

TClarke Leeds Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 02023932

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TCClarke Leeds Limited

Company information

Directors	M Lawrence M R Walton A Meadley K C Mullen
Registered number	02023932
Registered office	Low Hall Road Horsforth Leeds West Yorkshire LS18 4EF
Independent auditors	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL

TClarke Leeds Limited

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TClarke Leeds Limited

Strategic Report For the Year Ended 31 December 2016

Introduction

The directors present their Strategic Report and Directors' Report together with the audited financial statements for the year ended 31 December 2016.

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 £4,534,688 to £19,499,732 (2015 - £14,965,044), an increase of 30.3% (2015 - increase of 23.3%) and the company made an operating profit of £851,142 (2015 - £419,303), representing an operating profit margin of 4.4% (2015 - 2.8%). Net assets increased by £193,553 to £1,229,032 (2015 - £1,035,479). The company's cash balance increased by £372,259 to £1,020,334 (2015 - £648,075) after paying a dividend of £500,000 (2015 - £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 T Clarke 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) For the Year Ended 31 December 2016

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.



M Lawrence
Director

Date: 19 April 2017

TClarke Leeds Limited

Directors' Report For the Year Ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

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 £5,000 per share (2015 - £2,500 per share). The directors do not recommend the payment of a final dividend (2015: £nil).

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
M R Walton
A Meadley
K C Mullen
O N C Seeger (resigned 10 February 2017)

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.

TClarke Leeds Limited

Directors' Report For the Year Ended 31 December 2016

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 a period of at least 12 months from the date on which the financial statements for the year ended 31 December 2016 were approved.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date on which the financial statements for the year ended 31 December 2016 were approved. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Post Statement of Financial Position events

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

Disclosure of information to auditors

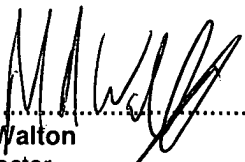
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 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 and signed on its behalf.


.....
M Walton
Director

Date: 19 April 2017

TCClarke Leeds Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 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.

The directors 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.

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


.....
M Walton
Director

Date: 19 April 2017

TClarke Leeds Limited

Independent Auditors' report to the members of TClarke Leeds Limited

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 2016 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 2016;
- 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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

- 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.

TClarke Leeds Limited

Independent Auditors' report to the members of TClarke Leeds Limited

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.

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.



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

Date: 19 April 2017

TClarke Leeds Limited

Statement of Comprehensive Income For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Revenue	4	19,499,732	14,965,044
Cost of sales		(17,016,107)	(12,765,459)
Gross profit		2,483,625	2,199,585
Administrative expenses		(1,632,483)	(1,786,831)
Other operating income	5	-	6,549
Operating profit	6	851,142	419,303
Finance income	9	16,038	10,229
Finance expense	10	-	(22)
Profit before tax		867,180	429,510
Taxation expense	11	(173,627)	(87,158)
Profit and total comprehensive income		693,553	342,352

All amounts relate to continuing operations.

The notes on pages 11 to 28 form part of these financial statements.

TClarke Leeds Limited
Registered number:02023932

Statement of Financial Position
As at 31 December 2016

	Note	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	13	59,609	64,082
Deferred tax assets	19	791	1,745
		<u>60,400</u>	<u>65,827</u>
Current assets			
Inventories	14	13,387	30,847
Amounts due from customers under construction contracts	15	1,984,583	2,392,155
Trade and other receivables	16	1,911,043	2,390,659
Cash and cash equivalents		1,020,334	648,075
		<u>4,929,347</u>	<u>5,461,736</u>
Total assets		<u>4,989,747</u>	<u>5,527,563</u>
Liabilities			
Current liabilities			
Trade and other payables	17	3,040,884	4,328,519
Corporation tax payable		172,569	89,855
Amounts due to customers under construction contracts	15	547,262	73,710
		<u>3,760,715</u>	<u>4,492,084</u>
Total liabilities		<u>3,760,715</u>	<u>4,492,084</u>
Net assets		<u>1,229,032</u>	<u>1,035,479</u>
Equity			
Share capital	20	100	100
Retained earnings		1,228,932	1,035,379
Total equity		<u>1,229,032</u>	<u>1,035,479</u>

The financial statements on pages 8 to 28 were approved and authorised for issue by the board and were signed on its behalf by:



.....
M Lawrence
Director

Date: 19 April 2017

TClarke Leeds Limited

Statement of Changes in Equity For the year ended 31 December 2016

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016	100	1,035,379	1,035,479
Comprehensive income for the year			
Profit for the year	-	693,553	693,553
Total comprehensive income for the year	-	693,553	693,553
Contributions by and distributions to owners			
Dividends: Equity capital	-	(500,000)	(500,000)
Total contributions by and distributions to owners	-	(500,000)	(500,000)
At 31 December 2016	100	1,228,932	1,229,032

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
Comprehensive income for the year			
Profit for the year	-	342,352	342,352
Total comprehensive income for the year	-	342,352	342,352
Contributions by and distributions to owners			
Dividends: Equity capital	-	(250,000)	(250,000)
Total contributions by and distributions to owners	-	(250,000)	(250,000)
At 31 December 2015	100	1,035,379	1,035,479

The notes on pages 11 to 28 form part of these financial statements.

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

1. General Information

TClarke Leeds Limited ('the company') is a private limited 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 £.

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 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.

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 £5m 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 a period of at least 12 months from the date of approval of these financial statements.

After making appropriate enquiries the directors are satisfied that the company has adequate resources to continue its operations for a period of at least 12 months from the date of approval of these financial statements. 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 21.

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

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 2016.

Annual Improvements 2012 - 2014 Cycle

Amendments to various standards and interpretations under the Annual Improvements 2012 - 2014 Cycle are applicable for the first time for the year ended 31 December 2016, 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 2.4). 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 income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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 (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 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.

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

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:

Leasehold improvements	- 10% per annum on a straight line basis
Plant, machinery and equipment	- 20%/25% per annum on a straight line basis
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.

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 2016

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 2016

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.

Throughout the year and the preceding year the company's parent undertaking, T Clarke Plc, operated a pension scheme providing defined benefits on career average salaries for a number of employees. The company was liable for normal contributions only and the liability to pay final pensions and any shortfall in the scheme lay with T Clarke Plc. On 23 December 2016 T Clarke Plc's obligations in respect of the pension scheme were transferred to another group company, T Clarke Services Limited. The company's contributions are accounted for in the calculation of operating profit in the year in which they are made.

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.

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

3. Judgements 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 12. 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.

Carrying value of inventory

The company purchases 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 of 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 14.

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 16.

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

4. Revenue

An analysis of revenue by class of business is as follows:

	2016 £	2015 £
Construction contracts	17,920,769	13,585,223
Other sales	1,578,963	1,379,821
	<u>19,499,732</u>	<u>14,965,044</u>

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

5. Other operating income

	2016 £	2015 £
Other operating income	-	6,549
	<u>-</u>	<u>6,549</u>

6. Operating profit

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

	2016 £	2015 £
Depreciation of property, plant and equipment - owned assets	26,117	29,914
Loss on disposal of property, plant and equipment	4,931	5,068
Operating lease charge		
- land and buildings	40,500	40,500
- plant, machinery and vehicles	43,084	-
Raw materials and consumables expensed in the year	5,666,036	5,112,431
Bad debt expense	5,167	238,564
Fees payable to the company's auditors for the audit of the company's annual financial statements	<u>10,800</u>	<u>10,800</u>

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

7. Employees

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

	2016 £	2015 £
Wages and salaries	3,274,969	2,788,811
Social security costs	347,166	285,990
Other pension costs	104,535	90,397
	<u>3,726,670</u>	<u>3,165,198</u>

Directors' remuneration is disclosed in note 8. 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:

	2016 No.	2015 No.
Operatives	60	56
Staff	23	22
	<u>83</u>	<u>78</u>

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 £60,473 (2015 - £54,498). The amount of pension contributions outstanding at the end of the year was £14,931 (2015 - £Nil), included in other creditors.

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 £28,059 (2015 - £20,110).

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

7. Employees (continued)

TClarke Group Retirement and Death Benefits Scheme

The company participates in the defined benefit pension scheme operated by the parent company, the TClarke Retirement and Death Benefits Scheme ('the Scheme'). Contributions during the year were £16,003 (2015 - £15,789). The amount of pension contributions outstanding at the end of the year was £1,849 (2015 - £Nil).

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. 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 draft triennial valuation of the scheme, carried out at 31 December 2015 by Mr J Seed, Fellow of the Institute of Actuaries, showed a deficit of £14.7m, which represented a funding level of 67%. The assets of the Scheme are held separately from the company.

From 1 January 2017 the future service contribution will increase from 15.7% to 21.4% of pensionable salary (including employee contribution), with the group's deficit reduction contribution, which was previously set at 13% of pensionable salary, being fixed at £1.0m for 2017, rising to £1.5m for 2019 and beyond. The TClarke Group has proposed an increase in employee contributions from 8% to 10% of pensionable salary and is consulting with employees on this proposal.

The Scheme is a group scheme. The parent undertaking, T Clarke Plc, was the sponsoring employer for the Scheme until 23 December 2016, when a fellow subsidiary, TClarke Services Limited, became the sponsoring employer following a group reorganisation. Detailed disclosures about the Scheme can be found in the consolidated financial statements of the parent company, T Clarke Plc, and in the financial statements of TClarke Services Limited. The most recent actuarial valuation of plan assets and the defined benefit obligation was carried out at 31 December 2016. The deficit at 31 December 2016 was £20,558,000 (2015 - £13,414,000).

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 £150 per month in respect of the 2013 scheme 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.

No options were granted during the year.

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

7. Employees (continued)

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

	Number	Average Exercise price
At 1 January 2016	168,172	54.54p
Exercised	(23,142)	42.00p
Lapsed	(40,720)	73.89p
At 31 December 2016	<u>104,310</u>	<u>65.88p</u>

The share options outstanding at the end of the year had a weighted average remaining contractual life of 528 days (2015 - 848 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.

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	184,595	172,922
Company contributions to defined benefit pension schemes	21,291	20,839
	<u>205,886</u>	<u>193,761</u>

There was 1 director in the group defined benefit pension scheme during the year (2015 - 1).

The total amount payable to the highest paid director in respect of emoluments was £98,655 (2015 - £94,255). Company pension contributions of £16,003 (2015 - £15,790) were made to a defined benefit scheme on their behalf.

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

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

9. Finance income

	2016 £	2015 £
Loans to group companies	-	3,600
Bank deposits	16,038	6,629
	<u>16,038</u>	<u>10,229</u>

10. Finance expense

	2016 £	2015 £
Other interest payable	-	22
	<u>-</u>	<u>22</u>

11. Taxation expense

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	172,569	88,069
Adjustments in respect of prior periods	104	172
	<u>172,673</u>	<u>88,241</u>
Deferred tax		
Origination and reversal of timing differences	906	(1,189)
Changes to tax rates	48	106
	<u>954</u>	<u>(1,083)</u>
Total deferred tax		
	<u>173,627</u>	<u>87,158</u>
Taxation on profit on ordinary activities		
	<u>173,627</u>	<u>87,158</u>

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

11. Taxation expense (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit before tax	867,180	429,510
Profit before tax multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	173,436	86,961
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,063	3,484
Adjustments to tax charge in respect of prior periods	104	172
Changes to tax rates	48	106
Marginal relief	-	(53)
Tax relief on share based payments	(2,024)	(3,512)
Total tax charge for the year	173,627	87,158

Factors that may affect future tax charges

The main rate of UK corporation tax will be reduced to 19% on 1 April 2017 and will be reduced further to 17% on 1 April 2020.

12. Dividends

	2016 £	2015 £
Ordinary		
Interim dividend paid of £5,000 (2015 - £2,500) per share	500,000	250,000

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

13. Property, plant and equipment

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2016	94,337	154,683	107,226	356,246
Additions	9,045	16,303	1,227	26,575
Disposals	-	(32,336)	(17,934)	(50,270)
At 31 December 2016	103,382	138,650	90,519	332,551
Accumulated depreciation				
At 1 January 2016	89,005	126,824	76,335	292,164
Charge for the year	1,190	12,889	12,038	26,117
Disposals	-	(32,336)	(13,003)	(45,339)
At 31 December 2016	90,195	107,377	75,370	272,942
Net book value				
At 31 December 2016	13,187	31,273	15,149	59,609
At 31 December 2015	5,332	27,859	30,891	64,082

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

14. Inventories

	2016 £	2015 £
Raw materials and consumables	3,348	3,702
Work in progress (goods to be sold)	10,039	27,145
	<u>13,387</u>	<u>30,847</u>

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

15. Construction contracts

	2016 £	2015 £
Contract work in progress comprises:		
Contract costs incurred plus recognised profits less recognised losses to date	13,937,311	6,131,358
Less: progress payments	(12,499,990)	(3,812,913)
Contracts in progress at the reporting date	<u>1,437,321</u>	<u>2,318,445</u>

	2016 £	2015 £
Gross amount due from customers	1,984,583	2,392,155
Gross amount due to customers	(547,262)	(73,710)
	<u>1,437,321</u>	<u>2,318,445</u>

TCClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

16. Trade and other receivables

	2016 £	2015 £
Amounts falling due within one year		
Trade receivables	1,372,374	1,876,337
Amounts owed by group undertakings	114,506	-
Other receivables	2,940	2,297
Prepayments	90,289	88,362
Accrued income	330,934	423,663
	<u>1,911,043</u>	<u>2,390,659</u>

Trade receivables are included net of a provision of £6,415 (2015 - £4,832) for impairment of trade receivables.

The ageing analysis of the trade receivables is as follows:

	2016 £	2015 £
Trade receivables (including retentions) are due as follows:		
Due within 3 months	631,945	1,139,864
Due in 3 to 6 months	51,342	24,384
Due in 6 to 12 months	252,296	184,745
Due after more than one year	85,885	90,247
Overdue	357,321	441,929
	<u>1,378,789</u>	<u>1,881,169</u>

	2016 £	2015 £
The ageing of overdue trade receivables (including retentions) is as follows:		
Less than 30 days	58,066	74,363
31 - 61 days	78,299	106,895
61 - 120 days	23,404	28,076
Greater than 120 days	197,552	232,595
	<u>357,321</u>	<u>441,929</u>

Amounts owed by 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 2016

17. Trade and other payables

	2016 £	2015 £
Trade payables	2,209,428	3,307,757
Amounts owed to group undertakings	1,744	216,563
Taxation and social security	298,525	243,498
Other payables	18,782	14,018
Accruals	406,385	444,831
Deferred income	106,020	101,852
	<u>3,040,884</u>	<u>4,328,519</u>

	2016 £	2015 £
Trade payables (including retentions) are due as follows:		
Due in 30 days or less	897,783	1,056,803
Due in 31 - 60 days	1,015,105	1,501,628
Due in more than 60 days	296,540	749,326
	<u>2,209,428</u>	<u>3,307,757</u>

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 2016

18. Financial instruments

	2016 £	2015 £
Financial assets		
Cash and cash equivalents	1,020,334	648,075
Trade and other receivables excluding prepayments and tax	1,820,754	2,302,297
Amounts due from customers under construction contracts	1,984,583	2,392,155
	<u>4,825,671</u>	<u>5,342,527</u>
Financial liabilities		
Trade and other payables excluding deferred income and tax	(2,636,339)	(3,983,169)
Amounts due to customers under construction contracts	(547,262)	(73,710)
	<u>(3,183,601)</u>	<u>(4,056,879)</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.

19. 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:

	2016 £	2015 £
Deferred tax liabilities	(1,748)	(443)
Deferred tax assets	2,539	2,188
	<u>791</u>	<u>1,745</u>

	Retirement benefit obligations £	Accelerated capital allowances £	Total £
Asset at 1 January 2015	1,955	(1,293)	662
Charged/(credited) to profit or loss	233	850	1,083
Asset at 31 December 2015	<u>2,188</u>	<u>(443)</u>	<u>1,745</u>
Charged/(credited) to profit or loss	351	(1,305)	(954)
Asset at 31 December 2016	<u>2,539</u>	<u>(1,748)</u>	<u>791</u>

TClarke Leeds Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

20. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
100 (2015 - 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

21. 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 2016 (2015 - £Nil). The company has contingent liabilities in respect of guarantees given for commitments in the normal course of trade.

22. Commitments under operating leases

At 31 December 2016 the company's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Not later than 1 year	80,474	68,046
Later than 1 year and not later than 5 years	70,965	108,583
Total	<u>151,439</u>	<u>176,629</u>

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.