

Company Registration Number: 08057308

Mace Finance Limited

Consolidated Financial Statements

31 December 2018



Mace Finance Limited
Consolidated Financial Statements
Year ended 31 December 2018

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Mace Finance Limited

Company information

Directors	Mark Castle David Grover Jonathan Holmes Dennis Hone CBE Stephen Jeffery (appointed 1 January 2019) Clare Lewis Gareth Lewis Jason Millett Lee Penlington Stephen Pycroft Mark Reynolds Mandy Willis
Secretary	Carolyn Pate
Registered office	155 Moorgate London EC2M 6XB
Domiciled	United Kingdom
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Barclays Bank plc London Corporate Banking Level 28 1 Churchill Place London E14 5HP
Company registration number	08057308

Mace Finance Limited

Strategic report

Year ended 31 December 2018

Mace is an international development, consultancy, construction and facilities management company founded on exceptional people, a commitment to service excellence and a deep-rooted entrepreneurial spirit.

The directors of Mace Finance Limited have the pleasure in presenting their strategic report for the year ended 31 December 2018. In preparing this strategic report, the directors have complied with s.414C of the Companies Act 2006. This report has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters which are significant to Mace Finance Limited and its subsidiary undertakings when viewed as a whole.

Overview headlines

In 2018 we delivered our 28th consecutive year of growth and profitability. Although it was a challenging year for the construction industry, turnover and profit before tax increased and the group continued to deliver high quality, innovative projects for our clients.

- Group revenue of £2.35bn (2017: £1.97bn).
- Profit before taxation of £28.5m (2017: £29.8m).
- Construction contributed £1.99bn (85%) of turnover (2017: £1.63bn - 83%).
- Work undertaken on construction management contracts amounted to £713m (2017: £582m). Mace has no contractual arrangement with the supply chain. This amount is not included in our Group revenue.
- Consultancy turnover increased by 2% to £274m (2017: £267m).
- International activities contributed £831m (2017: £665m) to Group revenue.
- Cash balances net of overdrafts were £202m at the year-end (2017: £193m).
- External borrowing increased to £202m (2017: £162m) to fund development schemes.
- Expenditure on Research & Development amounted to £44m (2017: £49m)
- 62% of turnover target for 2019 secured by end 2018. 90% secured by September 2019
- The Mace Foundation made donations of £442k to charitable causes in 2018.
- The overall tax charge for 2018 is £5.9m (2017: £5.4m) which is an effective tax rate of 21% (2017: 18%) of profit on ordinary activities.
- The Company's latest reporting for the average time taken to pay invoices was 34 days and 74% of invoices due were paid within agreed terms.

The pursuit of a better way is at the heart of everything we do. We know that to achieve our ambitious targets we need to continue to innovate with a focus on service excellence to deliver the highest quality services to our clients. In the last year we continued to strengthen our market presence and integrated service capability. We were rewarded with significant new work across the infrastructure, property, and commercial office and data centre sectors.

Key Performance Indicators

Management consider the following key performance indicators for the business:	2018	2017
• Revenue (increase year on year %)	19%	0%
• Gross margin %	7%	7%
• EBITDA (note 5)	34,909	27,750
• Overall reportable accidents	47	32
• Accident Frequency Rate (reportable accidents per 100,000 hours worked)	0.10	0.09
• Direct employee headcount at year end	5,561	5,042

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2018

Post Balance Sheet Event

On 4 July 2019 Mace Limited's non-current asset equity investment in Mace Capital Limited was redeemed for its par value of £56,766,000. During the year, the carrying value of the investment had been reconsidered as part of the work undertaken for the implementation of IFRS 9, "Financial Instruments". Under Accounting Standards this investment was valued with the assistance of an external independent valuer at £3.5m at 31 December 2017 and at £11.0m at 31 December 2018. The investment was previously carried at its par value and subject to a prior year non-cash technical adjustment which resulted in a reduction of net assets as shown in note 25. Mace Capital's only asset was its investment in the preferred shares of Mace Finance Limited. The consequence of the redemption of the 4 July 2019 was that the group's reserves increased by £45.8m and its share capital reduced by £56.8m resulting in an £11m reduction in net assets. The effect on the company was to reduce its share capital and overall net assets by £56.8m.

Business Review

Mace's profit before tax on ordinary activities in 2018 was £28.5m (2017: £29.8m). If pre-tax profit attributable to non-controlling interests is excluded the profit before tax amounted to £29.3m (2017: £24.2m). This was Mace's 28th consecutive year of making a profit. Group revenue increased to £2.35bn (2017: £1.97bn) driven by our International data centre business despite the challenges faced by the construction industry during the year. 2018 was the first year of our 2022 Business Strategy. This strategy is based on our four engines for growth which are Development, Consultancy, Construction and Facilities Management. These business divisions are supported by Group Services who provide Corporate Governance, Risk and Assurance, Legal & Commercial Services, Finance, Information Technology, Marketing & Communications, Procurement and Human Resource expertise. Our business strategy focused on stable growth, engaging and developing our people, innovation to deliver service excellence and being a responsible business.

Our Development business is now involved with schemes with a development value of over £2bn. In 2018 we were appointed as the Development Manager for Stevenage Town Centre. The site will provide 3,500 new homes, shops, restaurants, sport and leisure facilities. Construction on our student accommodation sites in Exeter, Cardiff and Oxford continued and we sold our interests in two potential developments; one student and residential housing site in Sheffield and a commercial site in the Cambridge Science Park. At 31 December 2018 development work in progress for our schemes at Exeter, Cardiff and the residential development of 300 apartments at Greenwich Square amounted to £140.7m and in addition we have invested via loans £55m in a joint venture arrangement for the mixed use development of a site in West Oxford. This level of development and loans have been financed by limited recourse funding of £41.6m and by investing funds from the £160m corporate bond issued in March 2017. It is forecast that the total debt will increase to circa £330m in 2020 before development assets are realised and the debt including the corporate bond can be repaid. Current appraisals and valuations indicate that there will be sufficient cash realised on the sale of assets to repay all the outstanding debt.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2018

Our Consultancy business grew turnover by 2% to £274m in 2018 (2017: £267m) and headcount increased to 2,679 (2017: 2,511). We continue to work on a number of complex and ambitious programme management commissions including the 2019 Pan-American Games which are being held in Lima, Peru, and on Expo 2020 Dubai in joint venture we are managing the programme to deliver over 50 individual projects ready for Dubai to host more than 250,000 visitors a day. We were also appointed to deliver the UK's Pavilion at the Expo. In Australia, working for School Infrastructure in New South Wales, we are delivering 35 school upgrade projects improving the education experiences of thousands of young people and working on a number of projects for Tiffany & Co as part of our global commission with them.

Construction contributed £1.99bn (85%) of Group turnover in 2018 (2017: £1.63bn - 83%). Our successful International Data Centres business went from strength to strength delivering high quality projects in Ireland, the Netherlands and Denmark. The construction business achieved a number of significant construction management appointments over the year including the construction management of the Astra Zeneca headquarters in Cambridge. In North London we completed the stunning new Tottenham Hotspur Stadium that is now hosting Premier League football. Construction headcount increased to 2,121 (2017: 1,842). This reflects the increased level of construction management schemes being undertaken where £713m (2017: £582m) of work managed is not included in turnover.

During 2018 our Facilities Management business, Macro, increased turnover to £66m (2017: £55m) with headcount increasing to 1,140 (2017: 982). This reflects growth in the amount of overseas work undertaken. This included new commissions with the e-commerce company Vroom in the USA, expanding our long-standing relationship with Standard Chartered Bank to their operations in Poland and starting work with ExxonMobil in Qatar.

Due to foreign exchange fluctuations we made a retranslation loss of £0.4m in 2018 (2017: loss of £1.3m). This had a negative impact on retained earnings as shown in the statement of changes in equity. The overall tax charge for 2018 is £5.9m (2017: £5.4m) which is an effective tax rate of 21% (2017: 18%) of profit on ordinary activities. This effective tax rate is higher than the UK corporation tax rate as losses in certain jurisdictions cannot be offset against profits in other jurisdictions.

Mace supports the prompt payment of suppliers and subcontractors subject to receiving appropriate invoices for undisputed amounts. From 1st January 2018, the Company began reporting payment performance statistics under the Government's Duty to Report scheme. Our latest 2018 reporting under the scheme showed that the Company's average time taken to pay invoices was 34 days and 74% of invoices due were paid within agreed terms.

Looking to the future

Our pipeline for 2019 was already 90% secured by September 2019, with opportunities in both the UK and International markets. Our Developments business continues to expand with nearly £2bn of assets under management helping to support the Group's wider 2022 Business Strategy. There are clearly challenges in the construction sector to overcome. These include reduced activity and investment due to economic and market uncertainty. We believe that although turnover is likely to reduce in 2019 it will be possible to broadly hold profit before tax to the same level as 2018.

Risks and Uncertainties

Our strategy is designed to reduce risk and build a sustainable and profitable business with reasonably predictable income streams and increasing margins. It is the Group's policy not to speculate in derivative financial instruments. Details of the financial risk management objectives and policies of the Group, together with its exposure to material financial risks, are set out in note 3 to the financial statements. The key risks to the business include:

(a) Health, safety and wellbeing risks

Health, wellbeing and safety are embedded in everything we do. It is a central part of our culture and one of our four key values is "Safety first - going home safe and well". We continue to review and improve our employee training to lay the foundations of a safe and healthy culture across our business. Our fourth annual Safety First awards ceremony saw more of our people, clients and supply chain partners recognised and rewarded for their safety excellence. We will continue to focus on occupational health and wellbeing including a Mental Health Awareness week.

In 2018 our accident frequency rate increased to 0.10 with the number of RIDDOR injuries on our projects also increasing to 47 (2017: 32). This is clearly a disappointing result and we have identified key areas and suppliers where accidents are more prevalent and have determined key actions with the supply chain to improve health and safety practices. Positively, in 2018 we have avoided any life threatening or serious incidents but we are not complacent and the Group continues to seek continuous improvement in our health and safety controls and practice

(b) Delivery risk

Delivery of our projects on time, within budget, to the pre-requisite quality while making an appropriate return is paramount to our future success. In the current climate, where clients are demanding ever shorter delivery programmes and more focus on cost, the performance of our programmes and projects is monitored closely and action is taken when targets are not being met. This is managed at a business level and within our Group governance structure. In 2018 we embedded a Service Excellence and Quality process for all projects based on gateway reviews, to identify issues for resolution at the earliest possible juncture.

(c) Economic uncertainties

We operate across a number of market sectors in the UK and around the world and are affected by national and international macro-economic conditions, trade conditions and political volatility as well as by the investment and spending cycles that exist in many industries. Our broad spread of activities across numerous market sectors and geographies, and a focus on development, construction, consultancy and facilities management opportunities that can offer longer-term income, helps us to mitigate our exposure to short and medium-term economic uncertainties. The Group remains concerned about the terms on which the UK will leave the European Union and the potential consequential impact on labour, construction activity and services within the UK economy.

(d) Currency and exchange rate risks

Due to our geographical spread we are exposed to changes in national economic conditions, exchange rate fluctuations and local trading restrictions. However, wherever possible we employ local people and suppliers, and have established local operating companies in most of the jurisdictions in which we work, so that exposure to exchange rate changes is mitigated and knowledge of the local business environment is strengthened.

(e) Liquidity risk

Liquidity risk is intrinsically linked to capital risk management and borrowings. Note 3(f) provides details of the Group's approach to managing liquidity risk.

(f) Political instability

A significant number of the attractive longer-term opportunities and framework agreements with clients are in emerging and rapidly growing economies around the world. These include economies in the Middle East and North Africa, Sub-Saharan Africa and Asia which have the potential for rapid political change. We investigate and monitor the geo-political factors of the markets in which we operate to anticipate potential instability and to diversify operations with the aim of limiting our exposure to political risks. We recognise that the human impact of political change can be significant and remain cautious to factors that might affect the welfare or safety of our people and their families.

(g) Environmental risks

Construction operations can create environmental hazards and nuisances which can range from pollution threats to noise, vibration and contamination. This is a highly regulated area in which failures can lead to prosecution. We consider ourselves to be a responsible and considerate business taking the appropriate steps to train our directors and employees in best practice relating to environmental management. One of our priorities in our 2022 Business Strategy is to be a responsible business. A full-time Responsible Business Director is responsible for overseeing that our projects not only meet environmental and sustainability requirements but set the standard for sustainable development and construction.

(h) Threat of competition

As a global business with interests in a wide range of marketplaces the threat of competition is both inevitable and dynamic. Competitors migrate towards areas in which there are profitable opportunities to be won and the benefits of technical or operational advances made by one provider can quickly become normalised as others move to adopt these innovations. Although recognised as a market-leader and innovator, we understand that our long-term defence against increasing competition must be to continue to innovate and build upon mature relationships and genuine partnerships with our clients and suppliers.

(i) Security and confidentiality

We recognise that threats to our clients and our business can arise from matters as diverse as trespass, fraud, intellectual and data property theft and loss, national security, cyber security and terrorism. We are an ISO27001 Information Management registered company, and therefore we manage our projects and programmes in a way that is commensurate with our clients' security environments, controlling information, to as far as possible avoid breaches of confidentiality or data security. Basic security screening is carried out for all our people, with additional checks being undertaken for those who operate in more secure client environments. Our IT systems and software are subject to regular review and key operational systems are regularly updated with supplier patches and new revisions. We developed and implemented an appropriate plan to ensure we were compliant with the new General Data Protection Regulations that came in force on 25 May 2018.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2018

(j) Modern slavery

We have updated our business policies and processes to ensure, as far as possible, that modern slavery is not occurring within our supply chain. We have recently reviewed and published our third Modern Slavery & Human Trafficking Policy Statement. We have refreshed our online training and supporting procurement and supervision guidance to help our employees understand modern slavery and the risks it poses to our business, and also how we can take an active role to identify and eliminate modern slavery from our supply chains.

(k) Gender pay and inclusivity

We published our second Gender Pay Gap statistics in March 2019. We recognise that in common with a number of construction based companies there is a wide gap between median and average pay of male and female employees. We believe that gender pay could impact the decisions of people choosing an employer and clients seeking a contractor or a consultant. We are therefore putting measures in place to increase the number of women we recruit into senior roles and to ensure that there is no bias in promotion decisions. We intend to focus more strongly on inclusion and diversity as we believe diverse teams not only better reflect our clients and the areas where we work, but also lead to better ideas and decision making in line with our mission to continually pursue a better way of delivering client's requirements.

We constantly review our control and monitoring processes and systems to minimise all our risks.

Signed by order of the directors



Mark Reynolds
Chief Executive Officer

30 September 2019

Mace Finance Limited

Directors' report

Year ended 31 December 2018

The directors present their annual report on the affairs of the Group, together with audited financial statements and auditor's report, for the year ended 31 December 2018.

Principal activity

Mace is an international consultancy and construction group whose principal activities continue to be construction delivery, project and programme management, cost consultancy and facilities management. In addition the Group has made certain investments in property development projects.

Results and dividends

The consolidated profit for the year before taxation amounted to £28.5m (2017: £29.8m). Mace Finance Limited has paid dividends of £6.6m (2017: £4.5m). No further dividend is proposed for the year.

Strategic report

The Group is required by section 414A of the Companies Act 2006 to present a Strategic report in the Annual Report. This can be found on pages 4 to 9. The Strategic Report contains, where appropriate, an indication of the directors' view on likely future developments in the business of the Group.

Directors

The directors who held office during the year were:

Mark Castle
David Grover
Jonathan Holmes
Dennis Hone
Stephen Jeffrey (appointed 1 January 2019)
Clare Lewis
Gareth Lewis
Jason Millett
Lee Penlington
Stephen Pycroft
Mark Reynolds
Mandy Willis

Financial instruments

Further information regarding the Group's financial instruments related policies and a consideration of its liquidity and other financing risks are in note 3 to the financial statements.

Mace Finance Limited

Directors' report (continued)

Year ended 31 December 2018

Directors' indemnity insurance

The Company provides a directors' and officers' insurance policy which was in place during the year and remains in force at the date of this report.

Going concern

The Group has considerable financial resources, with working capital cash balances net of overdrafts of £202m at 31 December 2018. At this date the Group had external borrowings of £202m which includes the corporate bond and limited recourse development loans which are secured against development assets. In addition the Group has long-term contracts and a diverse range of customers and suppliers across its business activities.

After making appropriate enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

Employees

The directors recognise that employees are fundamental to the Group's success and are committed to the involvement and development of employees at all levels. The directors wish to ensure that Mace is a diverse and inclusive Group that respects employee's protected characteristics including race, religion, sexual orientation and any disabilities.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Arrangements exist to keep all employees informed on matters of concern to them and information on Group performance and prospects is disseminated widely.

The Directors ensure that employees or their representatives are consulted on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests.

Employees are encouraged to be concerned with the performance and efficiency of the Group and various profit sharing and bonus schemes operate to emphasise and reinforce this.

The directors would like to thank all our employees for their hard work during the year.

Research and development

The Group has invested £44m (2017: £49m) in research and development activities on projects in the course of seeking and delivering innovative solutions for our clients.

Mace Finance Limited

Directors' report (continued)

Year ended 31 December 2018

Disclosure of information to auditors

Each of the persons who is a director as at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP resigned as auditor and the directors have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office. BDO LLP will be reappointed as auditor in accordance with Chapter 2 of Part 16 of the Companies Act 2006.

The financial statements are approved by the Board and signed by order of directors.



Carolyn Pate
Group Company Secretary

30 September 2019

Mace Finance Limited

Directors' responsibilities statement

Year ended 31 December 2018

The directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; 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.

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

Mace Finance Limited

Independent auditor's report to the shareholders of Mace Finance Limited

Year ended 31 December 2018

Opinion

We have audited the financial statements of Mace Finance Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Group Statement of Changes in Equity, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Mace Finance Limited

Independent auditor's report to the shareholders of Mace Finance Limited (continued)

Year ended 31 December 2018

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Mace Finance Limited

Independent auditor's report to the shareholders of Mace Finance Limited (continued)

Year ended 31 December 2018

Responsibilities of Directors

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

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

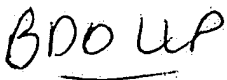
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Paul Fenner (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
30 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Mace Finance Limited

Consolidated statement of comprehensive income

Year ended 31 December 2018

	Notes	2018 £000s	Restated 2017 £000s
Group revenue	4	2,349,770	1,971,748
Cost of sales		(2,194,043)	(1,836,066)
Gross profit		155,727	135,682
Administrative expenses		(129,250)	(113,810)
Operating profit		26,477	21,872
Share based payment		(153)	(76)
Share of profit of associates and joint ventures		1,045	386
Profit on disposal of a subsidiary	13	1,920	-
Profit on ordinary activities before interest		29,289	22,182
Finance income	6	3,769	12,464
Finance costs	6	(4,538)	(4,813)
Profit on ordinary activities before taxation		28,520	29,833
Income tax expense	9	(5,919)	(5,429)
Profit on ordinary activities after taxation		22,601	24,404
Profit for the year attributable for			
Owners of the parent		21,851	24,171
Non-controlling interest		750	233
		22,601	24,404
Other comprehensive income			
Items that will or may be classified to profit and loss			
Exchange differences on re-translation of foreign subsidiaries		(398)	(1,258)
Items that will not be classified to profit and loss			
Fair value adjustment	25	7,500	(22,867)
Total comprehensive income for the year		29,703	279
Total comprehensive income for the year attributable to			
Owners of the parent		28,953	8
Non-controlling interest		750	271
		29,703	279

The notes on pages 24 to 66 form part of these financial statements

Mace Finance Limited

Consolidated statement of financial position

As at 31 December 2018

		31 December	Restated 31 December	Restated 31 December
	Notes	2018	2017	2016
		£000s	£000s	£000s
Non-current assets				
Property, plant and equipment	10	14,807	20,509	21,385
Intangible assets	11	147,919	136,869	128,412
Deferred tax assets	9	2,905	3,361	1,640
Investments in joint ventures	13	9,272	2,405	2,195
Other investments	13,25	11,000	3,500	2,000
Total non-current assets		185,903	166,644	155,632
Current assets				
Trade and other receivables	14	445,782	467,551	365,311
Development work in progress	15	140,697	70,689	22,516
Development loan to joint venture	15	54,907	37,287	-
Other work in progress		1,976	1,333	907
Cash at bank		217,133	215,119	117,427
		860,495	791,979	506,161
Current liabilities				
Trade and other payables	16	(753,276)	(729,043)	(610,279)
Net current assets		107,219	62,936	(104,118)
Total assets less current liabilities		293,122	229,580	51,514
Non-current liabilities				
Trade and other payables	17	(33,470)	(33,832)	(25,354)
Borrowings	17	(201,644)	(161,501)	-
Net assets		58,008	34,247	26,160
Capital and reserves				
Called up share capital	18	56,766	56,766	44,820
Share based payment		9,242	9,088	9,012
Accumulated reserves		(9,688)	(32,004)	(27,517)
Equity shareholders' funds		56,320	33,850	26,315
Non-controlling interests		1,688	397	(155)
		58,008	34,247	26,160

These financial statements of Mace Finance Limited (company number 08057308) were approved by the directors, authorised for issue on 30 September 2019, and are signed on their behalf by:



Mark Reynolds
Chief Executive Officer



Dennis Hone
Group Finance Director

The notes on pages 24 to 66 form part of these financial statements

Mace Finance Limited

Company statement of financial position

As at 31 December 2018

	Notes	As at 31 December 2018 £000s	As at 31 December 2017 £000s
Non-current assets			
Investments	13	<u>138,804</u>	<u>138,804</u>
		138,804	138,804
Current assets			
Trade and other receivables	14	<u>6,036</u>	<u>516</u>
		6,036	516
Current liabilities			
Cash and cash equivalents	16	<u>(7,440)</u>	<u>(3,206)</u>
Trade and other payables	16	<u>(36,207)</u>	<u>(40,898)</u>
		(43,647)	(44,104)
Net current assets		<u>(37,611)</u>	<u>(43,588)</u>
Total assets less current liabilities		<u>101,193</u>	<u>95,216</u>
Non-current liabilities			
Trade and other payables	17	<u>-</u>	<u>(2,500)</u>
Net assets		<u>101,193</u>	<u>92,716</u>
Capital and reserves			
Called up share capital	18	<u>56,766</u>	<u>56,766</u>
Share based payment		<u>9,241</u>	<u>9,088</u>
Profit and loss account		<u>35,186</u>	<u>26,862</u>
Equity shareholders' funds		<u>101,193</u>	<u>92,716</u>

A separate profit and loss account for the Company (company number 2410626) is not presented as permitted by section 408 of the Companies Act 2006. The profit after taxation of the Company was £15.0m (2017: £9.6m.)

These financial statements were approved by the directors, authorised for issue on 30 September 2019 and are signed on their behalf by:


Mark Reynolds
Chief Executive Officer


Dennis Hone
Group Finance Director

The notes on pages 24 to 66 form part of these financial statements.

Mace Finance Limited

Consolidated statement of cash flows

Year ended 31 December 2018

	Note	Year ended 31 December 2018 £000s	Year ended 31 December 2017 £000s
Cash flows from operating activities	20	<u>13,528</u>	<u>(55,903)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,682)	(4,745)
Acquisition of investments		(7,500)	(117)
Disposal of subsidiary (note 25)		1,920	-
Acquisition of business		-	(6,878)
Proceeds from disposals of fixed asset		30	83
Proceeds on disposal of investments		-	247
Acquisition of business		-	(7,711)
Net cash used in investing activities		<u>(16,232)</u>	<u>(12,243)</u>
Cash flows from financing activities			
Dividends paid to company shareholders		(6,637)	(4,495)
Dividends paid		(194)	-
Increase in borrowings		40,143	177,319
Repayment of borrowings		(5,000)	(4,828)
Repayment of loan notes		(16,500)	(25,509)
Net cash generated in financing activities		<u>11,812</u>	<u>142,487</u>
Net increase in cash		9,108	74,341
Cash at bank and bank overdrafts at beginning of year		192,650	117,427
Effects of currency translation on cash at bank and bank overdrafts		552	882
Cash at bank and bank overdrafts at end of year		<u>202,310</u>	<u>192,650</u>
Cash at bank and bank overdrafts		2018	2017
		£000s	£000s
Cash at bank		217,133	215,119
Bank overdrafts		(14,823)	(22,469)
		<u>202,310</u>	<u>192,650</u>

Dividends received has been reclassified from financing to investing activities.

The notes on pages 24 to 66 are an integral part of these consolidated financial statements.

Company statement of cash flows

Year ended 31 December 2018

	Note	Year ended 31 December 2018 £000s	Year ended 31 December 2017 £000s
Cash flows from operating activities	20	<u>2,405</u>	<u>11,330</u>
Cash flows from investing activities			
Dividends received from subsidiaries		<u>16,498</u>	<u>14,700</u>
Net cash generated/(used) in investing activities		<u>16,498</u>	<u>14,700</u>
Cash flows from financing activities			
Dividends paid to company shareholders		<u>(6,637)</u>	<u>(4,495)</u>
Repayment of loan notes		<u>(16,500)</u>	<u>(25,509)</u>
Net cash (used)/generated in financing activities		<u>(23,137)</u>	<u>(30,004)</u>
Net decrease in cash		<u>(4,234)</u>	<u>(3,974)</u>
Cash at bank and bank overdrafts at beginning of year		<u>(3,206)</u>	<u>768</u>
Cash at bank and bank overdrafts at end of year		<u>(7,440)</u>	<u>(3,206)</u>
Cash at bank and bank overdrafts		2018	2017
		£000s	£000s
Bank overdrafts		<u>(7,440)</u>	<u>(3,206)</u>

Dividends received has been reclassified from financing to investing activities.

Foreign Exchange Reserve £000s	Share Capital £000s	Share Based Payment £000s	Equity Investment Reserve £000s	Retained Earnings £000s	Attributable to owners £000s	Non-Controlling Interest £000s	Total £000s
(1,118)	44,820	9,012	-	16,419	69,133	(155)	68,978
-	-	-	(42,818)	-	(42,818)	-	(42,818)
-	-	-	-	24,171	24,171	233	24,404
-	-	-	957	-	957	-	957
-	24,946	-	-	-	24,946	-	24,946
-	(13,000)	-	-	-	(13,000)	-	(13,000)
(1,296)	-	-	-	-	(1,296)	38	(1,258)
-	-	-	-	(23,824)	(23,824)	-	(23,824)
-	-	76	-	-	76	-	76
-	-	-	-	(4,495)	(4,495)	-	(4,495)
-	-	-	-	-	-	281	281
(2,414)	56,766	9,088	(41,861)	12,271	33,850	397	34,247
-	-	-	-	21,851	21,851	750	22,601
-	-	-	7,500	-	7,500	-	7,500
(398)	-	-	-	-	(398)	12	(386)
-	-	153	-	-	153	-	153
-	-	-	-	(6,637)	(6,637)	(194)	(6,831)
-	-	-	-	-	-	724	724
(2,812)	56,766	9,241	(34,361)	27,485	56,319	1,689	58,008

Mace Finance Limited**Statements of changes in equity****Year ended 31 December 2018**

Company statement of changes in equity	Share based payment £000s	Share capital £000s	Retained earnings £000s	Total £000s
Equity shareholders' funds as at 1 January 2017	9,012	44,820	21,817	75,649
Profit after tax for the year	-	-	9,540	9,540
Share based payment	76	-	-	76
Share issue	-	24,946	-	24,946
Share capital reduction	-	(13,000)	-	(13,000)
Dividends paid	-	-	(4,495)	(4,495)
Equity shareholders' funds as at 1 January 2018	<u>9,088</u>	<u>56,766</u>	<u>26,862</u>	<u>92,716</u>
Profit after tax for the year	-	-	14,961	14,961
Share based payment	153	-	-	153
Share issue	-	-	-	-
Share capital reduction	-	-	-	-
Dividends paid	-	-	(6,637)	(6,637)
Equity shareholders' funds as at 31 December 2018	<u>9,241</u>	<u>56,766</u>	<u>35,186</u>	<u>101,193</u>

The notes on pages 24 to 67 are an integral part of these consolidated financial statements

Mace Finance Limited

Notes to the financial statements

1. Accounting policies

General information

Mace Finance Limited (the "Company") is a private limited company incorporated, and domiciled in England and Wales. The address of the registered office is 155 Moorgate, London, EC2M 6XB. The principal activities of the Group and the Company are detailed in the directors' report.

The functional currency of the parent is pounds sterling because that is the currency of the primary economic environment in which the Group operates. Pounds sterling is also the presentation currency of the Company and Group. The amounts stated are denominated in thousands (£'000).

Basis of accounting

These consolidated financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. The Group has consistently applied all accounting standards and interpretations issued by the International Accounting Standards Board and IFRS IC, and endorsed by the EU, relevant to its operations and effective on 1 January 2018.

Basis of consolidation

The Group financial statements incorporate the results of Mace Finance Limited, its subsidiary undertakings and the Group's share of the results of joint ventures. Subsidiaries are all entities over which the Group has control.

The exposure or right to variable returns from its involvement with an investee, and the ability to influence those returns, are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed to the income statement. The identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of any non-controlling interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group. The Company has guaranteed the liabilities of certain subsidiaries included within note 26. Where the Company has guaranteed the liabilities of the subsidiary and they are included within the consolidated financial statements the subsidiaries were exempt from the requirements of audit under section 479A of the Companies Act 2006.

Standards and interpretations in issue but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2018. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

1. Accounting policies (continued)

IFRS 16 – Leases

Adoption of IFRS 16 will result in the Group recognising right-of-use and lease liabilities for all contracts that are leased in the statement of financial position. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities and instead spreads the lease payments over the lease term, disclosing in its annual financial statements the total commitment. The Group has determined it will apply the modified retrospective approach in IFRS 16, and therefore will only recognise leases in the Statement of Financial Position as at 1 January 2019. At 31 December 2018 the Group has operating lease commitments of £30.9m (note 22). The effect of discounting those commitments at an appropriate discount rate would result in right-of-use assets and lease liabilities of approximately £13m and £18.8m respectively.

Adoption of new and revised standards

IFRS 9 ‘Financial instruments: Classification and measurement’; effective 1 January 2018

The Group has reviewed the requirements of IFRS 9. The Group’s principal financial assets are trade receivables, contract assets and loans to related parties which will continue to be measured at amortised cost. The Group has applied the simplified method of the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs. This resulted in increased judgement being required in order to assess the requirement for an impairment provision due to the need to factor in forward looking information when estimating the appropriate amount of provisions. No material impairment provisions were recognised as a result and the impact of this change was not material.

However, in applying IFRS 9, a material impact in relation to the carrying value of the investment in the preferred shares of Mace Capital Limited was identified as explained in note 4(h) and 24.

The principal accounting policies in use were;

1.1 IFRS 15 – ‘Revenue from Contracts with Customers’

Revenue is measured under IFRS 15 at the fair value of the consideration received or receivable and represents amounts receivable in the normal course of business, net of discounts, VAT and other sales related tax.

(a) Construction contracts

Revenue arises from the increase in the value of work performed on construction contracts and on the value of services provided during the year. Where the outcome of a long term contract can be reliably estimated and it is probable that the contract will be profitable, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Stage of completion is assessed by reference to the proportion of contract costs incurred for the work performed to date relative to the estimated total costs. Variations and claims are included in revenue where it is probable that the amount, which can be measured reliably, will be recovered from the client. When the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

There are three main types of contracts in Construction,

i Construction Management,

Nature, timing of satisfaction of performance obligations:

Contracts are typically accounted for as a single performance obligation. Mace typically receives payments from the customer based on a contractual schedule of value that reflects the timing and performance of the service delivery. Revenue is therefore recognised over time (the period of construction/service delivery) based on cost committed to date. Uninvoiced amounts are recognised as assets.

1. Accounting policies (continued)

ii Fixed Price

Nature, timing of satisfaction of performance obligations:

A number of projects within construction management are undertaken using fixed price contracts. Contracts are typically accounted for as a single performance obligation, even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract given that each is highly interdependent on the other. The Group typically receives payments from the customer based on a contractual schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time. Un-invoiced amounts are presented as contract assets.

iii Cost-reimbursable

Nature, timing of satisfaction of performance obligations

A number of projects within construction management are undertaken using open-book/cost plus contracts. Contracts are typically accounted for as a single performance obligation with the majority of these contracts including a build only phase. The Group typically receives payment from the customer based on actual costs incurred. Revenue is therefore recognised over time based on an input model. Uninvoiced amounts are presented as contracts assets.

Nature of change in accounting policy

These contracts were previously accounted for under IAS 11 and as such were recognised over time as the service is provided. There is no change to the timing of revenue recognition under IFRS 15, with revenue continuing to be recognised over time, as the asset is constructed/service is delivered.

(b) Consultancy contracts

There are three main types of contracts in Consultancy,

i Time and materials

Nature, timing of satisfaction of performance obligations

Contracts of this type comprise a fee based on an agreed day or hourly rate, which can be billed weekly or monthly. The duration risk of this type of pricing typically lies with the client. Satisfaction of the performance obligations are measured using the input method, whereby they are based on direct labour hours, time elapsed or resources consumed, and therefore revenue is recognised over time as the services are delivered with reference to these inputs.

Nature of change in accounting policy

These contracts were previously accounted for under IAS 18 and the approach followed the principle that revenue should be measured at the fair value of the consideration received or receivable. The fair value was considered to be the transaction price and therefore revenue was recognised over time as the services were provided. The guidance provided by IFRS 15 in regards to recognising revenue over time details an approach which is not dissimilar to the approach the Group adopted under IAS 18, being the input method detailed above, and therefore the Group are satisfied that there is no material impact in regards to the approach to revenue recognition as a result of the change in standard applied

ii Fixed fee

Nature, timing of satisfaction of performance obligations

Contracts of this type comprise a fixed fee which is typically (but not always) derived from a unit rate multiplied by time. The risk of the duration of the project is often transferred to Mace for a given scope of work/deliverable. Performance obligations contained in contracts of this type can be distinguished easily as the contract deliverables for which there is a clearly defined fee or fees. Satisfaction of the performance obligations are measured using outputs such as scope deliverables or conditional milestones reached and therefore revenue is recognised over time as the services are delivered with reference to the extent to which these outputs or conditions are being completed or met.

Mace Finance Limited
Notes to the financial statements (continued)

Year ended 31 December 2018

1. Accounting policies (continued)

Nature of change in accounting policy

These contracts were previously accounted for under IAS 18 and the approach followed the principles for recognising revenue for the rendering of services as set out in the standard, whereby revenue was recognised based on the stage of completion of the project at the balance sheet date. The approach to recognising revenue under IFRS 15 is similar. Performance obligations can be clearly identified as being the contract deliverables and the transaction price is identifiable as the contract, purchase order or task order value. Revenue is recognised in reference to the performance obligations being satisfied. The Group is therefore satisfied there is no material impact in regards to the approach to revenue recognition as a result of the change in the standard applied

iii Risk and reward

Nature, timing of satisfaction of performance obligations

Contracts of this type comprise a base fee, plus a risk and reward element. The base fee element of the contract can be on a time and materials basis or a fixed fee basis and will therefore be accounted for using the same principles as described above. The risk/reward element can be variable based on the outcomes achieved and is assessed regularly to establish the likely outcome. The Group applies the principle of prudence in regards to risk, whereby identifiable and measurable risks to revenue are recognised as soon as reasonably possible while income relating to reward is often deferred until there is a high level certainty of the successful outcome of the performance obligation.

Nature of change in accounting policy

These contracts were previously accounted for under IAS 18, whereby the base fee was accounted for on the basis of the time and materials or fixed fee approaches as described above. In regards to the contingent element, IAS 18 states that revenue should be recognised when it is probable that any future economic benefit associated with the revenue would flow to the Company. The Group are prudent in regards to the interpretation of "probable" and would typically defer this type of income until there was a higher level of certainty about the future economic benefits flowing to the Company. The approach is consistent with the requirements of IFRS 15 which states that variable amounts must only be included in the transaction price when it is highly probable that its inclusion will not result in a revenue reversal in the future when the certainty has subsequently been resolved. The Group is therefore satisfied there is no material impact in regards to the approach to revenue recognition as a result of the change in the standard applied.

(c) Facilities Management – Operate

The Company operates contracts with a varying degree of complexity across its service lines so accordingly, a range of methods are used for the recognition of revenue based on the principles set out in IFRS 15. Revenue represents income recognised in respect of services provided during the period based on the delivery of performance obligations.

The Company's customer contracts include a diverse range of payment schedules which are often agreed at the inception of long-term contracts under which it receives payments throughout the term of the arrangement. Payments for services transferred at a point in time may be at the delivery date, in arrears or part payment in advance. Where revenue recognised at the period end date is more than amounts invoiced, the Company records accrued income for the difference. Where revenue recognised at the period end date is less than amounts invoiced, the Company recognises deferred income for the difference.

(d) Developments

Revenue from other services contracts is recognised when the service is provided. Revenue from the sale of land is recognised when the control has been transferred to the buyer, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Group. Sale of goods revenue is recognised at legal completion in respect of the total proceeds of building and development. Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and VAT.

1. Accounting policies (continued)

1.2 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Board. The main Group Board is responsible for allocating resources and assessing performance of the operating segments.

Disaggregation of revenue

As part of the implementation of IFRS 15 on 1 January 2018, the Group has assessed the appropriate presentation of its revenue (analysing the varying risk profiles and effect of economic factors on the nature, amount, timing and uncertainty of revenue). The material differences in risk between the different revenue streams have been captured by the Group's operating segments as this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors. Therefore the Group has presented disaggregation in line with the segmental analysis as shown in note 4.

1.3 Goodwill and other intangible asset

Goodwill is initially recognised and measured as set out below.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGU) expected to benefit from the synergies of the combination. CGUs to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Software is recognised as an intangible asset. It is recognised at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over its estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on prospective basis. The estimated useful lives for the Group's finite life intangible assets are 10 years. Amortisation is recognised in administrative expenses.

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated so as to write off the cost of a tangible asset less its estimated residual value over the estimated useful economic life of that asset on the following bases:

Leasehold improvements	over the period of the lease
Plant, motor vehicles and equipment	10% to 20% per annum on a straight line basis
Computer equipment	33% per annum on a straight line basis
Freehold property	5% per annum on a straight line basis

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1. Accounting policies (continued)

1.5 Impairment of property, plant & equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

1.6 Retirement benefit costs

The Group contributes to the personal pension plans of certain employees of the Group on a defined contribution basis. The assets of these schemes are held in independently administered funds. The pension cost charged in the financial statements represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the statement of financial position.

1.7 Taxation

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

The current tax payable is based on taxable profit for the year. 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. The Group's liability for current tax is calculated using tax rates prevailing in the year.

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 statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences; 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Mace Finance Limited
Notes to the financial statements (continued)

Year ended 31 December 2018

1. Accounting policies (continued)

1.8 Development Work In Progress

Development WIP is initially stated at cost and then held as the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing work in progress to its present value. Cost also includes interest incurred on external borrowings funding the projects. Net realisable value represents the estimated selling price less all estimated costs of completion to be incurred.

1.9 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The accounting policy has been amended in 2018 to incorporate considerations for IFRS 9, whereas the 2017 policy utilised the incurred loss model under IAS39. This amendment has not led to a significant change in policy (see note 24). The principal financial assets and liabilities of the Group are as follows:

(a) Financial assets at amortised costs

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less appropriate allowances for credit losses over the expected lifetime of the asset. The trade receivables are valued at amounts approximating to fair value. Trade receivables include applications to the extent that there is an unconditional right to payment and the amount has been certified by the customer. The recoverable amount of applications that have not been certified and other amounts that have not been applied for but represent the recoverable value of work carried out at the balance sheet date are recognised as contract assets.

The Group applies the simplified approach to measuring expected credit losses under IFRS 9 using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The Group's contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less at inception. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

(c) Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment. Any contingent consideration is recognised as an accrual at the acquisition date and is measured at the present value of the expected settlement using a pre-tax discount rate that reflects current market assessment of the time value of money. The increase in the accrual due to the passage of time is recognised as an interest expense. Any change to the value of contingent consideration identified within 12 months from the acquisition date is reflected in the original cost of the investment. Subsequent changes to the value of contingent consideration are reflected in the statement of comprehensive income in the Group accounts.

Where the Company or its subsidiaries has significant influence over an entity, normally being more than 20% and less than 50%, then that investment is classified as an associate and is equity accounted for.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may have suffered an impairment loss. If any such indication exists the Company makes an estimate of the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use represents the discounted net present value of expected future cash flows. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount, and an impairment loss is recognised immediately in the statement of comprehensive income of the Company.

1. Accounting policies (continued)

(d) Other investments

This category comprises an equity investment. On the date of initial application of IFRS 9, the entity made an irrevocable election to present changes in the fair value of these investments in other comprehensive income. This item was previously carried as an available for sale asset under IAS 39 with gains and losses, other than impairment losses, recognised in other comprehensive income and recycled to profit or loss on redemption or disposal. This is fully explained in notes 4(h) and 24.

(e) Trade and other payables

Trade and other payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

(f) Trade receivables

Trade receivables are stated initially at fair value and subsequently held at amortised cost.

(g) Other borrowings

Interest-bearing bank and other loans are recorded at the fair value of the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for at amortised cost and on an accruals basis in the statement of comprehensive income using the effective interest method. Interest is added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

(h) Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instrument's legal form. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

(j) Derivative financial instruments

Financial assets and liabilities are recognised on the Group's Statement of Financial Position when the Group becomes party to the contractual provision of the instrument. The Group uses derivative financial instruments to manage its exposure to foreign exchange risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

1.10 Operating leases

Amounts due under operating leases are charged to the statement of comprehensive income in equal annual instalments over the period of the lease.

1.11 Foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange rates in effect when they take place. Resulting foreign currency denominated assets and liabilities are translated at the exchange rates ruling at the reporting date. Exchange differences arising from foreign currency transactions are reflected in the income statement.

The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the reporting date. Trading profits or losses are translated at average rates prevailing during the accounting period. Differences on exchange arising from the retranslation of net investments in overseas subsidiary undertakings at the year-end rates are recognised in other comprehensive income. All other translation differences are reflected in the income statement.

2. Significant accounting estimates and judgements and key sources of uncertainty

Sources of uncertainty

The preparation of the financial statements requires the Group to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experiences and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affects the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually made and based on his historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The directors believe the following to be key areas of estimation and judgement

(a) *Revenue and profit recognition*

The estimation techniques used for revenue and profit recognition in respect of construction contracts require forecasts to be made of the outcome of long-term contracts which require assessments and judgements to be made, changes in the scope of work, changes in contract programmes and changes in costs. Further information regarding the estimation techniques and judgements used in respect of revenue and profit recognition are provided in the 'Revenue' accounting policies on pages 25 to 27. Management has significant experience in making estimates around the percentage-of-completion, based on costs to complete and final project out-turn. Although there are likely to be fluctuations on individual contracts, using a portfolio basis the level of estimation uncertainty leading to a material adjustment within the next financial year is considered to be low. Estimation uncertainty which could have a material impact on contract assets has been mitigated where necessary by the use of independent quantum and legal experts who were assessed by the Directors for their ability, qualifications and experience in this field.

(b) *Valuation of development work in progress*

The key judgements and estimates in determining the net realisable value of land and work in progress are:

- an estimation of costs to complete; and
- an estimation of the remaining revenues.

These assessments include a degree of uncertainty and therefore if the key judgements and estimates change unfavourably, write-downs of land and work in progress may be necessary.

(c) *Recoverable value of recognised receivables*

The recoverability of trade and other receivables is regularly reviewed in the light of available economic information specific to each receivable and provisions are recognised for balances considered to be irrecoverable. The Group reviews the ageing analysis of debtors on a regular basis. Unless specific agreement for late or alternative repayment is in place, the Group provides for 10% of trade debtors that are 61-90 days past due, 25% of trade debtors that are 91-120 days past due, 50% of trade debtors that are 121-180 days past due, 75% of trade debtors that are 181-270 days past due and 100% of trade debtors that are over 270 days past due. Construction only provide by exception.

Significant accounting estimates and judgements and key sources of uncertainty (continued)

(d) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the Cash Generating Units to which the goodwill has been allocated. The value requires an estimate to be made of the timing and amount of future cash flows expected to arise from the CGU and the application of a suitable discount rate in order to calculate the net present value. Cash flow forecasts for the next three years are based on the Group's budgets and forecasts. Other key inputs in assessing each CGU are revenue growth, operating margin and discount rate. The assumptions are set out in note 11 together with an assessment of the impact of reasonably possible sensitivities.

(e) Fair value of other investments

Determining the fair value of the preferred ordinary shares of Mace Capital Limited requires a significant estimate relating a financial model used to value the asset using best estimates of the redemption periods and the discount rates based on expected cash flows for the three years to 31 December 2018.

3. Financial risk management

General

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Interest rate risk
- Credit risk
- Capital risk
- Revenue liquidity risks, foreign currency and exchange rate risk

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Group Assurance function which is responsible for developing and monitoring the Group's risk management strategy and policies. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group and Company operate within financial risk policies and procedures approved by the Board. It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's and Company's financial instruments principally comprise bank borrowings, cash and cash equivalents, receivables and payables, and foreign exchange forward contracts and put options that arise directly from its operations and its acquisitions.

(a) Market risk

The Group is exposed to land and property values via, in the main, their effect on demand for the Group's services. There is also market risk in respect of development schemes where anticipated sales values of apartments and commercial property may not be realised. The Group is exposed to commodity and materials price risk in respect of contracts which require the Group to contract for the provision of materials some years prior to the date of supply. This risk is managed through purchasing policies and contract arrangements with major suppliers.

(b) Interest rate risk

The Group has long term borrowings being a corporate bond which has a fixed rate of interest and a limited recourse finance facility for the use of the student accommodation developments in Exeter and Cardiff which has a variable rate of interest which has been fixed after the balance sheet date. These external borrowings amount to £201.6m as at 31 December 2018. Funding is in place covering the completion of all current projects and there is little interest rate risk associated with this short term financing. Cash resources are held in current

(c) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and other current assets. During the year ended 31 December 2018, the Group's cash and cash equivalents were predominately held with Barclays. The concentration of credit risk from trade receivables and other current assets varies throughout the year depending on the timing of transactions and invoicing of fees. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

(d) Capital risk management

The Board's policy is to maintain and develop a strong and flexible capital base in order to maintain investor and creditor confidence. Similar policies apply also to individual business segments so as to minimise demands for routine trading activities on finance obtained at Group level. This is seen as important for the sustenance of future developments in the business and the maintenance of flexibility of capital management strategies. The capital structure of the Group consists of cash and cash equivalents, equity and debt. At 31 December 2018 the Group had external debt of £202m (2017: £161m).

The Group is funded by ordinary shares, retained profits, the corporate bond issued in 2017 for the sum of £160m and the finance facility of £98.5m agreed in December 2017. This latter facility is limited recourse in that it is secured on the developments in Exeter and Cardiff but the lender has access only to the assets in the structure holding the developments. The Group's and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The capital requirements of the Group's divisions differ, with property development typically requiring equity and debt, and construction and consultancy typically being cash generative but the economic cycle of each business is different.

The Group manages its capital taking these differing requirements into account. In March 2017 the Group issued a 5 year bond amounting to £160 million primarily for investment in development schemes. As at 31 December 2018 circa £140m had been utilised including a £55m investment loan to a joint venture arrangement of a mixed use development in West Oxford. In December 2017 the Group agreed a limited recourse finance facility of £98.5m for the development of student accommodation in Cardiff and Exeter and as at 31 December 2018 the Group had drawn down £41.6m. The Bond and the facility are subject to covenants over interest cover and gearing. This debt has changed the capital risk profile of the Group and this risk is managed through the Development Board, chaired by the Chief Executive, who have oversight of all developments. Total debt is expected to increase to £330m in 2020 as a result of the drawdown of loans already contracted to enable the developments to be completed

(e) Revenue risk

Income from three major clients in relation to our major construction projects amounted to 38% (2017: 41%) of total Group revenue during 2018.

(f) Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews regularly available cash to ensure there are sufficient resources for working capital requirements. The Corporate bond is repayable by 23 March 2022.

The table on the next page summarises the maturities of the Group's undiscounted non-derivative financial liabilities at the reporting date, based on contractual payment dates.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

3. Financial risk management (continued)

	31 December 2018			
	£'000s			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	145,471	-	-	145,471
Bank overdraft	14,823	-	-	14,823
Directors' loans	10,872	-	-	10,872
Limited recourse finance	-	41,644	-	41,644
Loan notes	2,500	-	-	2,500
Corporate bond	-	160,000	-	160,000
Total	173,666	201,644	-	375,310

	31 December 2017			
	£'000s			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	194,044	-	-	194,044
Bank overdraft	22,469	-	-	22,469
Directors' loan	15,872	-	-	15,872
Limited recourse finance	-	1,501	-	1,501
Loan notes	14,000	2,500	-	16,500
Corporate bond	-	160,000	-	160,000
Total	246,385	164,001	-	410,386

(g) Foreign currency and exchange rate risks

Due to our geographical spread we are exposed to changes in national economic conditions, exchange rate fluctuations and local trading restrictions. However, we employ local people and suppliers and have established local operating companies in each of our global hubs so that exposure to exchange rate changes is limited and knowledge of the local business environment is strengthened.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. A ten per cent strengthening of sterling against the following currencies at 31 December 2018 would have decreased equity and profit or loss by the following amounts:

	2018		2017	
	£000s		£000s	
	Profit or loss	Equity	Profit or loss	Equity
Euro	(788)	(1,260)	(1,311)	(1,143)
USD	(858)	(4,571)	(464)	(3,858)

A ten per cent weakening of sterling against these currencies would have an opposite effect. A common analysis basis has been applied for both 2018 and 2017. This analysis assumes that all other variables, particularly interest rates, remain unchanged. The sensitivity is regarded as being representative of the position throughout the year.

At 31 December 2018 the Group held £104.7m, €53.6m and DKK286m in cash at bank.

3. Financial risk management (continued)

(h) Fair values

The investment in Mace Capital Limited (note 13: Other Investments), which is owned by the same shareholders as Mace Finance Limited, represents preferred shares with no fixed coupon or repayment date. This instrument was redeemed by the parent on 4 July 2019. While in existence the instrument was exposed to the going concern risk bearing on the group as a whole. The parent was able to arrange redemption of the instrument at any time by conversion to debt but its ability to settle the underlying debt depends on the value of the group and the disposition of profits. The instrument was not exposed to any other significant risks.

The instrument had been held at cost less impairment under IAS 39 but with the adoption of IFRS 9 there is a requirement to hold it at fair value. As the instrument confers no rights on Mace Limited to require redemption and as redemption is wholly at the gift of the parent undertaking it was determined that fair value could not be cost and this led to the recognition that the fair value at inception also could not have been cost. As a result the group has arranged for the instrument to be valued by an independent expert as at 31 December 2016, 2017 and 2018. The adoption of these values has resulted in the prior year adjustment described in note 25.

The shares are classified as a debt-like instrument in level 3 in the hierarchy described in IFRS 13. The valuation was based on a discounted cash flow approach referencing an estimated market yield that would be required by a market participant and an estimated period to redemption. The assumptions used in the financial model were for the redemption periods and the discount rates applied, based on expected WACC. The redemption periods used were 20 years, 17 years and 10 years for the three years to 31 December 2018 respectively. The discount used was 17.8% for all three years. Because of the lack of rights and the potentially long redemption period the initial value returned was very low with an increase in value in 2017 and 2018 as the estimated period to redemption substantially reduced. No account was taken of the July 2019 redemption or of the community of interests between the Board of Mace Finance Limited and the Board of Mace Finance Limited which are substantially the same.

The values adopted are largely insensitive to changes in the redemption periods in 2016 and 2017 because of the length of the period in those years. The values are similarly insensitive to, say, a 10% change in the discount rate. However if the redemption period in 2018 had been 10 years the fair value at that point would have been approximately £11m.

Financial liabilities – derivative financial liabilities

The fair value of forex options and forward contracts are given below. These derivatives are measured at fair value and the value is calculated as the present value of estimated cash flows based on observable yield curves corresponding to level 2 as defined in IFRS13.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

Group and Company

Current Liabilities	2018	2017
	£000s	£000s
Fair value of forex on forward contract and options	<u>501</u>	<u>824</u>

Categorisation of other financial instruments and fair value of other financial assets and liabilities

	2018	2017
	£000s	£000s
Financial liabilities		
Borrowings	227,339	199,842
Current financial liabilities measured at amortised cost	459,107	424,995
Financial assets		
Financial assets at amortised cost	281,512	169,671
Cash and cash equivalents	217,133	215,119
Equity investment at fair value	<u>11,000</u>	<u>3,500</u>

Prepayments and accrued income are excluded from loans and receivables. Statutory liabilities, deferred income and payments on account are excluded from financial liabilities measured at amortised cost. There is no difference between the book value and fair value of other financial assets and liabilities.

4. Segmental analysis

Revenue

An analysis of the Group's revenue is as follows:

	2018	2017
	£000s	£000s
Continuing operations:		
UK & Europe	2,344,250	1,949,395
Middle East North Africa	82,127	83,847
Asia	11,545	13,955
Sub-Saharan Africa	4,241	3,380
America	14,317	14,753
Intercompany trading	(106,710)	(93,582)
Total revenue	<u>2,349,770</u>	<u>1,971,748</u>

General

For management purposes the Group is now organised into 4 operational business and group services which includes corporate overheads and support as shown in the table below. These divisions are the basis on which the Group reports primary segment information to the Board. Limited secondary information is presented for the operating segments of consultancy and other services, primarily for risk management purposes.

The Board assesses the performance of the divisions based on management accounts which reflect the allocation of cross charges, interest, depreciation and amortisation. The adjustments exclude the effects, if any, of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments resulting from any isolated, non-recurring event.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

4. Segmental analysis (continued)

	Construction £000s	Consultancy £000s	Facilities Management £000s	Developments £000s	Total £000s
External borrowings	-	-	-	(201,644)	(201,644)
Goodwill	52,240	69,075	4,265	11,499	137,079
Development WIP & loan to joint venture	-	-	-	195,604	195,604
Contract assets	181,353	18,185	11,273	-	210,811
Contract liabilities	(224,527)	(9,898)	(3,691)	-	(238,116)

5. Operating profit & EBITDA

	2018 £000s	2017 £000s
The operating profit is stated after charging:		
Depreciation of property, plant and equipment	5,132	5,568
Profit on disposal of fixed assets	20	13
Research and development costs	44,000	49,000
Operating lease rentals:		
Motor vehicles	21	55
Land and buildings	5,127	5,325
Profit on ordinary activities before interest	29,289	22,182
Depreciation of property, plant and equipment	5,132	5,568
Amortisation of intangible assets	488	-
EBITDA	34,909	27,750

Services provided by the Company's auditors and its associates

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

	2018 £000s	2017 £000s
Fees payable to the Company's auditor for the audit of the parent Company and consolidated accounts	67	64
UK	223	129
Overseas	48	46
	338	239
Other fees		
Fees payable to affiliated auditors	-	9
Tax services	70	72
	408	320
Fees payable to other non-associated component auditors	85	79

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

6. Interest

	2018	2017
	£000s	£000s
Bank and other interest receivable	3,769	12,464
Bond and other interest payable	(4,538)	(4,813)

7. Directors' remuneration

	2018	2017
	£000s	£000s
Remuneration for management services (including benefits)	2,826	3,617
Performance related remuneration	1,423	2,114
Pension contributions	10	7
	4,259	5,738

Pension's contributions were made in respect of 1 directors (2017: 1).

Directors' remuneration includes the following amounts in respect of the highest paid director of Mace Finance Limited:

	2018	2017
	£000s	£000s
Remuneration for management services (including benefits)	723	1,371
Share based payments	153	76
Pension contributions	10	-
	886	1,447

All key management are directors of the Company.

8. Staff costs and numbers

Staff costs were as follows:	2018	2017
	£000s	£000s
Aggregate gross wages and salaries	360,749	320,553
Employer's social security costs	32,176	28,526
Other pension costs	23,244	20,222
	416,169	369,301

Average monthly number of persons employed by the Group during the year:

Corporate support services	351	322
Project delivery staff	5,025	4,409
	5,376	4,731

The total number of direct employees as at the reporting date was:

	5,561	5,042
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Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

9. Tax on profit on ordinary activities

	2018	2017 (restated)
	£000s	£000s
(a) Analysis of charge in year		
UK corporation tax at 19.00% (2017: 19.25%)	<u>2,299</u>	-
Adjustments in respect of previous years	(1,122)	220
Overseas taxation	4,604	6,635
Deferred tax	<u>138</u>	(1,426)
Total current tax (note 9(b))	<u>5,919</u>	<u>5,429</u>

(b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

Profit on ordinary activities before tax	<u>28,520</u>	<u>29,833</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	5,419	5,743
Effects of:		
Expenses not deductible for tax purposes	658	742
Temporary differences not recognised in deferred tax	197	(50)
Non-taxable profit on fair value adjustments	-	(2,435)
Non-taxable profit on disposal of investments	(364)	(89)
Utilisation of tax losses	650	(322)
Non-taxable foreign branch income	249	-
RDEC credits	304	(570)
Different rates of tax on overseas earnings	17	595
Impact of deferred tax rate movements	83	294
Adjustments to tax charge in respect of previous years	(1,146)	375
Adjustment to tax charge in respect of previous years – overseas taxation	<u>(148)</u>	<u>1,146</u>
Current tax charge for the year (note 9(a))	<u>5,919</u>	<u>5,429</u>

	2018	2017
	£000s	£000s
Deferred Tax		
Opening Deferred tax asset	3,361	1,640
Reanalysis of tax asset	(318)	-
Deferred Tax income/(expense) for year	<u>(138)</u>	<u>1,721</u>
Closing Deferred tax asset	<u>2,905</u>	<u>3,361</u>

Analysed as:

Fixed asset temporary differences	1,073	1,618
Short-term temporary differences	298	708
Loss carried forward	<u>1,534</u>	<u>1,035</u>
	<u>2,905</u>	<u>3,361</u>

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

10. Property, plant and equipment

Group

	Freehold property	Leasehold improvements	Computer Equipment & IT Systems	Plant, motor vehicles & equipment	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 1 January 2017	2,481	12,330	21,492	1,603	37,906
Exchange differences	(223)	98	(117)	(68)	(310)
Additions	-	73	4,657	76	4,806
Disposals	-	(480)	(4,029)	(11)	(4,520)
At 31 December 2017	2,258	12,021	22,003	1,600	37,882
Transfer to intangible assets	-	-	(3,961)	-	(3,961)
Exchange differences	142	20	122	40	324
Additions	-	262	2,790	217	3,269
Disposals	-	(59)	(4,854)	(93)	(5,006)
At 31 December 2018	2,400	12,244	16,100	1,764	32,508
Depreciation					
At 1 January 2017	262	3,464	11,798	997	16,521
Exchange differences	(25)	(35)	(162)	(69)	(291)
Charge for the year	50	904	4,449	165	5,568
Disposals	-	(433)	(3,951)	(41)	(4,425)
At 31 December 2017	287	3,900	12,134	1,052	17,373
Transfer to intangible assets	-	-	(46)	-	(46)
Exchange difference	20	28	98	53	199
Charge for the year	49	845	4,005	233	5,132
Disposals	-	(59)	(4,848)	(50)	(4,957)
At 31 December 2018	356	4,714	11,343	1,288	17,701
Net book value					
At 31 December 2018	2,044	7,530	4,757	476	14,807
At 31 December 2017	1,971	8,121	9,869	548	20,509

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

11. Intangible assets

Group	Computer Software	Goodwill	Total
	£000s	£000s	£000s
Cost			
At 1 January 2017	-	128,412	128,412
Additions	-	8,457	8,457
At 31 December 2017	-	136,869	136,869
Additions – transfer from non-current assets	3,961	-	3,961
Additions	7,413	210	7,624
Amortisation - transfer from non-current assets	(46)	-	(46)
Amortisation	(488)	-	(488)
At 31 December 2018	10,840	137,079	147,919

On review of the 2017 Property, Plant & Equipment it was identified that £3.96m relating to computer software should have been classified as an Intangible asset in 2017 and has been transferred to Intangibles in 2018.

Computer Software consists of the costs associated with the rollout of Oracle Fusion across the business as part of a new ERP system implementation. The HCM element of Oracle Fusion went live in 2017 and this is being depreciated over 10 years

Goodwill on consolidation represent the excess of cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

The £210k addition shown for 2018 represents adjustments to the book value of assets acquired in YMR Kenya and to the consideration paid for MMQS (South Africa).

The carrying amount of intangible assets is allocated to the CGUs as follows:

	2018	2017
	£000s	£000s
Construction	52,240	52,240
Consultancy	69,075	68,865
Developments	11,499	11,499
Facilities Management	4,265	4,265
Total	137,079	136,869

The recoverable amount of each CGU has been determined by estimating its value in use by reference to the present value of forecast revenue streams and the residual profits. The forecasts were prepared for commercial purposes and rely on specific assumptions and projections on a CGU by CGU basis, using management's detailed knowledge and expectations of the outcome of each CGU. The projections are prepared using historic performance indicators, secured order book values and a comparison of the secured order book to historic trends. They were prepared based on a five year strategy, starting in 2018, and so the cashflows have been extended based on a 2% growth rate from 2022 for a further 1 year period to 2023. No account has been taken of cash flows after five years. The key assumption of the forecasts is that future market activity and the group's share of the market will be comparable to historic outcomes adjusted for known or estimated factors. The board believes that is a reasonable assumption.

11. Intangible assets (continued)

The forecasts are discounted using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGU. The pre-tax discount rate is based on the estimated weighted average cost of capital, which has then been adjusted for a number of factors to determine the discount rate, including the risk free rate in the UK and the inherent risk of the forecast income streams included in the Group's cash flow projections. This has been calculated at 8.5%, based on the value of the equity on the balance sheet, the value of the external debt and the rates at which the business has secured that debt.

Construction CGU:

The discount rate of 11.5% applied to the Construction CGU has been adjusted to take into account the size, complexity and duration of construction projects which typically return low margins as a proportion of overall construction value. A prudent view has been taken on the discount rate to ensure that the assumptions are robust, but the rate applied is not perceived to be representative of actual risk on construction projects, which can vary by project, market conditions, currency, client and supply chain arrangements. The sensitivity analysis performed on this CGU illustrates that cashflows would need to decrease by 22% or the discount rate to 21.5% before the headroom becomes £nil.

Consultancy CGU:

The discount rate of 8.5% applied to the Consultancy CGU represents the limited amount of risk that this area of the business adopts on behalf of clients, combined with contracts of generally short duration. Risks for this area of the business include pricing and currency, as a significant proportion of Consultancy turnover is generated internationally. However, this area of the business is highly diversified and therefore no increase to the weighted average cost of capital has been applied to the cash flow. The sensitivity analysis performed on this CGU illustrates that cashflows would need to decrease by 1% or the discount rate to 8.7% before the headroom becomes £nil. Although there is less headroom in this CGU, the directors are not concerned with the value of goodwill allocated to it, due to its diversified nature.

Facilities Management CGU:

The discount rate of 10.5% applied to the Facilities Management CGU is based on a relatively low risk profile for the business. Key areas of risk arise due to the duration of contracts (typically between 3-5 years), where services can span multiple countries/regions with risk and reward often linked to performance. It is common place for incentive schemes and service credits to be a key element of the pricing; the receipt of which can be contingent on performance over the contract term. Inflation, currency and pricing risk are otherwise well managed by agreeing to favourable contract terms and conditions to minimise/mitigate such risks. The sensitivity analysis performed on this CGU illustrates that cashflows would need to decrease by 43% or the discount rate to 32% before the headroom becomes £nil.

Developments CGU:

The discount rate of 6.5% for the Developments business based on the business having development assets of £195.6m under construction on which to secure borrowings. The underlying cash flows used are highly subjective due to the nature of the business. The timing of Development profits are harder to anticipate than other areas of the business as they relate to market sales. In formulating the original cash flows in the business strategy, an assumption was made on profits during the course of a 5 year period, and then simply flatlined. In reality, the timing of these cash flows are now likely to be earlier than the sensitivity analysis assumes, meaning they have been subject to heavier discounting than the directors believe will be the case. The directors are therefore comfortable that no impairment is necessary.

We have separately calculated a terminal value for each CGU based on zero growth after 2023 and discounted it back to the present. If those values are included the surplus value in use over allocated goodwill amounted to approximately £150m for each of the Construction and Consultancy CGUs and approximately £20m in the Facilities Management and Development CGUs.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

12. Joint ventures and associates

Movement in interests in joint ventures can be summarised as follows:

The following represents the total results of joint venture and associate tangible fixed assets, current assets and creditors due within one year in which Mace has a part share:

	2018	2017
	£000s	£000s
Non-current assets	160	93
Current assets	90,483	52,977
Cash and cash equivalents	6,556	4,663
Creditors	(93,518)	(55,500)
Total	3,681	2,233
Revenue	11,937	9,074
Expenses	(9,659)	(8,298)
Interest receivable	39	1
Income tax	(620)	(91)
Profit for the year	1,697	686

Joint ventures and associates are listed in note 27.

Mace Finance Limited
Notes to the financial statements (continued)

Year ended 31 December 2018

13. Investments	Joint ventures & associates	Re-stated other investments	Total
Group	£000s	£000s	£000s
Cost less provisions			
At 1 January 2017	2,195	2,000	4,195
Additions	624	24,947	25,571
Disposal	-	(13,000)	(13,000)
Exchange difference	(244)	-	(244)
Adjustment	(580)	-	(580)
Fair value adjustment	-	(10,447)	(10,447)
Share of post-acquisition profit after tax	410	-	410
At 31 December 2017 (Restated)	<u>2,405</u>	<u>3,500</u>	<u>5,905</u>
Additions	7,500	-	7,500
Exchange difference	(752)	-	(752)
Adjustment	(593)	-	(593)
Fair value adjustment	-	7,500	7,500
Share of post-acquisition profit after tax	712	-	712
At 31 December 2018	<u>9,272</u>	<u>11,000</u>	<u>20,272</u>

The investment of £7.5m in Finsbury Tower was carried out via a new wholly owned subsidiary but represents an interest of approximately 20% of the proceeds of the underlying development and is therefore a joint venture from the perspective of the group.

Mace Limited holds the following other investment;

Name	Country of incorporation	Shares held class	Shareholding	Principal activity
Mace Capital Limited	United Kingdom	Preference shares	100%	Special purpose vehicle

The direct parent company of Mace Capital Limited is Mace Limited.
The registered office of Mace Capital Limited is 155 Moorgate, London, EC2M 6XB.

Company	£'000s
Cost less provisions	138,804
At 1 January 2017	-
Additions	138,804
At 31 December 2017	<u>138,804</u>
Additions	-
At 31 December 2018	<u>138,804</u>

During the year the Group sold its subsidiary The People Group Limited for a profit of £1.920m.
The cost of investment disposed of was negligible.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

14. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£000s	£000s	£000s	£000s
Trade debtors	201,203	180,793	3,652	-
Amounts recoverable on construction contracts	-	99,245	-	-
Contract assets	210,811	-	-	-
Amounts owed by joint ventures and associates	2,638	1,522	-	-
Development loan	-	1,500	-	-
Taxation and social security receivable	-	4,754	2,384	516
Other debtors	22,764	23,815	-	-
Prepayments & accrued income	8,366	155,922	-	-
	445,782	467,551	6,036	516

The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 January 2018. See note 23. Contract assets includes accrued income and amounts recoverable on construction contracts which have been reclassified in 2018.

Debtors past and overdue

	Group		Company	
	2018	2017	2018	2017
	£000s	£000s	£000s	£000s
Trade receivables not past due	143,372	143,378	59,945	63,354
Trade receivables past due 1-30 days	41,998	24,908	29,705	11,520
Trade receivables past due 31-60 days	8,849	6,971	2,711	2,433
Trade receivables past due 61-90 days	3,518	2,873	859	774
Trade receivables past due over 90 days	7,672	5,730	2,919	2,280
Gross trade receivables	205,409	183,860	96,139	80,361
Less provision for expected credit losses	(4,206)	(3,067)	(1,472)	(1,276)
Trade debtors	201,203	180,793	94,667	79,085

Mace Finance Limited**Notes to the financial statements (continued)****Year ended 31 December 2018****15. Development work in progress**

	2018	2017
	£000s	£000s
Work in progress	140,697	70,689
Loan to joint venture	54,907	37,287
	195,604	107,976

Work in progress on development schemes includes £10.9m of capitalised interest during the year (2017: £3.9m).

16. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£000s	£000s	£000s	£000s
Bank overdraft (see below)	14,823	22,469	7,440	3,206
Trade payables	145,471	194,044	-	-
Taxation and social security payable	37,860	35,071	-	-
Amounts owed to subsidiary undertakings	-	-	33,633	23,277
Contract Liabilities	238,116	-	-	-
Other creditors	4,352	24,000	74	-
Loan notes	2,500	16,500	2,500	16,500
Directors loans	10,872	15,872	-	-
Accruals	299,282	421,087	-	1,121
	753,276	729,043	43,647	44,104

The Group Adopted IFRS 15 Revenue from Contracts with Customers on 1 January 2018. See note 24. Contract liabilities includes deferred income and amounts payable on construction contracts which have been reclassified in 2018.

In the prior year the bank overdraft was disclosed net in cash balances. This has been re-stated in the current year as there is no right of set-off.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

17. Non-current liabilities

	Group		Company	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s
Payments received on account	-	20,256	-	-
Contract liabilities	22,639	-	-	-
Corporate bond	160,000	160,000	-	-
Bank loan for development projects	41,644	1,501	-	-
Loan notes	-	2,500	-	2,500
Accruals for land	10,831	11,076	-	-
	235,114	195,333	-	2,500

Bank borrowings and corporate bond

	Group		Company	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s
Due within one year	7,383	19,302	-	--
Due within two to five years	201,644	161,500	-	-
	209,027	180,802	-	-

See note 3(d) for further details of the corporate bond and external borrowings. Interest is charged on these borrowings at between 6-8%

18. Share capital - Group and Company

	Ordinary Shares £'000s	Preferred Shares £'000s	Total £'000s
At 1 January 2017	2	44,818	44,820
Share issue	-	24,946	24,946
Share capital reduction	-	(13,000)	(13,000)
At 31 December 2017	2	56,764	56,766
At 31 December 2018	2	56,764	56,766

The A Ordinary shares have no voting rights. If approved in writing by holders of not less than 80% of the ordinary shares, a dividend may be paid on the 'A' ordinary shares.

The preferred shares are redeemable at any time by the Company at par. They have no voting rights. Dividends may be paid on the preferred shares. They have certain rights upon a return of capital to the shareholders. On 4 July 2019, the preferred shares were fully redeemed.

In 2017 the Company issued 24,947,000 new preferred shares for Group capital purposes. It later redeemed 13,000,000 preferred shares at par in accordance with its articles of association.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

Reserves

The foreign exchange reserve holds gains and losses on the re-translation of subsidiaries denominated in foreign currencies.

The equity investment reserve holds gains and losses arising from fair value movements on certain financial instruments.

19. Share based payments

a) Share option scheme

The company's share option scheme was created in 2014 for the primary purpose of providing incentives to directors and eligible employees. Under the scheme, the board of directors of the Company may grant options over shares in the company held by the EBT to eligible employees, including directors. In November 2014 options were issued over 170,187 shares to seven individuals.

No consideration was payable on the grant of an option. Options may be exercised once certain conditions have been met. These are that,

- the employee remain in employment of the group,
- the loan notes created as part of the MBO arrangement be repaid by 2019 and
- the group achieved a target EBITDA prior to the 10th anniversary of the date of the grant.

The right to exercise expires on the tenth anniversary of the date of grant of the option. A further 40,000 options were granted in December 2017 to 2 individuals.

The fair value of options granted in the prior years were calculated using the Black Scholes pricing model with the following inputs; exercise price £0.78, expected volatility 29.05%, expected option life 5 years, dividend yield 3.47% and risk free rate of 0.57%.

The 2014 options are now fully vested and exercisable

The fair value of the 2017 grant has been recognised over the vesting period which was estimated as 5 years and the charge for the year amounted to £153,289.

The total expense of £153,289 for the year has been included in administrative expenses, and where it relates to directors, has been included in their remuneration as disclosed in note 7.

A total of 210,187 options were outstanding at the end of the year at exercise prices of £0.78 and £1.07 with a weighted average exercise price of £1.01

Mace Finance Limited**Notes to the financial statements (continued)****Year ended 31 December 2018****20. Notes to the cash flow statement****Group****Reconciliation of operating activities to operating cash flows****Statement of cash flows**

	2018 £000s	2017 £000s
Cash flows from operating activities		
Profit before finance costs	29,289	22,182
Adjustments for:		
Profit on disposal of fixed assets	20	13
Profit on disposal of investments	-	(247)
Share of net profits of joint ventures	(295)	(386)
Depreciation	5,132	5,568
Amortisation	488	-
Foreign exchange - retranslation	(398)	(1,141)
Cash flows before changes in working capital	34,236	25,989
Working capital changes:		
Decrease/(Increase) in trade and other receivables	17,257	(93,979)
Increase in work in progress	(88,270)	(85,885)
Increase in trade payables	66,252	110,975
Increase in working capital	(4,761)	(68,889)
Income taxes paid	(5,937)	(7,498)
Net finance costs	(10,010)	(5,505)
Net cash inflows/(outflows) from operating activities	13,528	(55,903)
Reconciliation of changes in liabilities arising from financing liabilities		
	2018 £000s	2017 £000s
Opening loans on 1 January	177,373	4,828
Repayment in year	(5,000)	(4,828)
New borrowings	40,143	177,373
	212,516	177,373
Liabilities represented by;		
Directors loans	10,872	15,872
Bank borrowings and corporate bond	201,644	161,501

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

20. Notes to the cash flow statement (continued)

Company

Reconciliation of operating activities to operating cash flows

Statement of cash flows

	2018 £000s	2017 £000s
Cash flows from operating activities		
Profit before finance costs	12,626	9,730
Adjustments for:		
Share based payment	154	76
Dividends received from subsidiary undertakings	(16,498)	(14,700)
Cash flows before changes in working capital	<u>(3,718)</u>	<u>(4,894)</u>
Working capital changes:		
Increase in trade and other receivables	(2,760)	78
Increase in trade payables	9,308	17,007
Increase in working capital	<u>6,548</u>	<u>17,085</u>
Net finance costs	(425)	(861)
Net cash from operating activities	<u><u>2,405</u></u>	<u><u>11,330</u></u>

Reconciliation of changes in liabilities arising from financing liabilities

	2018 £000s	2017 £000s
Opening loans on 1 January	15,872	15,872
Repayment in year	(5,000)	-
New borrowings	-	-
	<u>10,872</u>	<u>15,872</u>
Liabilities represented by;		
Directors loans	<u>10,872</u>	<u>15,872</u>

21. Contingent liabilities

The Company is party to a Group liability arrangement with its principal bankers providing a right of set-off of all Group balances. Whilst certain Group companies have overdrawn balances, at 31 December 2018 there was no net Group indebtedness to its bankers and therefore the directors consider that no contingency arises.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

22. Related party transactions

Company	2018 £000s	2017 £000s
Non-trading transactions		
Dividends	16,498	14,700

Balances between Mace Finance Limited and its subsidiaries can be found in note 14, 16 & 17.

Loans from directors

On 30 January 2017 the Company borrowed £15,871,569 from Jonathan Holmes and Mark Reynolds at commercial rates for development funding purposes. On 29 March 2018 the company paid back £5,000,000 to Jonathan Holmes. While Mace Finance Limited has sufficient funds to repay these loans the terms of the Bond issue subordinates certain payments to owners. These loans are short term and are both fully outstanding at 31 December 2018. The outstanding balances sits as part of current liabilities at the year end.

Directors overdrawn loan accounts included in other debtors are loans owing from directors which are repayable on exercise of their share options. S455 tax has been provided in respect of these director overdrawn loans.

23. Future commitments

At 31 December 2018 the Group had commitments under non-cancellable operating leases as set out below:

	2018 £000s	2017 £000s
Land and buildings		
Leases expiring:		
Within one year	4,789	5,021
Between two and five years	15,621	15,716
After five years	10,463	14,184
	<u>30,873</u>	<u>34,921</u>
Other		
Leases expiring:		
Within one year	56	58
Between two and five years	-	-
	<u>56</u>	<u>58</u>

The Group has no capital commitments.

Our main operating lease is our head office in London which is a 20 year lease expiring in 2032.

24. Impact of the adoption of new and revised standards

IFRS 15 Revenue from Contracts with customers

The Group has adopted IFRS 15 from 1 January 2018 and as a result, has changed its accounting policy for revenue recognition as detailed in note 1. The Directors have completed their comprehensive assessment of the impact of IFRS 15. The Group performed reviews with representatives from both financial and commercial functions across all of the Group's division and concluded that IFRS 15 has no material impact on the Companies Consolidated Statement of Comprehensive Income or Consolidated Statement of Financial Position.

The Group's notes to the accounts (specifically 'trade and other receivables', 'trade and other payables' and 'other non-current liabilities) are impacted as a result of moving away from IAS11 Balance Sheet captions to those prescribed by IFRS 15. The main reclassification adjustment is in relation to reclassifying 'Amounts recoverable on construction contracts' and 'Payments received on account on construction contracts' to 'Contract Assets' or 'Contract Liabilities'. Additionally, the relevant accrued income balances which were previously presented within 'Prepayments and accrued income' and deferred income balances which were presented within 'Accruals and deferred income' for contracts that were ongoing at the time in line with the requirements of IAS 11, have now been presented within 'Contract liabilities' as appropriate.

IFRS 9 'Financial instruments: Classification and measurement'; effective 1 January 2018

The Group has reviewed the requirements of IFRS 9. The Group's principal financial assets are trade receivables and loans to related parties which will continue to be measured at amortised cost. However the Group has adopted the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs. This resulted in increased judgement being required in order to assess the requirement for an impairment provision due to the need to factor in forward looking information when estimating the appropriate amount of provisions. No material impairment provisions were recognised as a result of the adoption of IFRS 9 and the impact of this change was not material.

25. Prior year adjustment

Since 2014 Mace Finance Limited has held, through its subsidiary Mace Limited, an indirect equity investment in Mace Capital Limited, a special purpose vehicle created as part of the acquisition of shares in Mace Group Limited (see note 13, 15 and 3(g)). Upon the adoption of IFRS Accounting Standards the investment was carried at cost in the Financial Statements and this position was accepted by the External Auditors at that time and amounted to £56.8m. The introduction of IFRS 9 has led to a review of the fair value of this investment and to whether it was correctly accounted for in previous Financial Statements and consequently the Board assessed, with the assistance of an independent external valuer, the appropriate carrying value as at 31 December 2016, 31 December 2017 and 31 December 2018. This valued the instrument at £2m, £3.5m and £11.0m respectively. It was redeemed at par value on 4 July 2019. The implementation of this has resulted in the following prior year non-cash technical adjustment:-

Notes to the financial statements (continued)

Year ended 31 December 2018

	As previously stated 2017 £000s	Effect of adjustment	2017 £000s	
Group revenue	1,971,748		1,971,748	
Cost of sales	(1,836,066)		(1,836,066)	
Gross profit	135,682		135,682	
Administrative expenses	(113,810)		(113,810)	
Operating profit	21,872		21,872	
Share based payment	(76)		(76)	
Share of net profit of associates and joint ventures	386		386	
Profit on ordinary activities before interest	22,182		22,182	
Finance income	44	12,420	12,464	(G)
Finance costs	(4,813)		(4,813)	
Profit on ordinary activities before taxation	17,413		29,833	
Income tax expense	(5,429)		(5,429)	
Profit on ordinary activities after taxation	11,984		24,404	
Other comprehensive income				
Fair value adjustment	-	(22,867)	(22,867)	(G)
Exchange differences on re-translation of foreign subsidiaries	(1,258)		(1,258)	
Total comprehensive income for the year	10,726		279	
Total comprehensive income for the year				
Owners of the parent	10,455		8	
Non-controlling interest	271		271	
	10,726		279	

(G) Effect of change of fair value in 2017. In the year to 31 December 2018 there was a further fair value adjustment of £7.5m increasing the carrying value of the instrument from £3.5m to £11m

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

	As previously stated 31 Dec 2017 £000s	Effect of adjustment	31 Dec 2017 £000s		As previously stated 1 Jan 2017 £000s	Effect of adjustment	1 Jan 2017 £000s
Other non-current assets	157,378		157,378		149,797		149,797
Investments in joint ventures	2,404		2,404		2,195		2,195
Other investments	46,765	(43,265)	3,500 (A)		9,818	(7,818)	2,000 (B)
Total non-current assets	206,547		163,282		161,810		153,992
Other current assets	772,872		772,872		507,801		507,801
Current asset investment	10,000	(10,000)	0 (C)		35,000	(35,000)	0 (D)
	782,872		772,872		542,801		507,801
Current liabilities	(706,574)		(706,574)		(610,279)		(610,279)
Net current assets	76,298		66,298		(67,478)		(102,478)
Total assets less current liabilities	282,845		229,580		94,332		51,514
Non-current liabilities	(195,333)		(195,333)		(25,354)		(25,354)
Net assets	87,512		34,247		68,978		26,160
Capital and reserves							
Called up share capital	56,766		56,766		44,820		44,820
Share based payment	9,088		9,088		9,012		9,012
Accumulated reserves	21,261	(53,265)	(32,004) (E)		15,301	(42,818)	(27,517) (F)
Equity shareholders' funds	87,115		33,850		69,133		26,315
Non-controlling interests	397		397		(155)		(155)
	87,512		34,247		68,978		26,160

A, C & E - Restatement of investment from cost to fair value of £3.5m reducing net assets by £53m

B, D & F - Restatement of investment from cost to fair value of £2m reducing net assets by £43m

Notes to the financial statements (continued)**Year ended 31 December 2018**

26. Post Balance Sheet Event

On 4 July 2019 Mace Limited's non-current asset equity investment in Mace Capital Limited was redeemed for its par value of £56,766,000. During the year, the carrying value of the investment had been reconsidered as part of the work undertaken for the implementation of IFRS 9, "Financial Instruments". Under Accounting Standards this investment was valued with the assistance of an external independent valuer at £3.5m at 31 December 2017 and at £11.0m at 31 December 2018. The investment was previously carried at its par value and subject to a prior year non-cash technical adjustment which resulted in a reduction of net assets as shown in note 25. Mace Capital's only asset was its investment in the preferred shares of Mace Finance Limited. The consequence of the redemption of the 4 July 2019 was that the group's reserves increased by £45.8m and its share capital reduced by £56.8m resulting in an £11m reduction in net assets. The effect on the company was to reduce its share capital and overall net assets by £56.8m.

27. List of joint ventures and associate undertakings

The following is a list of joint ventures and associate entities of Group.

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Engenharia E Servicos Ltda	Angola	47	Project management
AMA Nuclear Limited (In liquidation)	England & Wales	33	Project management
Botley DevManCo Limited	England & Wales	50	Property development
BDC Phase 2 Limited (Change of name 3 June 2019))	England & Wales	50	Property development
Botley Developments (Holdings) Limited	England & Wales	50	Property development
CLM Delivery Partner Limited	England & Wales	25	2012 Olympic delivery partner
Commercial Road Development Management Limited	England & Wales	50	Property development
MPD Trinity LLP	England & Wales	33	Property development
New Burlington Developments Limited	England & Wales	50	Construction delivery
The Botley Development Company Limited	England & Wales	50	Property development
MMQSMace Consultancy (Pty) Limited	South Africa	49	Project management
MMQS Mace (Pty) Limited	South Africa	49	Project management

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings

The following is a list of the direct and indirect subsidiary entities of the Group.

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Australia Proprietary Limited Level 5 1 Chifley Square, Sydney NSW 2000 Australia	Australia	100	Project management
Mace Limited Liability Company Tolbuhina 2-313 Premise 10a Minsk 220012 Belarus	Belarus	100	Project management
Mace Macro Brazil Consultoria Em Projetos E Construcao Ltda Avenida Nações Unidas, 6917 Pinheiros, São Paulo, CEP: 05477-000	Brazil	100	Facilities management
Mace Macro Chile Spa Padre Mariano No 272 Office 602 Providencia Santiago Chile	Chile	100	Facilities management
Mace (China) Limited Room C04 Lane 1392 North Shanxi Road Putuo District Shanghai China	China	100	Project management
Mace Zagreb d.o.o. Petrinjska 42 a Zagreb 10000 Croatia	Croatia	100	Project management
Callomin Property Solutions Limited 59-61 Acropolis 3 rd floor, Flat 301 Nicosia 2012 Cyprus	Cyprus	100	Project management
Mace Holdings Limited 59-61 Acropolis 3 rd floor, Flat 301 Nicosia 2012 Cyprus	Cyprus	100	Holding company
Mace International Limited 59-61 Acropolis Savvides Court 3 rd floor Nicosia 2012 Cyprus	Cyprus	100	Project management
Mace Macro International Limited 59-61 Acropolis 3 rd floor, Flat 301 Nicosia 2012 Cyprus	Cyprus	100	Facilities management
Mace Technology Denmark ApS Harbour House Sundkrogsgade 21 2100 Copenhagen Denmark	Denmark	100	Construction delivery and project management

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Egypt for Project Management L.L.C. 10 Al-Obour Buildings Salah Salem Road Cairo Egypt	Egypt	100	Project management
Bethnal Green Regeneration Limited	England & Wales	51	Property development
Cambridge Heath Road Developments Limited*	England & Wales	70	Property development
City Fringe Limited*	England & Wales	100	
Como Construction Limited*	England & Wales	100	Dormant
Como Group Limited*	England & Wales	100	Holding company
Como Homes Limited*	England & Wales	100	Dormant
Como Interiors Limited* (Change of Name 1/11/18)	England & Wales	100	Dormant
Court Orchard Limited* (in liquidation) Jupiter House, Warley Hill Business Park, The Drive, Brentwood, Essex, CM13 3BE	England & Wales	100	Property development
FM24 Limited*	England & Wales	100	Facilities management
Frontier Finance Plc*	England & Wales	100	Public limited company
Graduation Cardiff Management Limited*	England & Wales	100	Development
Graduation Exeter (Phase 2) Limited*	England & Wales	100	Development
Graduation Exeter Management Limited*	England & Wales	100	Development
Graduation Student Living Limited*	England & Wales	100	Development
Greenwich Square Commercial Limited*	England & Wales	100	Development
Greenwich Square Limited*	England & Wales	100	Development
Mace (New Zealand) Limited*	England & Wales	100	Consultancy
Mace (Poland) Limited*	England & Wales	100	Consultancy
Mace (Russia) Limited*	England & Wales	100	Consultancy
Mace (Slovakia) Limited*	England & Wales	100	Consultancy
Mace Angola Special Projects Limited*	England & Wales	100	Consultancy
Mace Business School Limited*	England & Wales	100	Construction
Mace Construct Limited*	England & Wales	100	Construction
Mace Construction (International) Limited*	England & Wales	100	Construction
Mace Consult Limited*	England & Wales	100	Consult
Mace Consultancy (Europe) Limited*	England & Wales	100	Consultancy
Mace Consultancy (Netherlands) Limited*	England & Wales	100	Consultancy
Mace Consultancy (Peru) Limited	England & Wales	100	Consultancy

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Cost Consultancy Limited*	England & Wales	100	Consultancy
Mace Develop Limited*	England & Wales	100	Development
Mace Developments (Cardiff) Limited*	England & Wales	100	Development
Mace Developments (Exeter) Limited*	England & Wales	100	Development
Mace Developments (Greenwich) Limited*	England & Wales	100	Development
Mace Developments (Hoyle St) Limited*	England & Wales	100	Development
Mace Developments Limited*	England & Wales	100	Development
Mace Developments (Stevenage) Ltd	England & Wales	100	Development
Mace Group Limited*	England & Wales	100	Holding company
Mace Interiors Group Limited* (Change of Name 1/11/18)	England & Wales	100	Fit out
Mace International (UK) Limited*	England & Wales	100	Consultancy
Mace International Overseas Limited*	England & Wales	100	Consultancy
Mace Limited*	England & Wales	100	Construction, consultancy and project management services
Mace Living Limited*	England & Wales	100	Construction
Mace Macro (Asia Pacific) Limited*	England & Wales	100	Facilities management
Mace Macro (The Americas) Limited*	England & Wales	100	Facilities management
Mace Macro Africa Limited*	England & Wales	100	Facilities management
Mace Macro Europe Limited*	England & Wales	100	Facilities management
Mace Macro Limited*	England & Wales	100	Facilities management
Mace MEP Services Limited*	England & Wales	100	Construction
Mace Operate Limited	England & Wales	100	Facilities management
Mace Plus Academies Limited*	England & Wales	100	Construction delivery
Mace Plus Group Limited*	England & Wales	100	Construction delivery
Mace Plus Limited*	England & Wales	100	Construction delivery
Mace Projects (South Africa) Limited*	England & Wales	100	Project management
Mace Sustain Limited*	England & Wales	100	Dormant
Mace Tech Limited*	England & Wales	100	
Msecure Limited*	England & Wales	100	Project management
Observatory Inspiration Limited* (in liquidation) Jupiter House, Warley Hill Business Park, The Drive, Brentwood, Essex, CM13 3BE	England & Wales	100	Property development

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Projets Sarl 27 Place de la Madeleine 75008 Paris France	France	100	Project management
Mace GmbH Hamburger Allee 45 60486 Frankfurt Germany	Germany	100	Project management
Mace Management Service Limited Kwakkanya Street Accra 1359 Ghana	Ghana	100	Project management
Mace Limited Room 1101 11/F East Town Building 41 Lockhart Road Wanchai Hong Kong	Hong Kong	100	Project management
Mace Project & Cost Management Private Company Limited 7th Floor 703, Vatika City Point MG Road Haryana India 122002	India	100	Project management
Mace Macro India (FM Solutions) Private Limited 7th Floor 703, Vatika City Point Haryana India 122002	India	100	Facilities management
Mace Consultancy (Ireland) Limited 5th Floor Beaux Lane House Lower Mercer Street Dublin 2 Ireland	Ireland	100	Project management
Mace Macro (Ireland) Limited Joyce House 22/23 Holles Street Dublin 2 Ireland	Ireland	100	Facilities management
Mace Technology (Ireland) Limited 5th Floor, Beaux Lane House Lower Mercer Street Dublin 2, Ireland	Ireland	100	Construction delivery and project management
Cambridge Heath Road Developments (Jersey) Limited (in liquidation) 44 Esplanade , St Helier JE4 9WG Jersey	Jersey	70	Property development

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Graduation Cardiff (Jersey) Limited (in liquidation) 44 Esplanade St Helier, JE4 9WG Jersey	Jersey	100	Property development
Graduation Exeter and Cardiff (Jersey) Limited ,44 Esplanade St Helier, JE4 9WG Jersey	Jersey	100	Property development
Graduation Hoyle St (Jersey) Limited (in liquidation), 44 Esplanade St Helier, JE4 9WG Jersey	Jersey	100	Property development
Mace Developments (Cambridge) Limited (in liquidation), 44 Esplanade ,St Helier, JE4 9WG Jersey	Jersey	100	Property development
Mace Macro International Investments Limited – Jordan 720 Level 7 Waha Ammoun Building Gardens Street ,Amman, 45662 Jordan	Jordan	100	Facilities management
Mace Management Services LLP 78, Baitursynuly Street Apartment 38 ,Almalinskiy District 050022 Almaty Kazakhstan	Kazakhstan	100	Project management
Mace Management Services Limited Plot L.R. No 12081/10 Sameer Business Park Block C, Unit C1, 1 st floor Mombasa Road P.O. Box 10032-00100 ,Nairobi Kenya	Kenya	100	Project management
Mace YMR Limited Liability Partnership 4th Floor, East Wing Lion Place, Nairobi Kenya	Kenya	51	Consultancy
Mace Macro Luxembourg S.à r.l. 45 rue des Scillas L – 2529 Howald Luxembourg	Luxembourg	100	Facilities management
Mace Limitada Alameda Dr. Carlos d'Assumpcao, no. 263 ,China Civil Plaza 6o. andar M e N Macau	Macau	100	Project management

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace International Doel Skopje Bulevar Partizanski odredi Br. 15A, Skopje 1000 Macedonia	Macedonia	100	Project management
Mace d.o.o. Podgorica Bulevar Dzordza Vashingtona No.44 81000 Podgorica Montenegro	Montenegro	100	Project management
Mace Management Services, SARL 106, Rue Abderrahman Sehraoui Casablanca, 20070 Morocco	Morocco	100	Project management
Mace Management Services B.V. Zuidplein 116 Tower H, Level 14, 1077XV Amsterdam Netherlands	Netherlands	100	Construction delivery
Utremaec B.V. Fellenoord 39 5600AM, Eindhoven Netherlands	Netherlands	100	Holding company
Mace Management Services Limited 1c Etim Inyang Crescent, Victoria Island Nigeria	Nigeria	99	Project management
Mace International LLC PO Box 686 Muscat Governorate Mutrah, Ruwi 112 Oman	Oman	65	Project management
Mace Macro International Limited LLC Office 201, 2 nd Floor Maktabi 1, Al Khuwair PO Box 1119 Muscat ,111 Oman	Oman	70	Facilities Management
Mace Macro Pakistan (Pvt) Limited 4th Floor, Central Hotel Building Civil Lines Mereweather Road Karachi Pakistan	Pakistan	100	Facilities management
D.C.G.P.- Gestão de Projectos, Unipessoal, Lda Edificio Novo Chiado Travessa de Trindade n. 16 – 3C 1200 – 469, Lisbon Portugal	Portugal	100	Project management
Mace – Consultoria e Gestao de Projectos e Construcao, Lda Rua Nova Stella No 7 2760 – 087, Caxias Portugal	Portugal	100	Project management
Mace Polska Spolka zoo Al Jana Pawla II 29 00-867 Warszawa Poland	Poland	100	Project management

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Management Services Limited Umujyi wa Kigali Gasabo, Kacyiru Rwanda	Rwanda	100	Dormant
Mace Holdings Limited Al Mousa Centre, Tower 4 Unit 435, Olaya Street PO Box 9817, Riyadh 12241 Saudi Arabia	Saudi Arabia	50	Project management
Mace Macro Saudi Arabia Limited Madd Tatweer, Olaya Main Street, 6th Floor – Office 602, Lulu Tower, PO Box 301550, Riyadh 11372, Saudi Arabia	Saudi Arabia	50	Facilities management
Macro Saudi Arabia Limited PO Box 1001, Amir Sultan Street Jeddah 21424, KSA	Saudi Arabia	49	Facilities management
Mace d.o.o. Association for consulting, engineering, production, construction, trading and services, Belgrade 1/3/7 Lazarevacka Street Belgrade Savski Venac Serbia	Serbia	100	Project management
Mace Pte. Ltd (Dissolved 4 September 2019), 80 Robinson Road No. 02-00 Singapore 068898	Singapore	100	Dormant
Mace Asia Consultancy Pte Ltd 80 Robinson Road No. 02-00 Singapore 068898	Singapore	100	Project management
Mace Holdings South Africa (Pty) Limited Floor 2 Building 1 Waverley office Park 15 Forest Road, Bramley Johannesburg Gauteng 2199 South Africa	South Africa	100	Project management
Mace Management Services (Pty) Limited Floor 2 Building 1 Waverley office Park 15 Forest Road, Bramley Johannesburg Gauteng 2199 South Africa	South Africa	100	Project management
Mace Projects Pty Ltd (in liquidation) Floor 2 Building 1 Waverley office Park 15 Forest Road, Bramley Johannesburg Gauteng 2199 South Africa	South Africa	100	Dormant

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Ukwakha Ubunye (Pty) Limited Floor 2 Building 1 Waverley office Park 15 Forest Road, Bramley Johannesburg Gauteng 2199 South Africa	South Africa	100	Project management
Mace Management Services S.A Paseo de la Castellana 135 Edificio Cuzco III Planta 3, 28046 Madrid Spain	Spain	100	Project management
Macro Qatar LLC Office No.3, 3rd Floor, Building No. 7 Al Hitmi Village C Ring Road Doha, P.O.BOX 31237 Qatar	State of Qatar	49	Facilities management
Management and Excellence Consultancy (Qatar) Limited 2nd Floor, Office 204 Building 63, Al Matar Street 310 Zone 27, Doha Qatar	State of Qatar	100	Project management
Mace GmbH c/o Urs Schneebeli Scheideggstrasse 66 8038 Zurich, Switzerland	Switzerland	100	Project management
Mace Management Services AG C/O IWP Consulting GmbH Steinenring 8 4051, Basel Switzerland	Switzerland	100	Project management
Mace Syria LLC No registered office	Syria	100	Dormant
Mace Construction Management and Consultancy Services Limited Maçka Cad.Tuncer Building, No:29 D.13 Maçka, Şişli Istanbul,Turkey	Turkey	100	Project management
Mace Macro International Investments Limited Bin Shabib & Associates (BSA) LLC DIFC Building 3, 6th floor P.O. Box 262, Dubai United Arab Emirates	UAE	100	Project management
Mace Macro Owners Association Management Co Office 28, Level 3, Oasis Centre Sheikh Zayed Road ,Dubai United Arab Emirates	UAE	100	Project management
Mace Macro Technical Services LLC Warehouse 4, Plot 365-153 Al Qouz Dubai United Arab Emirates	UAE	51	Consultancy

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2018

28. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
YMR Partnership Uganda Plot 24b Akibua Road, Nakasero Ericson Building 3rd Floor Kampala Uganda	Uganda	51	Consultancy
Mace North America Limited 3500 Lenox Road Suite 1500 Atlanta GA 30326 United States of America	USA	100	Project management
Mace Vietnam Company Limited Floor 13, BIDV Tower, No. 194, Tran Quang Khai Street Ly Thai To Ward Hanoi City Vietnam	Vietnam	100	Project management

* Companies are registered at head office address in the UK: 155 Moorgate, London, EC2M 6XB

The Company has guaranteed the liabilities of the following subsidiaries exempt from audit under section 479A of the Companies Act 2006. The company names and registered numbers (CRN) are below:

Mace Group Limited (CRN: 4228706)