

# **TClarke Leeds Limited**

Report and Financial Statements

Year Ended

31 December 2015

Company Number 02023932



# TClarke Leeds Limited

## Company Information

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<b>Directors</b>	M Lawrence O N C Seeger M R Walton A Meadley K C Mullen
<b>Company secretary</b>	A Dent
<b>Registered number</b>	02023932
<b>Registered office</b>	Low Hall Road Horsforth Leeds West Yorkshire LS18 4EF
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Benson House 33 Wellington Street Leeds LS1 4JP

# TClarke Leeds Limited

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# TClarke Leeds Limited

## Strategic Report For the Year Ended 31 December 2015

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### Introduction

The directors present their Strategic Report and Directors' Report together with the audited financial statements for the year ended 31 December 2015.

### Business review

We aim to present a balanced and comprehensive review of the company's performance and development during the year and its position at the year end. Our review is consistent with the size and nature of our business and also covers the principal risks and uncertainties faced by the company.

### Development and performance of the business

The company has returned a robust performance with impressive revenue growth. The company has a strong forward order book and is focusing on sectors that offer potential for growth, including facilities management, retail, education and office fit out. The company continues to target established building contractors and end user clients.

### Financial key performance indicators

The financial KPI's used to measure the company's progress and performance are revenue, operating profit margin, cash generation and net assets.

Revenue increased by £2,826,898 to £14,965,044 (2014 - £12,138,146), a increase of 23.3% and the company made an operating profit of £419,303 (2014 - loss £118,021), representing an operating profit margin of 2.8% (2014 - 1%). Net assets increased by £92,352 to £1,035,479 (2014 - £943,127). The company's cash balance decreased by £78,151 to £648,075 (2014 - £726,226) after paying a dividend of £250,000.

### Principal risks and uncertainties

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

#### Market conditions

The construction sector has faced extremely challenging conditions over a number of years, with low levels of confidence throughout the UK economy impacting on the demand for new build and maintenance services. The company mitigates this risk by ensuring it offers its services over a broad range of sectors and seeking to build lasting relationships with key contractors and end user clients based on our reputation for delivery and the financial strength of the company and the TClarke Group.

#### Contractual and operational risk

Failure to deliver projects to time, quality or budget, and contractual disputes that can arise over the scope and valuation of contracts, may make the ultimate outcome of contracts uncertain. The company continually assesses and manages contractual and operational risks, including health and safety risks, throughout the bidding stage to the final commissioning of an installation and handover to the client, using its experienced teams of estimators, engineers, supervisors and surveyors. Our business information systems monitor profit and cash flow throughout the life of a contract and regular review meetings are held to monitor progress and identify and address operational and financial issues as they arise.

# TClarke Leeds Limited

## Strategic report (continued)

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### Financial risk management

The group has exposure to the following risks from its use of financial instruments, cost inflation, credit and counterparty, liquidity, cash flow and interest rate.

Set out below is further information about the company's exposure to the risk and the company's objectives, policies and procedures for measuring and managing risk. The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework.

### Cost inflation

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

### Credit and counterparty risk

The company's main financial assets are contract and other trade receivables, and cash and bank balances. These assets represent the company's main exposure to credit risk, which is a risk that a counterparty will fail to discharge its obligations, resulting in financial loss to the company. The company may also be exposed to financial risk through the failure of a subcontractor or supplier. The financial strength of counterparties are considered prior to signing contracts, and are reviewed as contracts progress where there are indications that a counterparty may be experiencing financial difficulty. Procedures include the use of credit agencies to check the creditworthiness of existing and new clients and the use of approved suppliers lists and framework agreements with key suppliers.

### Liquidity risk

The company manages liquidity risk by maintaining adequate cash reserves and banking facilities, monitoring cash flows and by matching maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. The company is party to a group banking arrangement which is managed by its parent company, T Clarke Plc.

### Cash flow interest rate risk

The company is exposed to changes in interest rates on its bank borrowings and deposits. The company's financial instruments comprise cash and cash equivalents, bank deposits, overdraft facilities, contract and other trade receivables and payables, and other similar balances arising directly from operations. Surplus cash is placed on deposit through the parent company, T Clarke Plc, at fixed or floating rates, taking into account future cash requirements based on short and medium term cash projections. The company does not trade in speculative financial instruments.

This report was approved by the board and signed on its behalf.



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**M Lawrence**  
Director

Date: 28/06/2016

# **TClarke Leeds Limited**

## **Directors' Report For the Year Ended 31 December 2015**

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The directors present their report and the audited financial statements for the year ended 31 December 2015.

### **Results and dividends**

The Statement of Comprehensive Income is set out on page 8 and shows the profit for the year. The company paid an interim dividend during the year of £2,500 per share (2014 - £900 per share), the directors do not recommend the payment of a final dividend.

### **Future developments**

An indication of the likely future developments in the business of the company is given in the Strategic Report on pages 1 to 2.

### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

M Lawrence  
O N C Seeger  
M R Walton  
A Meadley  
K C Mullen

### **Directors' indemnities**

The company maintains directors' and officers' liability insurance cover for its directors and officers as permitted under the Company's Articles and the Companies Act. Such insurance policies were renewed during the year and remain in force. The company also indemnifies the directors under an indemnity deed with each director which contains provisions that are permitted by the director liability provisions of the Companies Act and the Company's Articles. An indemnity deed is usually entered into by a director at the time of their appointment to the Board. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act) were in force during the year and remain in force for the benefit of the directors (and any officer) of the company or any associated company.

### **Financial risk management**

The company's financial risk management policies are included in the strategic report.

### **Research and development activities**

The company 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.

### **Going concern**

The company meets its day to day working capital requirements through a mixture of cash at bank and loan finance.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate without the need for further facilities for the foreseeable future.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of

# TClarke Leeds Limited

## Directors' Report For the Year Ended 31 December 2015

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accounting in preparing the annual financial statements.

### Post balance sheet events

There have been no significant events affecting the company since the year end.

### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *28<sup>th</sup> June 2016* and signed by its order.



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**A Dent**  
Secretary

# **TClarke Leeds Limited**

## **Directors' Responsibilities Statement**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# TClarke Leeds Limited

## Independent Auditors' report to the members of TClarke Leeds Limited

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### Report on the financial statements

#### Our opinion

In our opinion, TClarke Leeds Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# TClarke Leeds Limited

## Independent Auditors' report to the members of TClarke Leeds Limited

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### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Nicolas Cook** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP,  
Chartered Accountants and Statutory Auditors  
Leeds

Date: 28 June 2016

## TClarke Leeds Limited

### Statement of Comprehensive Income For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Revenue	4	14,965,044	12,138,146
Cost of sales		<u>(12,765,459)</u>	<u>(10,354,368)</u>
<b>Gross profit</b>		<b>2,199,585</b>	<b>1,783,778</b>
Administrative expenses		(1,756,379)	(1,862,239)
Non-recurring administrative expenses		(30,452)	(41,350)
Other operating income		<u>6,549</u>	<u>1,790</u>
<b>Operating profit/(loss)</b>	5	<b>419,303</b>	<b>(118,021)</b>
Finance income	8	10,229	8,941
Finance expense	9	(22)	-
<b>Profit/(loss) before income tax</b>		<b>429,510</b>	<b>(109,080)</b>
Income tax expense	10	(87,158)	21,250
<b>Profit/(loss) for the year</b>		<b><u>342,352</u></b>	<b><u>(87,830)</u></b>

All amounts relate to ongoing activities.

The notes on pages 11 to 30 form part of these financial statements.

**TClarke Leeds Limited**  
Registered number:02023932

**Statement of Financial Position**  
As at 31 December 2015

	Note	2015 £	2014 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	64,082	89,113
Deferred tax assets	18	1,745	662
		<u>65,827</u>	<u>89,775</u>
<b>Current assets</b>			
Inventories	13	30,847	34,211
Amounts due from customers under construction contracts	14	2,392,155	680,221
Trade and other receivables	15	2,390,659	1,777,687
Cash and cash equivalents		648,075	726,226
		<u>5,527,563</u>	<u>3,308,120</u>
<b>Total assets</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	4,328,519	2,306,497
Corporation tax payable		89,855	-
Amounts due to customers under construction contracts	14	73,710	58,496
		<u>4,492,084</u>	<u>2,364,993</u>
<b>Total liabilities</b>			
		<u>1,035,479</u>	<u>943,127</u>
<b>Net assets</b>			
<b>Equity</b>			
Share capital	19	100	100
Retained earnings		1,035,379	943,027
		<u>1,035,479</u>	<u>943,127</u>
<b>Total equity</b>			

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



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**M Lawrence**  
Director

Date: 28/06/2016

The notes on pages 11 to 30 form part of these financial statements.

## TClarke Leeds Limited

### Statement of Changes in Equity For the year ended 31 December 2015

	Share capital £	Retained earnings £	Total equity £
At 1 January 2015	100	943,027	943,127
<b>Comprehensive income for the year</b>			
Profit for the year	-	342,352	342,352
<b>Total comprehensive income for the year</b>	-	342,352	342,352
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(250,000)	(250,000)
<b>Total contributions by and distributions to owners</b>	-	(250,000)	(250,000)
<b>At 31 December 2015</b>	<b>100</b>	<b>1,035,379</b>	<b>1,035,479</b>

The notes on pages 11 to 30 form part of these financial statements.

### Statement of Changes in Equity For the year ended 31 December 2014

	Share capital £	Retained earnings £	Total equity £
At 1 January 2014	100	1,120,857	1,120,957
<b>Comprehensive income for the year</b>			
Loss for the year	-	(87,830)	(87,830)
<b>Total comprehensive income for the year</b>	-	(87,830)	(87,830)
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(90,000)	(90,000)
<b>Total contributions by and distributions to owners</b>	-	(90,000)	(90,000)
<b>At 31 December 2014</b>	<b>100</b>	<b>943,027</b>	<b>943,127</b>

The notes on pages 11 to 30 form part of these financial statements.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

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### 1. General Information

TClarke Leeds Limited ('the company') is a private company registered in England and Wales under the Companies Act 2006 and is incorporated and domiciled in the United Kingdom. Its registered office is disclosed on the Company Information page. The nature of the company's operations and its principal activities are set out in the business review on page 1.

### 2. Accounting policies

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

#### 2.1 Basis of preparation of financial statements

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 ('FRS 100') issued by the Financial Reporting Council ('FRC').

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006, and are presented in £.

This is the first year that the company has presented its financial statements under FRS 101. The last financial statements were prepared under previous UK Generally Accepted Accounting Principles and were for the year ended 31 December 2014. Therefore, the date of transition to FRS 101 was 1 January 2014.

On adoption of FRS 101, no significant changes in accounting policies have been noted, and no transition adjustments were required to the prior year financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in relation to certain assets, presentation of a cash flow statement, related party transactions, standards not yet effective and share-based payment expenses. Where required, equivalent disclosures are available in the consolidated financial statements of T Clarke Plc, which are available to the public at [www.tclarke.co.uk](http://www.tclarke.co.uk) and from Companies House.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company'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 3.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

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### 2. Accounting policies (continued)

#### 2.1 Basis of preparation of financial statements (continued)

##### Going concern

The company meets its day to day working capital requirements through a mixture of cash at bank and borrowings. The company participates in and has access to a £8m group overdraft facility, and provides cross guarantees along with all other trading entities in the TClarke Group.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate without the need for further facilities for the foreseeable future.

After making appropriate enquiries the directors are satisfied that the company has adequate resources to continue its operations for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements. Further information on the group overdraft facility is given in note 19.

#### 2.2 Adoption of new and revised standards

The following standards, interpretations and amended standards have been applied for the first time for the financial year beginning 1 January 2015.

##### Annual Improvements 2010 – 2012 and 2011 – 2013 Cycles

Amendments to various standards and interpretations under the Annual Improvements 2010-2012 and 2011-2013 Cycles were applicable for the first time for the year ended 31 December 2015, but none of these amendments has had a significant effect on the financial statements.

#### 2.3 Revenue recognition

Sales revenue is measured at the fair value of work performed and goods and services provided in the normal course of business, net of discounts and VAT. Revenue from construction contracts is recognised in accordance with the company's policy on construction contracts (see policy 2.5). Revenue from the rendering of services that do not fall to be accounted for as construction contracts is accounted for by reference to the stage of completion of the relevant contract, determined by reference to the proportion of costs incurred. Revenue from the sale of materials and finished goods is recognised when the group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive payment. These criteria are considered to be met when the materials or goods have been delivered to and accepted by the buyer.

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

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

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### 2. Accounting policies (continued)

#### 2.4 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs (prime costs and overheads) incurred for the work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

The earliest point at which profit is taken is that at which the outcome of the contract, based on an assessment by officials of the company, can be reliably foreseen, taking into account the circumstances of each contract. Variations are included to the extent that the amount can be measured reliably and receipt is considered probable, but no account is taken of claims receivable until agreed. Full provision is made for any foreseeable losses to completion. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

#### 2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets concerned.

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 Statement of Comprehensive Income during the financial period in which they are incurred.

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

The estimated useful lives range as follows:

Leasehold improvements	-	10% per annum on a straight line basis
Plant, machinery and equipment	-	20%/25% per annum on a straight line basis or 15% per annum on a reducing balance
Motor vehicles	-	20% per annum on a straight line basis

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

# **TClarke Leeds Limited**

## **Notes to the Financial Statements For the Year Ended 31 December 2015**

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### **2. Accounting policies (continued)**

#### **2.6 Impairment of non-financial assets**

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.

Impairment charges are included in non-recurring costs in the Statement of Comprehensive Income, except to the extent they reverse gains previously recognised in the Statement of Comprehensive Income.

#### **2.7 Leasing and hire purchase commitments**

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

#### **2.8 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.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

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### 2. Accounting policies (continued)

#### 2.9 Financial instruments

The company's financial instruments comprise trade and other receivables (excluding prepayments), trade and other payables (excluding deferred income), finance leases and similar hire purchase contracts, and cash and cash equivalents net of overdrafts. The company classifies its financial assets as loans and receivables and its financial liabilities as liabilities at amortised cost. The company does not trade in any financial derivatives. Financial assets and liabilities are offset at 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.

##### **Trade and other receivables**

Trade and other receivables, which include construction contract balances receivable and are non-interest bearing, are measured on initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired, measured as the difference between the asset's carrying value and the fair value of the estimated recoverable amount, if any. Insolvency or significant financial difficulties of the debtor, late payments and disputes are considered indicators that a receivable may be impaired. The carrying amount of a trade receivable is reduced to its estimated recoverable amount through the use of an allowance account and the expense recognised in the Statement of Comprehensive Income in administrative expenses. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables.

##### **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.

##### **Trade and other payables**

Trade and other payables, which include construction contract balances payables, are initially measured at fair value and subsequently at amortised cost. Trade and other payables are non-interest bearing.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

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### 2. Accounting policies (continued)

#### 2.10 Taxation

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

Tax is recognised in the profit or loss 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 Statement of Comprehensive Income 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 company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied on the same company.

#### 2.11 Dividends

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

#### 2.12 Retirement benefit cost

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

The company's parent undertaking, T Clarke Plc, operates a pension scheme providing defined benefits on career average salaries for a number of employees. The company is liable for normal contributions only and the liability to pay final pensions and any shortfall in the scheme lies with T Clarke Plc. The company's contributions are accounted for in the calculation of the profit on ordinary activities before taxation in the year in which they are made.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

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### 2. Accounting policies (continued)

#### 2.13 Non-recurring items

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

### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company'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 company's policy for the recognition of revenue and profit on construction contracts are set out on page 13. 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.

#### Non-underlying items

Non-underlying items are items effecting financial performance which the company believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the company. The quantification, disclosure and presentation in the financial statements of non-underlying items requires judgement.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

#### Carrying value of inventory

The company purchases into inventory raw materials and components for use in the provision of construction and other services. As a result it is necessary to consider the recoverability of the cost if inventory and the associated provisioning required. When calculating any provision required management considers the nature and condition of the inventory, as well as applying assumptions around anticipated future usage of raw materials and components. The carrying value of inventory is disclosed in note 13.

#### Trade receivables credit provisions

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, the company considers factors including the credit rating of the receivable, the ageing profile of receivables and historic experience. The net carrying value of receivables and associated impairment provisions are disclosed in note 15.

### 4. Revenue

	2015 £	2014 £
Construction contracts	13,585,223	10,829,484
Other sales	1,379,821	1,308,662
	<u>14,965,044</u>	<u>12,138,146</u>

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

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 5. Operating profit/(loss)

The operating profit is stated after charging/(crediting):

	2015 £	2014 £
Depreciation of property, plant and equipment - owned assets	29,914	36,144
Loss/(profit) on disposal of property, plant and equipment	5,068	(1,205)
Operating lease charge - land and buildings	40,500	40,500
Restructuring expenses	-	41,350
Raw materials and consumables expensed in the year	5,112,431	4,062,976
Bad debt expense	238,564	215,453
Fees payable to the company's auditors for the audit of the company's annual financial statements	10,800	10,800
	10,800	10,800

### 6. Employees

Staff costs, including directors' remuneration, were as follows:

	2015 £	2014 £
Wages and salaries	2,788,811	2,888,919
Social security costs	285,990	307,429
Other pension costs	90,397	91,166
	3,165,198	3,287,514

The key management of the company are deemed to be the same as the directors of the company, therefore no additional disclosure of key management compensation has been provided.

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Operatives	56	53
Staff	22	28
	78	81

### Defined contribution pension schemes

The company contributes to defined contribution pension schemes on behalf of all qualifying employees. The assets of those schemes are held separately from those of the group in funds under the control of the trustees. Contributions payable during the year amounted to £54,498 (2014 - £35,611). The amount of pension contributions outstanding at the end of the year was £0 (2014 - £0), included in other creditors.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

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### 6. Employees (continued)

#### Multi-employer defined benefit pension scheme

The company also contributes to an industry-wide multi-employer defined benefit pension scheme on behalf of certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The plan exposes the 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 individual entities participating in the scheme, and the company does not have access to sufficient information to enable it to use defined benefit accounting. Therefore, the scheme has been accounted for as a defined contribution scheme. The latest formal actuarial valuation as at 5 April 2015 showed that the Scheme had a funding level of 101%. Contributions to the scheme during the year amounted to £20,110 (2014 - £14,808).

#### TClarke Group Retirement and Death Benefits Scheme

The company participates in the pension scheme operated by the parent company, the TClarke Group Retirement and Death Benefits Scheme ('the Scheme'). Contributions during the year were £15,789 (2014 -£40,746).

With effect from 1 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 by the Scheme.

The contributions are determined by an actuary on the basis of triennial valuations. The most recent triennial valuation of the scheme, carried out at 31 December 2012 by Mr J Seed, Fellow of the Institute of Actuaries, showed a deficit of £11.5m, which represented a funding level of 68%. The assets of the Scheme are held separately from those of the company. Company contributions for 2016 have been set at 20.7% (2015 - 20.7%).

The Scheme is a group scheme. The parent undertaking, T Clarke Plc, is the sponsoring employer for the scheme and detailed disclosures about the scheme can be found in the financial statements of that company. The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out at 31 December 2014. The deficit at 31 December 2015 was £13,414,000 (2014 - £16,279,000).

#### TClarke Plc Savings Related Share Option Scheme

All directors and employees of the company are eligible to join the T Clarke Plc Savings Related Share Option Scheme ('the 2011 SAYE scheme'), an approved save as you earn share option scheme.

The SAYE scheme was approved by HM Revenue and Customs on 14th July 2011. In accordance with 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 scheme is open to all eligible employees including the executive directors. Under the rules of the scheme all participating employees have entered into an approved Save As You Earn contract ('SAYE contract') under which the employee agrees to make monthly contributions of between £5 and £75 per month in respect of the 2011 scheme, between £5 and £150 per month in respect of the 2012 and 2013 schemes and between £5 and £200 per month in respect of the 2015 scheme for a period of three years, at the end of which the employee may use part or all of the proceeds to acquire the shares under option. Options will be exercisable within a period of six months commencing on the date of maturity of the participants SAYE contract.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 6. Employees (continued)

The weighted average fair value of the options granted in the year was 1.57p. Options were priced using a model based on the Black-Scholes model. The key inputs into the model were as follows:

Grant date share price	76.09p
Exercise price	69.75p
Expected volatility	6.61%
Expected option life	3.2 years
Dividend yield	4.07%
3 year Treasury bond yield	0.79%

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

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

	Number	Average Exercise price
At 1 January 2015	126,920	43.54p
Exercised	(77,850)	40.00p
Granted	123,602	69.75p
Lapsed	(4,500)	40.00p
At 31 December 2015	<u>168,172</u>	<u>54.54p</u>

The share options outstanding at the end of the year had a weighted average remaining contractual life of 848 days (2014 – 215 days).

The impact of recognising the fair value of employee share option grants as an expense resulted in an immaterial charge which has been borne by T Clarke Plc.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 7. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	172,922	210,329
Company contributions to defined benefit pension schemes	20,839	40,747
Compensation for loss of office	-	30,000
	<u>193,761</u>	<u>281,076</u>

There was 1 director in the group defined benefit pension scheme during the year (2014 - 2).

The total amount payable to the highest paid director in respect of emoluments was £94,255 (2014 - £91,565). Company pension contributions of £15,790 (2014 - £13,214) were made to a defined benefit scheme on their behalf.

The company's directors are considered to be its key management personnel.

### 8. Finance income

	2015 £	2014 £
Loans to group companies	3,600	4,875
Bank deposits	6,629	4,066
	<u>10,229</u>	<u>8,941</u>

### 9. Finance expense

	2015 £	2014 £
Other interest payable	22	-
	<u>22</u>	<u>-</u>

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 10. Taxation

	2015 £	2014 £
<b>Corporation tax</b>		
Current tax on profits for the year	88,069	(19,399)
Adjustments in respect of prior periods	172	714
	<u>88,241</u>	<u>(18,685)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,189)	(2,757)
Changes to tax rates	106	192
	<u>(1,083)</u>	<u>(2,565)</u>
<b>Total deferred tax</b>		
	<u>87,158</u>	<u>(21,250)</u>
<b>Taxation on profit/(loss) on ordinary activities</b>		

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Profit/(loss) before tax	<u>429,510</u>	<u>(109,080)</u>
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	86,961	(23,436)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,484	1,600
Adjustments to tax charge in respect of prior periods	172	714
Changes to tax rates	106	192
Marginal relief	(53)	(320)
Tax relief on share based payments	(3,512)	-
<b>Total tax charge for the year</b>	<u>87,158</u>	<u>(21,250)</u>

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 10. Taxation (continued)

#### Factors that may affect future tax charges

The main rate of UK corporation tax was reduced from 21% to 20% on 1 April 2015 and will be reduced further to 19% on 1 April 2017 and 18% on 1 April 2020.

### 11. Dividends

	2015 £	2014 £
<b>Ordinary</b>		
Dividend paid of £2,500 (2014 - £900) per share	<u>250,000</u>	<u>90,000</u>

### 12. Property, plant and equipment

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2015	96,337	162,554	125,225	384,116
Additions	-	14,601	-	14,601
Disposals	(2,000)	(22,472)	(17,999)	(42,471)
<b>At 31 December 2015</b>	<u>94,337</u>	<u>154,683</u>	<u>107,226</u>	<u>356,246</u>
<b>Accumulated Depreciation</b>				
At 1 January 2015	87,106	135,349	72,548	295,003
Charge for the year	2,090	10,387	17,437	29,914
Disposals	(191)	(18,912)	(13,650)	(32,753)
<b>At 31 December 2015</b>	<u>89,005</u>	<u>126,824</u>	<u>76,335</u>	<u>292,164</u>
<b>At 31 December 2015</b>	<u>5,332</u>	<u>27,859</u>	<u>30,891</u>	<u>64,082</u>
<b>At 31 December 2014</b>	<u>9,231</u>	<u>27,205</u>	<u>52,677</u>	<u>89,113</u>

## TClarke Leeds Limited

### Notes to the Financial Statements For the Year Ended 31 December 2015

#### 13. Inventories

	2015 £	2014 £
Raw materials and consumables	3,702	11,008
Work in progress (goods to be sold)	27,145	23,204
	30,847	34,212

The difference between purchase price or production cost of inventories and their replacement cost is not material.

#### 14. Construction contracts

	2015 £	2014 £
<b>Contract work in progress comprises:</b>		
Contract costs incurred plus recognised profits less recognised losses to date	6,131,358	4,360,085
Less: progress payments	(3,812,913)	(3,738,360)
<b>Contracts in progress at the reporting date</b>	<b>2,318,445</b>	<b>621,725</b>
	2015 £	2014 £
Gross amount due from customers	2,392,155	680,221
Gross amount due to customers	(73,710)	(58,496)
	<b>2,318,445</b>	<b>621,725</b>

## TClarke Leeds Limited

### Notes to the Financial Statements For the Year Ended 31 December 2015

#### 15. Trade and other receivables

	2015 £	2014 £
<b>Amounts falling due within one year</b>		
Trade receivables	1,876,337	1,098,499
Amounts owed by group undertakings	-	273,132
Other receivables	2,297	2,510
Prepayments	88,362	45,846
Accrued income	423,663	338,301
Tax recoverable	-	19,399
	<b>2,390,659</b>	<b>1,777,687</b>

Trade receivables are included net of a provision of £4,832 (2014 - £218,114) for impairment of trade receivables.

The ageing analysis of the trade receivables is as follows:

	2015 £	2014 £
<b>Trade receivables (including retentions) are due as follows:</b>		
Due within 3 months	1,139,864	618,976
Due in 3 to 6 months	24,384	61,332
Due in 6 to 12 months	184,745	115,130
Due after more than one year	90,247	18,064
Overdue	441,929	503,111
	<b>1,881,169</b>	<b>1,316,613</b>

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 15. Trade and other receivables (continued)

	2015 £	2014 £
<b>The ageing of overdue debtors is as follows:</b>		
Less than 30 days	74,363	113,117
31 - 61 days	106,895	52,867
61 - 120 days	28,076	111,604
Greater than 120 days	232,595	225,523
	<b>441,929</b>	<b>503,111</b>
	<b>441,929</b>	<b>503,111</b>

Amount owed by group undertakings are unsecured, interest-free and are repayable on demand.

### 16. Trade and other payables

	2015 £	2014 £
Trade payables	3,307,757	1,432,465
Amounts owed to group undertakings	216,563	40,500
Taxation and social security	243,498	449,515
Other payables	14,018	10,500
Accruals	444,831	234,229
Deferred income	101,852	139,288
	<b>4,328,519</b>	<b>2,306,497</b>
	<b>4,328,519</b>	<b>2,306,497</b>

	2015 £	2014 £
<b>Trade payables (including retentions) are due as follows:</b>		
Due in 30 days or less	1,056,803	382,057
Due in 31 - 60 days	1,501,628	833,038
Due in more than 60 days	749,326	217,370
	<b>3,307,757</b>	<b>1,432,465</b>
	<b>3,307,757</b>	<b>1,432,465</b>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 17. Financial instruments

	2015 £	2014 £
<b>Financial assets</b>		
Cash and cash equivalents	648,075	726,226
Trade and other receivables excluding prepayments and tax	2,302,297	1,712,442
Amounts due from customers under construction contracts	2,392,155	680,221
	<u>5,342,527</u>	<u>3,118,889</u>
<b>Financial liabilities</b>		
Trade and other payables excluding deferred income and tax	(3,983,169)	(1,717,695)
Amounts due to customers under construction contracts	(73,710)	(58,496)
	<u>(4,056,879)</u>	<u>(1,776,191)</u>

Financial assets measured at amortised cost comprise trade and other receivables (excluding prepayments and tax), construction contract balances receivable and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise trade and other payables (excluding deferred income and tax), construction contract balances payable and bank overdrafts.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 18. Deferred taxation

The analysis in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2015 £	2014 £
Deferred tax liabilities	(443)	(1,293)
Deferred tax assets	2,188	1,955
	1,745	662

	Retirement benefit obligations £	Accelerated capital allowances £	Total £
Asset at 1 January 2014	631	(2,534)	(1,903)
Charged/(credited) to profit or loss	1,324	1,241	2,565
Asset at 31 December 2014	1,955	(1,293)	662
Charged/(credited) to profit or loss	233	850	1,083
Asset at 31 December 2015	2,188	(443)	1,745

### 19. Share capital

	2015 £	2014 £
<b>Allotted, called up and fully paid</b>		
100 (2014 - 100) ordinary shares of £1 each	100	100

### 20. Contingent liabilities

The company is a joint guarantor in respect of banking facilities granted to its parent undertaking and certain fellow subsidiaries. There were no amounts outstanding at 31 December 2015 (2014 - £Nil). The company has contingent liabilities in respect of guarantees given for commitments in the normal course of trade.

# TClarke Leeds Limited

## Notes to the Financial Statements For the Year Ended 31 December 2015

### 21. Pensions

The company operates a defined contribution pension scheme and a defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund in respect of the defined contribution scheme. The pension charge amounted to £74,608 (2014 - £50,419) for the defined contribution scheme and £15,789 (2014 - £40,746) for the defined benefit scheme. The amount of pension contributions included in accruals at the year end is £0 (2014 - £0).

### 22. Commitments under operating leases

At 31 December 2015 the Company's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 £	2014 £
Not later than 1 year	68,046	40,500
Later than 1 year and not later than 5 years	108,583	81,000
<b>Total</b>	<b>176,629</b>	<b>121,500</b>

### 23. Controlling party

The immediate and ultimate parent undertaking and controlling party is T Clarke Plc, a company registered in England and Wales.

The largest and smallest group in which the financial statements of the company are consolidated is that headed by T Clarke Plc, incorporated in England and Wales. The consolidated financial statements of this company are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. No other group financial statements include the results of the company.

### 24. First time adoption of FRS 101

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss.