audit

##### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

##### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### Use of this report

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.

#### Other required reporting

##### Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 13 May 2011 to audit the financial statements for the year ended 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2011 to 31 December 2020.

Matthew Mullins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
24 March 2021



# Consolidated Income Statement

For the year ended 31st December 2020

	Note	2020			2019		
		Underlying items £m	Non-underlying items £m	Total £m	Underlying items £m	Non-underlying items £m	Total £m
<b>Revenue</b>	5	<b>231.9</b>	–	<b>231.9</b>	334.6	–	334.6
Cost of sales		(199.0)	–	(199.0)	(296.1)	–	(296.1)
<b>Gross profit</b>		<b>32.9</b>	–	<b>32.9</b>	38.5	–	38.5
Administrative expenses							
Amortisation of intangible assets	7	–	(0.2)	(0.2)	–	(0.2)	(0.2)
Restructuring costs	7	–	(3.7)	(3.7)	–	–	–
Other administrative expenses		(26.9)	–	(26.9)	(28.3)	–	(28.3)
Total administrative expenses		(26.9)	(3.9)	(30.8)	(28.3)	(0.2)	(28.5)
<b>Operating profit</b>	7	<b>6.0</b>	<b>(3.9)</b>	<b>2.1</b>	10.2	(0.2)	10.0
Finance costs	6	(0.9)	–	(0.9)	(1.0)	–	(1.0)
<b>Profit before taxation</b>		<b>5.1</b>	<b>(3.9)</b>	<b>1.2</b>	9.2	(0.2)	9.0
Taxation	9	(0.8)	0.8	–	(1.2)	–	(1.2)
<b>Profit for the financial year</b>		<b>4.3</b>	<b>(3.1)</b>	<b>1.2</b>	8.0	(0.2)	7.8
<b>Earnings per share</b>							
Attributable to owners of TClarke plc							
Basic	10	<b>10.29p</b>	<b>(7.42)p</b>	<b>2.87p</b>	18.81p	(0.44)p	18.37p
Diluted	10	<b>9.66p</b>	<b>(6.97)p</b>	<b>2.69p</b>	17.90p	(0.41)p	17.49p

The notes on pages 74 to 107 form part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31st December 2020

	2020 £m	2019 £m
<b>Profit for the year</b>	<b>1.2</b>	7.8
<b>Other comprehensive income / (expense)</b>		
<b>Items that will not be reclassified to the income statement</b>		
Actuarial loss on defined benefit pension scheme	(6.5)	(6.9)
Revaluation of freehold property	–	0.4
Revaluation of minority shareholding equity investment	(2.0)	–
Deferred tax relating to items that will not be reclassified	1.7	1.2
<b>Total other comprehensive expense for the year (net of tax)</b>	<b>(6.8)</b>	(5.3)
<b>Total comprehensive (expense) / income for the year</b>	<b>(5.6)</b>	2.5

The notes on pages 74 to 107 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 31st December 2020

	Note	2020 £m	2019* £m
<b>Non-current assets</b>			
Intangible assets	11	25.3	25.5
Property, plant and equipment	12	8.0	9.0
Deferred tax assets	14	6.2	4.8
Trade and other receivables	17	3.6	5.0
Total non-current assets		43.1	44.3
<b>Current assets</b>			
Inventories	15	0.4	0.2
Amounts due from customers under construction contracts	16	41.7	44.6
Trade and other receivables	17	34.5	36.9
Current tax receivables		0.7	–
Cash and cash equivalents	20	25.2	12.4
Total current assets		102.5	94.1
<b>Total assets</b>		145.6	138.4
<b>Current liabilities</b>			
Bank loans	21	(15.0)	–
Amounts due to customers under construction contracts	16	(1.1)	(0.1)
Trade and other payables	18	(77.5)	(82.9)
Current tax liabilities		–	(0.2)
Obligations under leases	24,26	(1.3)	(1.4)
Total current liabilities		(94.9)	(84.6)
<b>Net current assets</b>		7.6	9.5
<b>Non-current liabilities</b>			
Obligations under leases	24,26	(2.2)	(2.8)
Trade and other payables	18	(2.6)	(1.7)
Retirement benefit obligations	23	(30.2)	(26.4)
Total non-current liabilities		(35.0)	(30.9)
<b>Total liabilities</b>		(129.9)	(115.5)
<b>Total net assets</b>		15.7	22.9
<b>Equity attributable to owners of the parent</b>			
Share capital	19	4.3	4.3
Share premium	19	3.8	3.8
ESOT reserve		(2.1)	(2.0)
Revaluation reserve		0.8	0.9
Retained earnings		8.9	15.9
<b>Total equity</b>		15.7	22.9

\* See note 27

The notes on pages 74 to 107 form part of these financial statements.

The financial statements on pages 66 to 107 were approved by the Board of Directors on 24th March 2021 and were signed on its behalf by:

**Iain McCusker**  
Director

**Mark Lawrence**  
Director

# Company Statement of Financial Position

As at 31st December 2020

TClarke PLC

Registered number 00119351

	Note	2020 £m	2019 £m
<b>Non-current assets</b>			
Investments	13	43.6	43.4
Total non-current assets		43.6	43.4
<b>Current assets</b>			
Trade and other receivables	17	4.8	2.7
Current tax receivables		0.6	1.7
Cash and cash equivalents	20	19.0	4.5
Total current assets		24.4	8.9
<b>Total assets</b>		68.0	52.3
<b>Current liabilities</b>			
Bank loans		(15.0)	–
Trade and other payables	18	(6.1)	(6.9)
Total current liabilities		(21.1)	(6.9)
<b>Net current assets</b>		3.3	2.0
<b>Non-current liabilities</b>			
Intra-Group loans	18	(29.9)	(28.3)
Total non-current liabilities		(29.9)	(28.3)
<b>Total liabilities</b>		(51.0)	(35.2)
<b>Total net assets</b>		17.0	17.1
<b>Equity attributable to owners of the parent</b>			
Share capital	19	4.3	4.3
Share premium	19	3.8	3.8
ESOT reserve		(2.1)	(2.0)
Retained earnings		11.0	11.0
<b>Total equity</b>		17.0	17.1

The notes on pages 74 to 107 form part of these financial statements.

The Company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. The profit after tax for the year was £1.9 million (2019: £1.4 million).

The financial statements on pages 66 to 107 were approved by the Board of Directors on 24th March 2021 and were signed on its behalf by:

**Iain McCusker**  
Director

**Mark Lawrence**  
Director

# Consolidated Statement of Cash Flows

For the year ended 31st December 2020

	Note	2020 £m	2019 £m
<b>Net cash generated from operating activities</b>	20	<b>3.7</b>	3.9
<b>Investing activities</b>			
Investment in minority shareholding		(2.0)	–
Purchase of property, plant and equipment		(0.2)	(0.3)
<b>Net cash used in investing activities</b>		<b>(2.2)</b>	(0.3)
<b>Financing activities</b>			
New shares issuance		–	0.1
Facility fee		(0.1)	(0.1)
Proceeds from bank borrowing	21	15.0	–
Equity dividends paid	19	(1.9)	(1.7)
Acquisition of shares by ESOT	19	(0.1)	(0.6)
Repayment of lease obligations		(1.6)	(1.3)
<b>Net cash generated from / (used in) financing activities</b>		<b>11.3</b>	(3.6)
<b>Net increase in cash and cash equivalents</b>		<b>12.8</b>	–
Cash and cash equivalents at the beginning of the year	20	12.4	12.4
<b>Cash and cash equivalents at the end of the year</b>	20	<b>25.2</b>	12.4

The notes on pages 74 to 107 form part of these financial statements.

# Company Statement of Cash Flows

For the year ended 31st December 2020

	Note	2020 £m	2019 £m
<b>Net cash used in operating activities</b>	20	<b>(2.4)</b>	(3.7)
<b>Investing activities</b>			
Dividends received from subsidiaries		4.0	6.0
<b>Net cash generated from investing activities</b>		<b>4.0</b>	6.0
<b>Financing activities</b>			
Proceeds from bank borrowing	21	15.0	–
Facility fee		(0.1)	(0.1)
New shares		–	0.1
Equity dividends paid	19	(1.9)	(1.7)
Acquisition of shares by ESOT	19	(0.1)	(0.6)
<b>Net cash generated from / (used in) financing activities</b>		<b>12.9</b>	(2.3)
<b>Net increase in cash and cash equivalents</b>		<b>14.5</b>	–
Cash and cash equivalents at the beginning of the year	20	4.5	4.5
<b>Cash and cash equivalents at the end of the year</b>	20	<b>19.0</b>	4.5

The notes on pages 74 to 107 form part of these financial statements.



# Consolidated Statement of Changes in Equity

For the year ended 31st December 2020

	Attributable to owners of the parent					Total Equity £m
	Share capital £m	Share premium £m	ESOT share reserve £m	Revaluation reserve £m	Retained earnings £m	
<b>At 1st January 2019</b>	4.3	3.7	(1.4)	0.5	15.0	22.1
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	7.8	7.8
Other comprehensive (expense)/income						
Actuarial loss on retirement benefit obligation	–	–	–	–	(6.9)	(6.9)
Deferred income tax on actuarial loss on retirement benefit obligation	–	–	–	–	1.2	1.2
Revaluation of freehold property, net of tax	–	–	–	0.4	–	0.4
Total other comprehensive expense	–	–	–	0.4	(5.7)	(5.3)
Total comprehensive income	–	–	–	0.4	2.1	2.5
<b>Transactions with owners</b>						
New shares	–	0.1	–	–	–	0.1
Share-based payment credit	–	–	–	–	0.5	0.5
Shares acquired by ESOT	–	–	(0.6)	–	–	(0.6)
Dividends paid	–	–	–	–	(1.7)	(1.7)
Total transactions with owners	–	0.1	(0.6)	–	(1.2)	(1.7)
<b>At 31st December 2019</b>	<b>4.3</b>	<b>3.8</b>	<b>(2.0)</b>	<b>0.9</b>	<b>15.9</b>	<b>22.9</b>
<b>Comprehensive income/(expense)</b>						
Profit for the year	–	–	–	–	1.2	1.2
Other comprehensive (expense)/income						
Actuarial loss on retirement benefit obligation	–	–	–	–	(6.5)	(6.5)
Deferred income tax on actuarial loss on Retirement benefit obligation	–	–	–	–	1.7	1.7
Minority shareholding equity investment	–	–	–	–	(2.0)	(2.0)
Total other comprehensive expense	–	–	–	–	(6.8)	(6.8)
Total comprehensive expense	–	–	–	–	(5.6)	(5.6)
<b>Transactions with owners</b>						
Transfer on depreciation of freehold properties	–	–	–	(0.1)	0.1	–
Share-based payment credit	–	–	–	–	0.4	0.4
Shares acquired by ESOT	–	–	(0.1)	–	–	(0.1)
Dividends paid	–	–	–	–	(1.9)	(1.9)
Total transactions with owners	–	–	(0.1)	(0.1)	(1.4)	(1.6)
<b>At 31st December 2020</b>	<b>4.3</b>	<b>3.8</b>	<b>(2.1)</b>	<b>0.8</b>	<b>8.9</b>	<b>15.7</b>

The notes on pages 74 to 107 form part of these financial statements.

# Company Statement of Changes in Equity

For the year ended 31st December 2020

	Attributable to owners of the parent				Total Equity £m
	Share capital £m	Share premium £m	ESOT share reserve £m	Retained earnings £m	
<b>At 1st January 2019</b>	4.3	3.7	(1.4)	11.1	17.7
<b>Comprehensive income</b>					
Profit for the year	–	–	–	1.4	1.4
Total comprehensive income	–	–	–	1.4	1.4
<b>Transactions with owners</b>					
New shares	–	0.1	–	–	0.1
Share-based payment credit	–	–	–	0.2	0.2
Shares acquired by ESOT	–	–	(0.6)	–	(0.6)
Dividends paid	–	–	–	(1.7)	(1.7)
Total transactions with owners	–	0.1	(0.6)	(1.5)	(2.0)
<b>At 31st December 2019</b>	<b>4.3</b>	<b>3.8</b>	<b>(2.0)</b>	<b>11.0</b>	<b>17.1</b>
<b>Comprehensive income</b>					
Profit for the year	–	–	–	1.9	1.9
Total comprehensive income	–	–	–	1.9	1.9
<b>Transactions with owners</b>					
Shares acquired by ESOT	–	–	(0.1)	–	(0.1)
Dividends paid	–	–	–	(1.9)	(1.9)
Total transactions with owners	–	–	(0.1)	(1.9)	(2.0)
<b>At 31st December 2020</b>	<b>4.3</b>	<b>3.8</b>	<b>(2.1)</b>	<b>11.0</b>	<b>17.0</b>

The notes on pages 74 to 107 form part of these financial statements.

# Notes to the Financial Statements

For the year ended 31st December 2020

## 1 General Information

TClarke plc is a public limited company listed on the London Stock Exchange, incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed on page 108. The nature of the Group's operations and its principal activities are described in note 5 and in the Strategic report on pages 1 to 26. The Company is limited by shares.

## 2 Basis of Preparation

### Statement of Compliance

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 Company financial statements of TClarke plc and the consolidated financial statements of TClarke plc and all its subsidiaries made up to 31st December 2020 and have been presented in £ million.

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.

### Going Concern

The Group have a positive net cash balance of £10.2 million (2019: £12.4 million) at the year-end, reflecting £25.2 million of cash (2019: £12.4 million) and £15.0 million (2019: £nil) which it had drawn down under a revolving credit facility which expires on 31st August 2024. It also has access to a £10.0 million overdraft facility. For details of the covenants in place refer to note 21 on page 97.

The Group utilises its banking facilities 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 overdraft facility was renegotiated in May 2020. The Directors have received confirmation from the bank that they know of no reason why the overdraft facility will not be renewed when it falls due for review.

After making enquiries and taking account of reasonably possible changes in trading performance, including consideration of a severe but plausible downside scenario which reflected a repeat of the first COVID national lockdown and the closure of a large number of construction sites, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Application of New and Revised Standards

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out in note 3 below. These policies have been consistently applied to all the years presented.

## 3 Significant Accounting Policies

### (i) 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 when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

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.

### (ii) Employee Share Ownership Trust ('ESOT')

As the Company is deemed to have control of its ESOT, it is included in the consolidated financial statements. The ESOT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The ESOT's investment in the Company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares. The Trustee of the ESOT has waived its right to dividends on the shares held in the ESOT.

### (iii) Segmental Reporting

Operating divisions are reported in a manner consistent with internal reporting provided to the Board who, representing the 'Chief Operating Decision-Maker' as per IFRS 8, are responsible for allocating resources to, and assessing the performance of, operating divisions.

### (iv) Revenue Recognition

Revenue is recognised in accordance with the five-step model outlined in IFRS 15:

1. Identify the contract with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when or as the entity satisfies its performance obligations.

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 3 Significant Accounting Policies continued

Revenue derives largely from two sources: most significantly, from long-term contracts whereby the Group designs, installs and integrates mechanical and electrical systems for customers ('construction contracts', see (v); less significantly, from ongoing maintenance works on previously installed systems. In both instances, steps one to five of the revenue recognition process are determined with reference to the formal contract which exists with the customer. In these contracts, the transaction price, performance obligations, etc. are readily identifiable and distinct.

Revenue from maintenance work is measured as the amount the entity expects to be entitled to in exchange for transferring goods or services to the customer – this amount is net of discounts and VAT. It is recognised at the point in time the customer obtains control over the asset associated with the works.

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

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money.

#### (v) Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised over time by reference to the stage of completion of the contract activity at the reporting date, measured and 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 (instances of which are rare).

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 Group, can be reliably foreseen, taking into account the circumstances of each contract. Variations are included to the extent it is highly probable that its inclusion will not result in a significant revenue reversal in the future. Full provision is made for any foreseeable losses to completion.

'Contract assets' (as discussed in IFRS 15.107) are recognised when the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due. This asset is assessed for impairment in accordance with IFRS 9. These 'contract assets' have been termed 'Amounts due from customers under construction contracts' in these financial statements.

'Contract liabilities' (as discussed in IFRS 15.106) are recognised if a customer pays consideration before the entity transfers a good or service. These have been captioned in these financial statements as 'Amounts due to customers under construction contracts' respectively.

Bid costs are expensed as incurred, unless recoverable from customers.

#### (vi) 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.

### 3 Significant Accounting Policies continued

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.

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.

#### (vii) 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 operating segments that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in non-underlying costs 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.

#### (viii) 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 one to ten years.

#### (ix) 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.



## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 3 Significant Accounting Policies continued

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 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 revaluation 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%
- Leasehold improvements: 10% or life of lease if shorter
- Plant, machinery and motor vehicles: 10%–33%

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

#### (x) Investments

Investments in subsidiaries are recorded at cost, being the fair value of consideration paid, and subsequently at cost less provisions for impairment. 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.

During the year the Group made a minority shareholding equity investment. In accordance with an irrevocable election made upon initial recognition (as per IFRS 9 5.7.5), the subsequent remeasurement of the fair value of the investment has been charged to other comprehensive income.

#### (xi) 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.

#### (xii) Leasing and Hire Purchase Commitments

##### As a Lessee

The Group assesses whether a contract is or contains a lease at the start of a contract. The Group recognises a right-of-use asset and a corresponding lease liability for all lease agreements in which it is the lessee (with the exception of short-term and low value leases as defined in IFRS 16 which are recognised as an operating expense on a straight-line basis over the term). The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate. The right-of-use asset recognised initially is the amount of the lease liability, adjusted for any lease payments and lease incentives made before the commencement date, in accordance with IFRS 16.24.

##### As a Lessor

Income is recognised on a straight-line basis over the term of the relevant lease.

#### (xiii) Financial Instruments

The Group's financial instruments comprise trade and other receivables (excluding prepayments), contract trade and other payables (excluding deferred income and taxation), and cash and cash equivalents net of overdrafts. The Group classifies its financial assets as loans and receivables and its financial liabilities as liabilities at amortised cost. The Group does not trade in any financial derivatives. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 3 Significant Accounting Policies continued

#### Trade and Other Receivables

Trade and other receivables are non-interest bearing and are measured on initial recognition at fair value and subsequently at amortised cost. On initial recognition, a loss allowance is created which reflects the lifetime expected credit loss on that asset. This loss allowance is subsequently reassessed at each reporting period date.

Trade and other receivables are presented net of the loss allowance.

#### 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 in 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.

#### Bank Loans

Interest-bearing bank loans are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the income statement using the effective interest method, and are added to the carrying value of the instrument to the extent that they are not settled in the period in which 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.

#### (xiv) 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.

#### (xv) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 3 Significant Accounting Policies continued

#### (xvi) Borrowing Costs

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the loan is drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs that are directly attributable to qualifying assets are added to the cost of the asset. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### (xvii) Dividends

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

#### (xviii) Retirement Benefit Costs

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

The retirement benefit obligation represents the fair value of the defined benefit obligation at each reporting date as reduced by the fair value of scheme assets. 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.

The current service cost of defined benefit retirement benefit schemes is recognised in 'employee benefit expense' in the income statement, except where included in the cost of an asset, and reflects the increase in the defined benefit obligation resulting from service in the current year, benefit changes, curtailments and settlements. Past service cost is recognised immediately in the income statement.

#### (xix) 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 benefit arrangements 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.

#### (xx) 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 19.

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.

#### (xxi) Non-underlying Items

Non-underlying items are items of financial performance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group, such as the costs associated with a major programme of restructuring. This also includes items that are irregular in nature, and also the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangible from underlying performance avoids the potential double counting of such costs.

### 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 in note 3(v) on page 76. Commercial reviews of all live contracts are undertaken on a regular basis, with all significant contracts being reviewed on a monthly basis. 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. The Group only recognises revenue once there is a formal contractual entitlement and the recognition criteria of IFRS 15 have been met. At 31st December 2020 the Group had approximately £15 million (2019: £31 million) of formally instructed, unagreed variations, of which £9 million (2019: £19 million) had been taken to revenue. It is the Group's policy not to recognise variations in full until formally agreed.

#### Impairment of Goodwill and Investments

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 11. The estimation of the value in use is also used to assess the carrying value of investments in the relevant subsidiaries in the Company's financial statements.

#### 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, which are largely dependent on factors outside the control of the Group. Details of the key assumptions are set out in note 23, 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 sensitivity analysis is included in note 23 on page 102.

### 5 Segment Information

#### (i) Reportable Segments

The Group provides mechanical and electrical 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: London, UK South and UK North, reporting to the Board who represent the 'chief operating decision-maker' as per IFRS 8. The measurement basis used to assess the performance of the divisions is underlying operating profit, stated before amortisation of intangible assets and other non-underlying items.

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 the location of customers. The accounting policies for the reportable segments are the same as the Group's accounting policies disclosed in note 3. Segmental information is based on internal management reporting.

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 5 Segment Information continued

#### (ii) Segment Information and Revenue Analysis – Current Year

	London £m	UK South £m	UK North £m	Group costs and Unallocated £m	Total £m
<b>Revenue from contracts with customers</b>	<b>134.6</b>	<b>55.1</b>	<b>42.2</b>	<b>–</b>	<b>231.9</b>
<b>Underlying operating profit</b>	<b>4.9</b>	<b>2.7</b>	<b>0.7</b>	<b>(2.3)</b>	<b>6.0</b>
Restructuring costs	–	–	–	(3.7)	(3.7)
Amortisation of intangibles	–	–	(0.2)	–	(0.2)
<b>Operating profit</b>	<b>4.9</b>	<b>2.7</b>	<b>0.5</b>	<b>(6.0)</b>	<b>2.1</b>
Finance costs	–	–	–	(0.9)	(0.9)
<b>Profit before tax</b>	<b>4.9</b>	<b>2.7</b>	<b>0.5</b>	<b>(6.9)</b>	<b>1.2</b>
Taxation expense	–	–	–	–	–
<b>Profit for the year</b>	<b>4.9</b>	<b>2.7</b>	<b>0.5</b>	<b>(6.9)</b>	<b>1.2</b>

	London £m	UK South £m	UK North £m	Total £m
<b>Business sector</b>				
Facilities Management	2.4	9.7	5.7	17.8
Infrastructure	20.6	22.1	16.2	58.9
Engineering Services	59.4	15.7	6.5	81.6
Residential & Hotels	21.7	7.6	12.8	42.1
Technologies	30.5	–	1.0	31.5
<b>Total revenue</b>	<b>134.6</b>	<b>55.1</b>	<b>42.2</b>	<b>231.9</b>

#### (iii) Segment Information and Revenue Analysis – Prior Year

	London £m	UK South £m	UK North £m	Group costs and Unallocated £m	Total £m
<b>Revenue from contracts with customers</b>	201.0	66.3	67.3	–	334.6
<b>Underlying operating profit</b>	8.2	3.6	1.4	(3.0)	10.2
Amortisation of intangibles	–	–	(0.2)	–	(0.2)
<b>Operating profit</b>	8.2	3.6	1.2	(3.0)	10.0
Finance costs	–	–	–	(1.0)	(1.0)
<b>Profit before tax</b>	8.2	3.6	1.2	(4.0)	9.0
Taxation expense	–	–	–	(1.2)	(1.2)
<b>Profit for the year</b>	8.2	3.6	1.2	(5.2)	7.8

	London £m	UK South £m	UK North £m	Total £m
<b>Business sector</b>				
Facilities Management and Frameworks	2.7	11.6	14.9	29.2
Infrastructure	14.2	23.4	18.7	56.3
Engineering Services	112.7	25.4	9.8	147.9
Residential & Hotels	26.9	5.5	23.4	55.8
Technologies	44.5	0.4	0.5	45.4
<b>Total revenue</b>	<b>201.0</b>	<b>66.3</b>	<b>67.3</b>	<b>334.6</b>

### 5 Segment Information continued

Revenue is wholly attributable to the principal activity of the Group and arises solely within the United Kingdom.

Revenue recognised in the year that was included in the contract liability balance at the beginning of the year was £0.1 million (2019: £8.4 million).

At the end of the year, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was £271.8 million (2019: £250.2 million). These will be recognised as revenue in accordance with the satisfaction of the performance obligations.

No single customer contributed 10% or more of the Group's revenue for 2020 (2019: One customer contributed £37.1m).

In the current year, the incremental costs of obtaining a contract with a customer which has been recognised as an asset is £nil (2019: £nil).

In the current year, the costs to fulfil a contract with a customer which has been recognised as an asset is £nil (2019: £nil).

Of the £231.9 million revenue recognised in 2020 (2019: £334.6 million), £218.4 million was recognised over time (2019: £317.1 million) and £13.5 million was recognised at a point in time (2019: £17.5 million). This disclosure has been included in 2020 to comply with the disclosure requirements of IFRS 15.

### 6 Finance Costs

	2020 £m	2019 £m
<b>Finance costs</b>		
Interest on lease liabilities	(0.1)	(0.1)
Interest on bank overdrafts and loans	(0.3)	(0.2)
Interest cost in respect of defined benefit pension schemes	(0.5)	(0.7)
<b>Total</b>	<b>(0.9)</b>	<b>(1.0)</b>

### 7 Operating Profit

#### (i) Operating Profit is Stated After Charging

	2020 £m	2019 £m
Amortisation of intangible assets	0.2	0.2
Depreciation of property, plant and equipment	2.1	2.1
Project-related raw materials and consumables	56.0	77.4
Impairment loss	–	0.2
Fees payable to the Company's auditors for the audit of:		
The Company and consolidation	0.2	0.2
Subsidiary companies	0.1	0.1
Employee benefit expense (see note 8)	72.0	79.9

The auditors' fees for non-audit services during the year were £nil (2019: £nil).

Non-underlying items include £0.2m amortisation of intangible assets relating to acquired customer relationships, and the £3.7m cost of a restructuring programme, principally comprising redundancy costs.



## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 8 Employee Benefit Expense

#### (i) Employee Benefit Expense

	Group	
	2020 £m	2019 £m
<b>Staff costs during the year were as follows:</b>		
Wages and salaries	63.0	68.5
Share awards and options granted to Directors and Employees (see note 19)	0.4	0.5
Social security costs	6.4	7.0
Other pension costs	2.2	3.9
<b>Total employee benefit expense</b>	<b>72.0</b>	<b>79.9</b>

£3.1m of the total employee benefit expense has been included within non-underlying items (2019: £nil).

All employee costs of the Group and the Company relate to continuing operations.

The Company has no employees (2019: no employees). The Directors of the Company are remunerated by TClarke Services Limited. Of their remuneration, an amount of £0.1 million (2019: £0.1 million) relates to services rendered to the Company.

In the current year, £0.2 million (2019: £0.3 million) was recharged to the Company from TClarke Services Limited in relation to share-based payments for the Company's Directors.

#### (ii) Monthly Average Number of Employees

	Group	
	2020 Number	2019 Number
Staff (including Directors)	425	469
Operatives	869	920
<b>Total</b>	<b>1,294</b>	<b>1,389</b>

### 9 Taxation

	2020 £m	2019 £m
<b>Current tax expense</b>		
UK corporation tax payable on profits for the year	–	1.2
Adjustment in relation to prior years	(0.3)	(0.4)
<b>Deferred tax expense</b>		
Arising on:		
Origination and reversal of timing differences	0.3	0.4
<b>Total income tax expense</b>	<b>–</b>	<b>1.2</b>
<b>Reconciliation of tax charge</b>		
Profit before tax for the year	1.2	9.0
<b>Tax at standard UK tax rate of 19% (2019: 19%)</b>	<b>0.2</b>	<b>1.7</b>
<b>Tax effect of:</b>		
Adjustment in relation to prior years	(0.3)	(0.4)
Utilisation of losses brought forward	–	(0.1)
Permanently disallowed items	0.1	–
<b>Total income tax expense</b>	<b>–</b>	<b>1.2</b>
	2020 £m	2019 £m
<b>Income tax (credited)/debited to other comprehensive income</b>	<b>(1.7)</b>	<b>(1.2)</b>

The government has recently announced that a main rate of corporation tax will be effective from 1 April 2023, and will be substantively enacted once the Finance Bill 2021 has received royal assent.

### 10 Earnings Per Share

#### (i) Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of Ordinary shares in issue during the year.

	2020 £m	2019 £m
Earnings:		
Profit attributable to owners of the Company	1.2	7.8
Weighted average number of Ordinary shares in issue (000s)	42,295	42,145
Basic earnings per share	2.87p	18.37p

#### (ii) 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 three categories of dilutive potential Ordinary shares: share options granted under the Savings Related Share Option Scheme and conditional share awards and options granted under the Equity Incentive Plan. Further details of these schemes are given in note 19.

For the share options, a calculation is made 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.

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 10 Earnings Per Share continued

	2020 £m	2019 £m
Earnings:		
Profit attributable to owners of the Company	1.2	7.8
Weighted average number of Ordinary shares in issue (000s)	42,295	42,145
Adjustments:		
Savings Related Share Option Schemes	295	474
Equity Incentive Plan:		
Conditional share awards	2,453	1,654
Weighted average number of Ordinary shares for diluted earnings per share (000s)	45,043	44,273
Diluted earnings per share	2.69p	17.49p

#### (iii) Underlying Earnings Per Share

Underlying earnings per share represents profit for the year adjusted for amortisation of intangible assets and other non-underlying items 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.

	2020 £m	2019 £m
Profit attributable to owners of the Company	1.2	7.8
Adjustments:		
Amortisation of intangible assets	0.1	0.2
Restructuring costs	3.0	0.0
Underlying earnings	4.3	8.0
Weighted average number of Ordinary shares in issue (000s)	42,295	42,145
Adjustments:		
Savings Related Share Option Schemes	295	474
Equity Incentive Plan:		
Conditional Share Awards	2,453	1,654
Weighted average number of Ordinary shares for diluted earnings per share (000s)	45,043	44,273
Diluted underlying earnings per share	9.66p	17.90p
Basic underlying earnings per share	10.29p	18.81p

### 11 Intangible Assets

	Goodwill £m	Other intangible assets £m	Total £m
<b>Cost</b>			
At 1st January 2019	27.5	2.9	30.4
At 31st December 2019	27.5	2.9	30.4
<b>At 31st December 2020</b>	<b>27.5</b>	<b>2.9</b>	<b>30.4</b>
<b>Accumulated impairment and amortisation</b>			
At 1st January 2019	(2.2)	(2.5)	(4.7)
Charge for the year	–	(0.2)	(0.2)
At 31st December 2019	(2.2)	(2.7)	(4.9)
Charge for the year	–	(0.2)	(0.2)
<b>At 31st December 2020</b>	<b>(2.2)</b>	<b>(2.9)</b>	<b>(5.1)</b>
<b>Net book value</b>			
At 1st January 2019	25.3	0.4	25.7
At 31st December 2019	25.3	0.2	25.5
<b>At 31st December 2020</b>	<b>25.3</b>	<b>–</b>	<b>25.3</b>

Goodwill relates to the purchase of subsidiary undertakings. Goodwill is not amortised but is tested for impairment in accordance with IAS 36 'Impairment of assets' at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Other intangible assets comprise customer relationships arising on acquisitions. Amortisation of other intangible assets is included in administrative expenses in the income statement.

Goodwill is allocated to operating segments as follows:

Operating segment	£m
London	11.3
UK South	6.1
UK North	7.9
<b>Total</b>	<b>25.3</b>

#### Value in use

The carrying value of goodwill has been compared to its recoverable amount based on the value in use of the operating segment to which the goodwill has been allocated, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets.

Value in use has been calculated using budgets and forecasts approved by the Board covering the period 2021 to 2023, which take into account secured orders, business plans and management actions. The results of the period subsequent to 2023 have been projected using 2023 forecasts with 2% growth assumed. The extrapolated cash flow projections have been discounted using a pre-tax discount rate derived from the Group's cost of capital.

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 11 Intangible Assets continued

#### Assumptions

The key assumptions, to which the assessment of the recoverable amounts of operating segments is sensitive, are the projected revenue and operating margin to 2023 and beyond, and the discount rate applied. The range of these assumptions applied to the operating segments is as follows:

	2020	2019
Pre-tax discount rate	9.0%	9.5%
Average annual revenue growth (2020–2023) (2019: 2019–2022)		
London	19.2%	3.8%
UK South	8.6%	5.1%
UK North	20.3%	5.7%
Operating margins (2021–2023) (2019: 2020–2022)		
London	3.9% - 4.0%	4.0%
UK South	3.7% - 4.0%	4.3%
UK North	3.5% - 4.0%	4.3%

Operating margins disclosed for the current year (representing 2021–2023) exclude any allocation of Group costs.

#### Sensitivities

For each operating segment, management has considered the level of headroom resulting from the impairment tests, and performed further sensitivity analysis by changing the base case assumptions applicable to each operating segment. The sensitivities tested related to changes in revenue and profit after applying certain lockdown scenarios. This analysis has indicated that no reasonably possible changes in any individual key assumption would cause the carrying amount of the operating segment to exceed its recoverable amount.

At 31st December 2020, based on these valuations, no increase in the impairment provision was required against the carrying value of goodwill (2019: £nil).

An assessment of the subsidiary investments using consistent methodology amended for pre-tax cash flows indicates that there is no requirement for any additional impairment provision.

### 12 Property, Plant and Equipment

Group	Freehold properties £m	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
<b>Cost or valuation</b>				
At 1st January 2019	2.8	2.4	3.4	8.6
Additions	2.2	0.7	2.9	5.8
Reclassification	0.4	(0.4)	–	–
Transfer from depreciation on revaluation	(0.4)	–	–	(0.4)
Revaluation	0.4	–	–	0.4
At 31st December 2019	5.4	2.7	6.3	14.4
Additions	0.3	0.2	0.7	1.2
<b>At 31st December 2020</b>	<b>5.7</b>	<b>2.9</b>	<b>7.0</b>	<b>15.6</b>
<b>Accumulated depreciation and impairment</b>				
At 1st January 2019	(0.4)	(1.2)	(2.1)	(3.7)
Charge for the year	(0.5)	(0.6)	(1.0)	(2.1)
Reclassifications	(0.1)	0.1	–	–
Transfer to cost on revaluation	0.4	–	–	0.4
At 31st December 2019	(0.6)	(1.7)	(3.1)	(5.4)
Charge for the year	(0.5)	(0.5)	(1.2)	(2.2)
<b>At 31st December 2020</b>	<b>(1.1)</b>	<b>(2.2)</b>	<b>(4.3)</b>	<b>(7.6)</b>
<b>Net book value</b>				
At 1st January 2019	2.4	1.2	1.3	4.9
At 31st December 2019	4.8	1.0	3.2	9.0
<b>At 31st December 2020</b>	<b>4.6</b>	<b>0.7</b>	<b>2.7</b>	<b>8.0</b>

The net book values shown above at 31st December 2020 reflect the following right-of-use assets: Freehold properties £1.6 million (2019: £1.8 million) and Plant, machinery and vehicles £1.7 million (2019: £2.3 million). Additions in the year for right-of-use assets were £0.3 million for Freehold properties (2019: £2.2 million) and £0.6 million for Plant, machinery and vehicles (2019: £2.9 million). The depreciation charge for right-of-use assets was £0.5 million for Freehold properties (2019: £0.4 million) and £1.2 million for Plant, machinery and vehicles (2019: £0.6 million).

The Group's freehold land and buildings were last valued at 31st January 2019 based on an external valuation provided by an independent valuer. 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 arm's length terms. The net book value of the freehold properties on a historic cost basis would have been £3.7 million (2019: 3.9 million).

The Group has granted a charge in favour of the TClarke Group Retirement and Death Benefits Scheme over a number of properties occupied by the Group up to a maximum value of £3.1 million, to secure the future pension obligations of the scheme. The book and fair value of the properties at 31st December 2020 was £3.0 million (2019: £3.1 million).



## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 13 Investments

Investments comprise:

	Company	
	2020 £m	2019 £m
<b>Cost</b>		
At 1st January	53.0	52.8
Additions	0.2	0.2
At 31st December	53.2	53.0
<b>Impairment</b>		
At 1st January	(9.6)	(9.6)
At 31st December	(9.6)	(9.6)
<b>Net book value</b>		
At 31st January	43.6	43.4
At 31st December	43.6	43.4

A full list of the Company's subsidiaries is included in note 28 on page 107. An annual impairment review is undertaken at 31st December each year in conjunction with the goodwill impairment review (see note 11), 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 its net asset value or future trading.

### 14 Deferred Taxation

Group	Revaluations £m	Retirement benefit obligation £m	Other £m	Total £m
Asset / (liability) at 1st January 2019	(0.1)	4.0	–	3.9
Charged to income	–	(0.5)	0.2	(0.3)
Credited to other comprehensive income	–	1.2	–	1.2
Asset / (liability) at 31st December 2019	(0.1)	4.7	0.2	4.8
Charged to income	–	(0.3)	–	(0.3)
Credited to other comprehensive income	–	1.7	–	1.7
<b>Asset / (liability) at 31st December 2020</b>	<b>(0.1)</b>	<b>6.1</b>	<b>0.2</b>	<b>6.2</b>

The amount of deferred tax recoverable within one year is insignificant. The deferred tax asset and liabilities have been offset in the statement of financial position for financial reporting purposes. The deferred tax asset arises in respect of the deficit on the retirement benefit obligation. A deficit reduction plan is in place to reduce this deficit over a number of years (see note 23). The deferred tax asset will be recovered over time as the deficit is reduced. There were £0.4m unrecognised deferred tax assets at 31 December 2020 (2019: £nil).

The reported deferred tax assets can be analysed as follows:

	2020 £m	2019 £m
Deferred tax liabilities	(0.1)	(0.1)
Deferred tax assets	6.3	4.9
<b>Total</b>	<b>6.2</b>	<b>4.8</b>

### 15 Inventories

	2020 £m	2019 £m
Raw materials and consumables, net of provision (2019: £nil)	0.4	0.2

### 16 Construction Contracts

	2020 £m	2019 £m
<b>Contract work in progress comprises:</b>		
Contract costs incurred plus recognised profits less recognised losses to date	285.2	302.7
Less: progress payments	(244.6)	(258.2)
<b>Total</b>	<b>40.6</b>	<b>44.5</b>
<b>Contracts in progress at the reporting date</b>		
Gross amounts due from customers	41.7	44.6
Gross amounts due to customers	(1.1)	(0.1)
<b>Total</b>	<b>40.6</b>	<b>44.5</b>

At 31st December 2020, retentions held by customers of the Group for contract work amounted to £19.1 million (2019: £19.4 million). These amounts are included in trade receivables (see note 17).

Advances received from customers for contract work amounted to £1.1 million (2019: £0.1 million).

Contract balance movements from the prior year closing position were due to events in the normal course of business.

Contract amounts are shown net of impairment of £nil (2019: £nil).

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 17 Trade and Other Receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables – gross	15.3	19.0	–	–
Trade receivables – allowances for credit losses	(0.4)	(0.8)	–	–
Net trade receivables	14.9	18.2	–	–
Owed by Group companies	–	–	4.6	2.5
Other receivables (including retentions)	20.8	22.3	–	–
Prepayments	2.4	1.4	0.2	0.2
<b>Total</b>	<b>38.1</b>	<b>41.9</b>	<b>4.8</b>	<b>2.7</b>
<b>Movements in allowances for credit losses</b>				
At 1st January	(0.8)	(0.7)	–	–
Charged in year	–	(0.2)	–	–
Recovered in year	–	–	–	–
Written off in year	0.4	0.1	–	–
At 31st December	0.4	(0.8)	–	–
<b>Trade receivables are due as follows</b>				
Due within 3 months	11.1	14.9	–	–
Due in 3 to 6 months	0.1	–	–	–
Due in 6 to 12 months	–	–	–	–
Due after more than one year	–	–	–	–
Overdue	4.1	4.1	–	–
<b>Total</b>	<b>15.3</b>	<b>19.0</b>	<b>–</b>	<b>–</b>
<b>The ageing of trade receivables past due but not impaired is as follows</b>				
30 days or less	2.7	2.5	–	–
31–60 days	1.0	0.3	–	–
61–120 days	–	0.2	–	–
Greater than 120 days	–	0.3	–	–
<b>Total</b>	<b>3.7</b>	<b>3.3</b>	<b>–</b>	<b>–</b>

Allowances for credit losses have been assessed against individual debtor balances. Where overdue balances are still considered to be recoverable in full, no allowance has been made. The allowances mostly relate to small building contractors who have become insolvent or are facing severe financial difficulties at present. Credit risk is spread across a large number of customers and there are no significant concentrations of credit risk.

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
<b>Trade and other receivables are analysed as follows on the statement of financial position:</b>				
Current assets	34.5	36.9	4.8	2.7
Non-current assets	3.6	5.0	–	–
<b>Total</b>	<b>38.1</b>	<b>41.9</b>	<b>4.8</b>	<b>2.7</b>

### 18 Trade and Other Payables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
<b>Current</b>				
Trade payables	44.1	39.3	–	–
Owed to Group companies	–	–	–	3.2
Other taxation and social security	8.1	6.1	6.1	3.7
Accruals	24.2	36.3	–	–
Other payables	1.1	1.2	–	–
<b>Total</b>	<b>77.5</b>	<b>82.9</b>	<b>6.1</b>	<b>6.9</b>
<b>Non-current</b>				
Trade payables	2.6	1.7	–	–
Owed to Group companies	–	–	29.9	28.3
<b>Total</b>	<b>2.6</b>	<b>1.7</b>	<b>29.9</b>	<b>28.3</b>
<b>Trade payables payment terms are as follows:</b>				
30 days or less	27.2	26.7	–	–
31 to 60 days	18.7	8.7	–	–
Greater than 60 days	0.8	5.6	–	–
<b>Total</b>	<b>46.7</b>	<b>41.0</b>	<b>–</b>	<b>–</b>

### 19 Capital and Reserves

#### (i) 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.
ESOT share reserve	Acquires and holds shares in the Company to be issued to employees in settlement of options exercised and conditional share awards under the Group's employee share schemes.
Revaluation reserve	Cumulative gains recognised on revaluation of land and buildings above depreciated cost.
Retained earnings	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income.

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 19 Capital and Reserves continued

#### (ii) Share Capital and Premium

Allotted, called up and fully paid (nominal value 10p per share)	Number of shares	Ordinary shares £m	Share premium £m
At 31st December 2020	<b>43,052,558</b>	<b>4.3</b>	<b>3.8</b>
At 31st December 2019	<b>43,052,558</b>	<b>4.3</b>	<b>3.8</b>

All shares rank equally in respect of shareholder rights.

#### (iii) Save As You Earn Scheme

The following options granted to employees and Directors of the Group under the TClarke plc Savings Related Share Option Scheme ('the SAYE scheme'), an approved save as you earn ('SAYE') share option scheme, were outstanding at the end of the year:

	Number of options	Grant date	Exercise date	Exercise price	Fair value at date of grant
<b>2018 SAYE Scheme</b>	1,146,971	24/10/2018	01/12/2021 to 31/05/2022	74.88p	0.3p

The 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 IFRS 2 is £nil for the year ended 31st December 2020 (2019: £nil). 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 £10 to £500 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 participant's SAYE contract.

The number of options outstanding during the year were as follows:

	2020 Number	2020 Weighted average exercise price (p)	2019 Number	2019 Weighted average exercise price (p)
At 1st January	<b>1,321,219</b>	<b>74.88</b>	1,666,792	74.28
Granted	–	–	(194,308)	69.75
Exercised	<b>(21,736)</b>	<b>74.88</b>	(151,265)	74.84
Lapsed	<b>(152,512)</b>	<b>74.88</b>	–	–
At 31st December	<b>1,146,971</b>	<b>74.88</b>	1,321,219	74.88

The weighted average remaining contractual life of the options at 31st December 2020 was 480 days (2019: 845 days).

### 19 Capital and Reserves continued

#### (iv) Equity Incentive Plan

All employees, including Executive Directors, are eligible to participate in the TClarke Equity Incentive Plan ('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. 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 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.

At 31st December 2020, 2,575,228 conditional share awards were outstanding (2019: 1,616,552) outstanding.

	Conditional shares	Conditional shares	Conditional shares	Conditional shares
Date of grant	25/04/2018	24/04/2019	24/04/2019	01/05/2020
Number of awards	471,600	309,952	620,000	1,141,676
Share price at date of grant	83.10p	130.00p	130.00p	93.50p
Exercise price	–	–	–	–
Option life	3 years	3 years	3 years	3 years

The conditional share awards and options will vest on the third anniversary of the date of grant, subject to continued employment with the Company and for the 2018, 2019 and 50% of the 2020 awards, satisfaction of the following performance conditions:

Annual growth rate in underlying EPS above RPI <sup>1</sup>	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%

<sup>1</sup> The base point is based on average underlying EPS for the three years ending with the year preceding the date of grant.

The remaining 50% of the 2020 performance conditions relate to actions taken by the Executive Directors to enable TClarke to increase retained reserves for the year ended 31 December 2020 (excluding any impact from pension deficit movements). In addition TClarke must continue to trade within its normal banking facilities without breaching any covenants. Achievement of this performance condition was assessed by the Remuneration Committee in March 2021.

#### (v) Share-based Payment Expense

The charge to the income statement takes into account the number of shares and options that are expected to vest. The impact of recognising the fair value of Equity Incentive Plan grants as an expense under IFRS 2 is a £0.4 million charge for the year ended 31st December 2020 (2019: £0.5 million).



## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 19 Capital and Reserves continued

#### (vi) Dividends Paid

	2020 £m	2019 £m
Final dividend of 3.65p (2019: 3.34p) per Ordinary share proposed and paid during the year relating to the previous year's results	1.6	1.4
Interim dividend of 0.75p (2019: 0.75p) per Ordinary share paid during the year	0.3	0.3
<b>Total</b>	<b>1.9</b>	<b>1.7</b>

The Directors are proposing a final dividend of 3.65p (2019: 3.65p) per Ordinary share totalling £1.6 million (2019: £1.6 million).

This dividend has not been accrued at the reporting date.

### 20 Notes to the Statement of Cash Flows

#### (i) Reconciliation of Operating Profit to Net Cash (Outflow)/Inflow from Operating Activities

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Operating profit/(loss)	2.1	10.0	(0.8)	(3.4)
Depreciation charges	2.1	2.1	–	–
Equity-settled share-based payment expense	0.4	0.5	–	–
Amortisation of intangible assets	0.2	0.2	–	–
Pension deficit reduction contribution	(1.5)	(1.5)	–	–
Defined benefit pension scheme credit	(1.7)	(1.3)	–	–
Operating cash flows before movement in working capital	1.6	10.0	(0.8)	(3.4)
Movement in inventories	(0.2)	0.1	–	–
Decrease/(increase) in contract balances	3.9	(14.2)	–	–
Decrease/(increase) in operating trade and other receivables	3.8	14.4	(1.0)	(0.7)
(Decrease)/increase in operating trade and other payables	(4.5)	(4.6)	0.8	2.3
Cash generated from / (used in) operations	4.6	5.7	(1.0)	(1.8)
Corporation tax paid	(0.6)	(1.5)	(0.6)	(1.5)
Interest paid	(0.3)	(0.3)	(0.8)	(0.3)
Net cash generated from/(used in) operating activities	3.7	3.9	(2.4)	(3.7)

#### (ii) 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		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Cash and cash equivalents	25.2	12.4	19.0	4.5

### 21 Bank Overdrafts and Loans

During the year, the Group had in place a £10.0 million overdraft facility and a £15.0 million revolving credit facility ('RCF'), both with National Westminster Bank plc. Interest is charged at 1.70% above LIBOR on drawn balances under the RCF and 2.00% above base rate on overdrawn balances. A fee of 0.68% is payable on undrawn balances under the RCF. The RCF includes financial covenants in respect of interest cover and net leverage ratios which are tested quarterly. The RCF is available until 31 August 2024 and the overdraft facility is renewable annually.

All operating companies within the Group are included within the overdraft facility, and cross-guarantees and charges have been granted in favour of National Westminster Bank plc. No value has been attributed to the guarantee contracts in the Company's financial statements as the amount is considered to be negligible.

At 31st December 2020, the Group had unused overdraft facilities of £10.0 million (2019: £10.0 million) and had drawn down £15.0 million of the facilities under the RCF. (2019: £15.0 million undrawn). Net cash at 31st December 2020 was £10.2m (2019: £12.4m).

The Group was compliant with its obligations under the RCF and the overdraft facility throughout the year.

### 22 Related Party Transactions

#### (i) Directors' Remuneration

	2020 £m	2019 £m
Salaries, fees and other short-term employee benefits	1.9	2.1
Share-based payment charge	0.4	0.3
Post-employment benefits	–	0.7
<b>Total</b>	<b>2.3</b>	<b>3.1</b>

Further disclosures, including details of the highest-paid Director, are included in the Directors' remuneration report on pages 47 to 54.

#### (ii) Key Management Remuneration

Compensation payable to key management for employee services is shown below. Key management represents members of the Group Management Board (excluding Directors).

	2020 £m	2019 £m
Salaries, fees and other short-term employee benefits	1.4	1.4
Share-based payment charge	0.1	0.1
Post-employment benefits	0.1	0.2
<b>Total</b>	<b>1.6</b>	<b>1.7</b>

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 22 Related Party Transactions continued

#### (iii) 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.

TClarke plc was charged £0.6 million (2019: £2.7 million) by TClarke Services Limited for Group management services and incurred interest charges of £0.7 million (2019: £0.6 million) on intercompany loans.

#### (iv) Dividends received from subsidiaries

During the year the Company received a dividend of £4.0m from TClarke Contracting Limited (2019: £6.0 million).

### 23 Pension Commitments

#### Defined Contribution Schemes

The Group operates defined contribution pension schemes for all qualifying employees of all its operating companies. The assets of these schemes are held separately from those of the Group in funds under the control of the trustees.

For part of 2019 the Group also contributed to an industry-wide, multi-employer defined benefit pension scheme on behalf of certain employees. The assets of the scheme were held separately from those of the Group in an independently administered fund. The plan exposed participating employers to actuarial risks associated with the current and former employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individuals participating in the scheme, and the Group did not have access to sufficient information to enable it to use defined benefit accounting. Therefore, the scheme was accounted for as a defined contribution scheme. The latest formal actuarial valuation as at 5th April 2018 showed that the scheme had a funding level of 108%. The scheme closed to future accrual during 2019.

The total cost charged to income of £1.9 million (2019: £1.8 million) 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. The scheme is registered with HMRC and is administered by the trustees.

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.

The most recent triennial actuarial valuation of the scheme, carried out at 31st December 2018 by R Williams, Fellow of the Institute of Actuaries, showed a deficit of £24.9 million, which represented a funding level of 59%. The valuation was impacted by the significant fall in bond yields over the period leading up to the date of the valuation and a change in mortality assumptions, caused by macro-economic factors beyond the Group's control. Following agreement of the valuation, the deficit reductions contributions of £1.5 million per annum will continue. The Group continues to provide security in the form of a charge over the Group's property portfolio up to a combined value of £3.1 million.

From 1st April 2020, the service contribution increased from 21.4% to 22.4% of pensionable payroll (including employee contributions, which, increased from 10% to 12% of pensionable payroll).

As part of a Group reorganisation, a subsidiary company, TClarke Services Limited, became the principal employer of the scheme with effect from 23rd December 2016, and the pension scheme liability and related deferred tax asset were transferred to TClarke Services Limited at that date. The Company and its subsidiary, TClarke Contracting Limited, have provided a guarantee to the trustees of the scheme in respect of TClarke Services Limited's obligations to the pension scheme.

### 23 Pension Commitments continued

The key assumptions used to value the pension scheme liability in the financial statements are set out below:

	2020 %	2019 %
Rate of increase in salaries	2.60	2.45
Rate of increase of pensions in payment	3.00	3.10
Discount rate	1.40	2.10
Inflation assumption	2.90	3.15

	2020 Years	2019 Years
The mortality assumptions used in the IAS 19 valuation were:		
Life expectancy at age 65 for current pensioners		
– Men	21.8	21.7
– Women	24.1	23.9
Life expectancy at age 65 for future pensioners (current age 45)		
– Men	22.8	22.7
– Women	25.2	25.0

The amounts recognised in the consolidated statement of financial position are as follows:

	2020 £m	2019 £m
Present value of funded obligations	76.3	70.7
Fair value of plan assets	(46.1)	(44.3)
Deficit of funded plans	30.2	26.4

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 23 Pension Commitments continued

The movement in the defined benefit obligation is as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
<b>At 1st January 2019</b>	58.8	(35.8)	23.0
Current service cost	0.9	–	0.9
Settlements	(3.0)	–	(3.0)
Interest expense/(income)	1.8	(1.1)	0.7
<b>Total</b>	(0.3)	(1.1)	(1.4)
<b>Remeasurements</b>			
Return on plan assets, excluding amounts included in interest expense	–	(6.0)	(6.0)
Change in demographic	(0.6)	–	(0.6)
Loss from change in financial assumptions	11.3	–	11.3
Experience loss	2.2	–	2.2
<b>Total</b>	12.9	(6.0)	6.9
<b>Contributions</b>			
Employers	–	(2.1)	(2.1)
Employees	0.6	(0.6)	–
<b>Payment from plans</b>			
Benefit payments	(1.3)	1.3	–
<b>At 31st December 2019</b>	70.7	(44.3)	26.4
Current service cost	<b>0.9</b>	–	<b>0.9</b>
Settlements	<b>0.4</b>	–	<b>0.4</b>
Interest expense/(income)	<b>1.4</b>	<b>(0.9)</b>	<b>0.5</b>
<b>Total</b>	<b>2.7</b>	<b>(0.9)</b>	<b>1.8</b>
<b>Remeasurements</b>			
Return on plan assets, excluding amounts included in interest expense	–	<b>(4.7)</b>	<b>(4.7)</b>
Change in demographic	<b>0.3</b>	–	<b>0.3</b>
Loss from change in financial assumptions	<b>9.3</b>	–	<b>9.3</b>
Experience loss	<b>1.6</b>	–	<b>1.6</b>
<b>Total</b>	<b>11.2</b>	<b>(4.7)</b>	<b>6.5</b>
<b>Contributions</b>			
Employers	–	<b>(4.5)</b>	<b>(4.5)</b>
Employees	<b>0.5</b>	<b>(0.5)</b>	–
<b>Payment from plans</b>			
Benefit payments	<b>(8.8)</b>	<b>8.8</b>	–
<b>At 31st December 2020</b>	<b>76.3</b>	<b>(46.1)</b>	<b>30.2</b>

Current service cost and settlements are included in administrative expenses.

Interest expense is included in finance costs.

Remeasurement gains and losses have been included in other comprehensive income/expense.

### 23 Pension Commitments continued

Plan assets are held in professionally managed multi-asset funds, cash and bank accounts managed by the trustees, and an insurance annuity contract. Plan assets are comprised as follows:

	2020				2019			
	£m Quoted	£m Unquoted	£m Total	%	£m Quoted	£m Unquoted	£m Total	%
UK quoted	<b>1.7</b>	–	<b>1.7</b>		1.7	–	1.7	
Overseas quoted	<b>9.4</b>	–	<b>9.4</b>		8.0	–	8.0	
Hedge funds	–	–	–		5.6	–	5.6	
Structured and alternative equities	–	–	–		–	12.5	12.5	
<b>Total equities</b>	<b>11.1</b>	–	<b>11.1</b>	<b>24%</b>	15.3	12.5	27.8	63%
Fixed interest corporate bonds	<b>4.1</b>	–	<b>4.1</b>		3.2	–	3.2	
Government bonds	<b>21.3</b>	–	<b>21.3</b>		3.5	–	3.5	
<b>Total bonds</b>	<b>25.4</b>	–	<b>25.4</b>	<b>55%</b>	6.7	–	6.7	15%
Property	<b>0.6</b>	–	<b>0.6</b>	<b>1%</b>	1.0	–	1.0	2%
Cash	<b>3.0</b>	<b>0.3</b>	<b>3.3</b>	<b>7%</b>	–	3.0	3.0	7%
Insurance annuity contracts	–	<b>1.8</b>	<b>1.8</b>	<b>4%</b>	–	1.8	1.8	4%
Other	–	<b>3.9</b>	<b>3.9</b>	<b>9%</b>	–	4.0	4.0	9%
<b>Total</b>	<b>40.1</b>	<b>6.0</b>	<b>46.1</b>	<b>100%</b>	23.0	21.3	44.3	100%

Through the defined benefit pension scheme the Group is exposed to a number of risks, the most significant of which are set out below.

#### Asset Volatility

The objective of the investment strategy is to have sufficient assets to pay benefits to members as they fall due. The scheme assets are invested in a diversified portfolio of growth assets (such as multi-asset funds and equities) and matching assets (such as bonds held in multi-asset funds and cash). Multi-asset funds include property investments. In addition, the scheme holds a number of annuity policies which are used to back a number of pensions in payment, reducing the volatility of the results.

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. A proportion of scheme assets are held in equities, which are expected to outperform bond yields in the long term while providing volatility and risk in the short term.

The Group believes that due to the long-term nature of scheme liabilities and the strength of the Group, it is appropriate to continue to hold a proportion of the assets in equities.

#### Change in Corporate Bond Yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.



## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 23 Pension Commitments continued

#### Inflation Risk

Some of the pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. Caps are in place for inflationary increases which protect the scheme against the impact of extreme inflation. The majority of the plan's assets are largely unaffected by inflation, meaning that any increase in inflation will also increase the deficit.

#### Life Expectancy

Pension obligations are payable for the life of the member, and where elected by the member, the member's spouse.

Increases in life expectancy will result in increases in scheme liabilities.

#### Age Profile

The weighted average duration of the unsecured liabilities is approximately 22 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 10%	Increase by 12%
Inflation assumption	0.5%	Increase by 7%	Decrease by 7%
Rate of increase in salaries	0.5%	Increase by 1%	Decrease by 1%
Rate of increase in pension payments	0.5%	Increase by 7%	Decrease by 7%
Life expectancy	1 year	Increase by 5%	Decrease by 4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the year) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

### 24 Obligations Under Leases

In addition to the recognition of right-of-use-assets (note 12) the impact of the Group's lease arrangements on the financial statements is shown below.

	Freehold properties £m	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
<b>31st December 2020</b>				
Lease liability	1.7	–	1.8	<b>3.5</b>
Total value of lease payments	0.4	–	1.2	<b>1.6</b>
Total payments for short-term and low value leases	0.4	–	–	<b>0.4</b>
Interest expense	0.1	–	–	<b>0.1</b>

	Freehold properties £m	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
<b>31st December 2019</b>				
Lease liability	1.8	–	2.4	<b>4.2</b>
Total value of lease payments	0.9	–	1.1	<b>2.0</b>
Total payments for short-term and low value leases	0.4	–	0.1	<b>0.5</b>
Interest expense	0.1	–	–	<b>0.1</b>

### 25 Contingent Liabilities

Group banking facilities of £25.0 million and surety bond facilities of £40.1 million 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, guarantees and collateral warranties under contracting and other arrangements entered into in the normal course of business.

#### Group's Defined Benefit Pension

As part of a Group reorganisation, a subsidiary company, TClarke Services Limited, became the principal employer of the scheme with effect from 23rd December 2016, and the pension scheme liability and related deferred tax asset were transferred to TClarke Services Limited at that date. The Company and its subsidiary, TClarke Contracting Limited, have provided a guarantee to the trustees of the scheme in respect of TClarke Services Limited's obligations to the pension scheme.

### 26 Financial Instruments

#### (i) 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; to maintain a strong financial position to support business development, tender qualification and procurement activities; and to maximise 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 Group's overall capital strategy remains unchanged from 2016.

The capital structure of the Group consists of net funds, including cash and cash equivalents, bank loans and overdrafts and 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.

The capital structure of the Group at 31st December 2020 and 2019 was as follows:

	2020 £m	2019 £m
Cash and cash equivalents	<b>25.2</b>	12.4
Less total borrowings	<b>(15.0)</b>	–
Net cash	<b>10.2</b>	12.4
Obligations under leases	<b>3.5</b>	4.2
Total equity	<b>15.7</b>	22.9

#### (ii) Financial Assets and Liabilities

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the bases 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. All financial assets and liabilities are level 3 by definition (ie inputs are not based on observable market data).

## Notes to the Financial Statements continued

For the year ended 31st December 2020

### 26 Financial Instruments continued

#### Financial Assets

The Group's financial assets comprise loans and receivables at amortised cost, and cash and cash equivalents as follows:

	Cash and cash equivalents £m	Trade and other receivables <sup>1</sup> £m	Amounts due from customers under construction contracts £m	Total £m
<b>31st December 2020</b>				
<b>Carrying value</b>	<b>25.2</b>	<b>35.7</b>	<b>41.7</b>	<b>102.6</b>
<b>Contractual cash flows</b>				
Less than one year	<b>25.2</b>	<b>32.1</b>	<b>41.7</b>	<b>99.0</b>
One to two years	–	<b>2.8</b>	–	<b>2.8</b>
Two to three years	–	<b>0.6</b>	–	<b>0.6</b>
More than three years	–	<b>0.2</b>	–	<b>0.2</b>
<b>Total</b>	<b>25.2</b>	<b>35.7</b>	<b>41.7</b>	<b>102.6</b>
<b>31st December 2019</b>				
<b>Carrying value</b>	12.4	40.5	44.6	97.5
<b>Contractual cash flows</b>				
Less than one year	12.4	35.5	44.6	92.5
One to two years	–	4.2	–	4.2
Two to three years	–	0.5	–	0.5
More than three years	–	0.3	–	0.3
<b>Total</b>	<b>12.4</b>	<b>40.5</b>	<b>44.6</b>	<b>97.5</b>

<sup>1</sup> Trade and other receivables excludes prepayments.

### 26 Financial Instruments continued

#### Financial Liabilities – Analysis of Maturity Dates

At 31st December 2020, the carrying value of the Group's financial liabilities and maturity profile of the associated contractual cash flows are shown below. The contractual cash flows are undiscounted and therefore differ from the carrying values which include the impact of discounting cash flows.

	Trade and other payables <sup>1</sup> £m	Amounts due to customers under construction contracts £m	Obligations under leases £m	Total £m
<b>31st December 2020</b>				
<b>Carrying value</b>	<b>72.0</b>	<b>1.1</b>	<b>3.7</b>	<b>76.8</b>
<b>Contractual cash flows</b>				
Less than one year	<b>69.4</b>	<b>1.1</b>	<b>1.3</b>	<b>71.8</b>
One to two years	<b>2.4</b>	–	<b>0.9</b>	<b>3.3</b>
Two to three years	<b>0.1</b>	–	<b>0.6</b>	<b>0.7</b>
More than three years	<b>0.1</b>	–	<b>0.9</b>	<b>1.0</b>
<b>Total</b>	<b>72.0</b>	<b>1.1</b>	<b>3.7</b>	<b>76.8</b>
<b>31st December 2019</b>				
<b>Carrying value</b>	78.5	0.1	4.2	82.8
<b>Contractual cash flows</b>				
Less than one year	76.8	0.1	1.4	78.3
One to two years	1.5	–	1.2	2.7
Two to three years	0.1	–	0.7	0.8
More than three years	0.1	–	1.1	1.2
<b>Total</b>	<b>78.5</b>	<b>0.1</b>	<b>4.4</b>	<b>83.0</b>

<sup>1</sup> Trade and other payables exclude other taxation and social security.

<sup>2</sup> Details of the Group's banking facilities are given in note 21 on page 97.

#### (iii) Financial Risk Management

Financial risk management is integral to the way in which the Group is managed. The overall aim of the Group's financial risk management policies is to minimise any potential adverse effects on financial performance and net assets.

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.

The financial risks to which the Group is exposed comprise credit risk, market risk and liquidity risk.

The Group seeks to manage these risks as follows:

#### Credit Risk

Credit risk is the risk that a counterparty 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's policy is to mitigate this risk by assessing the creditworthiness 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 and other 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 2020.

Notes to the Financial Statements continued

For the year ended 31st December 2020

26 Financial Instruments continued

Liquidity Risk

Liquidity risk is the risk that the Group will not generate sufficient cash and liquid funds to be able to settle its financial liabilities as and when they fall due. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and by matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations.

The Group's facilities were successfully renegotiated in May 2020 and comprise a £15.0 million RCF and a £10.0 million overdraft facility. The RCF is a committed facility available until 31st August 2024 and is subject to quarterly financial covenant tests. Management has prepared three-year cash flow projections that demonstrate that the Group will be able to meet these financial covenants. There have been no other significant changes to the nature of financial risks or the Group's objectives and policies for managing these risks.

Based on an interest rate of 2.25%, provided that the Group is utilising its banking facilities, 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 £0.1 million (2019: £0.1 million) 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 £0.1 million (2019: £0.1 million) for each month of delay/acceleration. If the facilities are unused, there is no impact on profit.

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 of 2.00% above base rates. The interest rate on amounts drawn down under the RCF are fixed at LIBOR plus 1.70% at the time of drawdown for periods of up to six months. The Group's 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 borrowings at the reporting date would be to increase profits by approximately £0.1 million (2019: £0.1 million) per annum. Details of the Group's and the Company's bank facilities are disclosed in note 21.

27 Prior year reclassification

The 2019 consolidated statement of financial position has been restated to reclassify trade and other receivables receivable in greater than one year and trade and other payables payable in greater than one year within non-current assets and non-current liabilities respectively. Previously these balances had been included within current assets and current liabilities. Reclassified balances including corresponding amounts at the end of 2018 are as follows:

	Reclassified			Previously Presented		
	2020 £m	2019 £m	2018 £m	2020 £m	2019 £m	2018 £m
<b>Non-current assets</b>						
Trade and other receivables	3.6	5.0	7.3	n/a	–	–
<b>Current assets</b>						
Trade and other receivables	34.5	36.9	49.1	n/a	41.9	56.4
<b>Net current assets</b>	7.6	9.5	5.4	n/a	12.8	10.6
<b>Current liabilities</b>						
Trade and other payables	(77.5)	(82.9)	(85.7)	n/a	(84.6)	(87.8)
<b>Non-current liabilities</b>						
Trade and other payables	(2.6)	(1.7)	(2.1)	n/a	–	–
<b>Total net assets</b>	15.7	22.9	22.1	n/a	22.9	22.1

As part of the reclassification retention balances are now included in other receivables within the trade and other receivables analysis (previously included within trade receivables).

28 Subsidiary Companies

All subsidiaries are wholly and directly owned by TClarke plc unless otherwise stated, and all are incorporated within the United Kingdom.

Principal operating company	Type of shares
TClarke Contracting Limited	Ordinary
<b>Group services company</b>	
TClarke Services Limited	Ordinary
<b>Property holding company</b>	
Weylex Properties Limited	Ordinary
<b>Other operating company</b>	
Eton Associates Limited	Ordinary
<b>Non-trading and dormant companies</b>	
TClarke Europe Limited (formerly A G Aylward EMS (Maintenance and Minor Works) Limited)	Ordinary
Anglia Electrical Services Limited	Ordinary
D G Robson Mechanical Services Limited	Ordinary
G.D.I. Electrical Co. Limited	Ordinary
J.J. Cross Limited	Ordinary
J.J. Cross Services Limited*	Ordinary
Mitchell and Hewitt Limited	Ordinary
T. Clarke East Limited	Ordinary
TClarke Leeds Limited	Ordinary
TClarke Newcastle Limited	Ordinary
T.Clarke (Northern) Limited	Ordinary
T Clarke North West Limited	Ordinary
T. Clarke (Scotland) Limited	Ordinary
TClarke South East Limited	Ordinary
TClarke South West Limited	Ordinary
Waldon Security Limited**	Ordinary

\* Shares held by J.J. Cross Limited.  
\*\* Shares held by TClarke South West Limited.

All subsidiary companies have their registered office at 45 Moorfields, London EC2Y 9AE apart from T. Clarke (Scotland) Limited whose registered office is at 6 Middlefield Road, Middlefield Industrial Estate, Falkirk, Stirlingshire FK2 9AG and T.Clarke (Northern) Limited whose registered office is at Stanhope House, 116-118 Walworth Road, London SE17 1JL.

The Company elects to take the audit exemption by parent guarantee (under section 479A of Companies Act) with regard to the financial statements for the year ended 31st December 2020, for the following subsidiary:

- Eton Associates Limited (Company number: 02820813)



# Shareholder Information

**Company Details**

Registered office:  
45 Moorfields  
London EC2Y 9AE  
Telephone: 020 7997 7400  
Email: [info@tclarke.co.uk](mailto:info@tclarke.co.uk)  
Company registration number: 119351

**The TClarke PLC Website**

Shareholders are encouraged to visit our website [www.tclarke.co.uk](http://www.tclarke.co.uk) for further information about the Company. The dedicated investor section on the website contains information specifically for shareholders, including regulatory announcements and copies of the latest and past financial statements.

**Registrar**

The Company’s shareholder register is maintained by our Registrar, Link Group. If you have any queries relating to your TClarke plc shareholding, you should contact Link Group directly by one of the methods below:

Email: [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)  
Telephone: 0371 664 0300  
By post: 10th Floor  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL  
Shareholder portal: [www.signalshares.com](http://www.signalshares.com)  
If you are yet to register, you will need your investor code.

**Analysis of Shareholdings**

The tables below show an analysis of Ordinary shareholdings as at 31st December 2020.

	Shares	Percentage	Holdings	Percentage
Individuals	7,614,127	17.69%	709	71.98%
Banks or nominees	33,121,501	76.93%	250	25.38%
Other corporations	2,316,930	5.38%	26	2.64%
Totals	43,052,558	100.0%	985	100.0%
Number of shares held:				
1 to 5,000	999,414	2.32%	588	59.70%
5,001 to 10,000	1,056,628	2.45%	144	14.62%
10,001 to 50,000	3,694,481	8.58%	166	16.85%
50,001 to 500,000	12,016,553	27.91%	69	7.01%
500,001 to 1,000,000	5,442,026	12.64%	8	0.81%
1,000,001 to 5,000,000	19,843,456	46.10%	10	1.01%
Totals	43,052,558	100.0%	985	100.0%

**Independent Auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

**Financial Calendar**

**Annual General Meeting**  
5th May 2021

**Final Dividend for 2020**

Ex-dividend 22nd April 2021  
Record date 23rd April 2021  
Payment due 21st May 2021

**Half Year Results Announcement**

20th July 2021

**Interim Dividend for 2021**

Ex-dividend 2nd September 2021  
Record date 3rd September 2021  
Payment due 1st October 2021

**Trading Update Release**

25th November 2021

These dates are indicative only and may be subject to change.

**Dividend Reinvestment Plan**

A dividend reinvestment plan (‘DRIP’) is available to shareholders. Those shareholders who have not elected to participate in the DRIP and who would like to do so, should contact our Registrar, Link Group on 0371 664 0381. The last day for election for the final dividend for 2020 is 30th April 2021.

# TClarke Offices



For full addresses and contact details for each office, please visit our website at [www.tclarke.co.uk/locations](http://www.tclarke.co.uk/locations)



# TClarke

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