

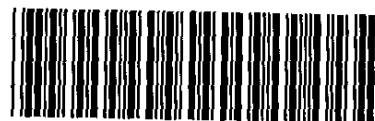
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Consolidated Financial Statements

Mace Finance Limited

31 December 2019

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Mace Finance Limited
Consolidated Financial Statements
Year ended 31 December 2019

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Mace Finance Limited

Company information

Directors	Mark Castle David Grover (resigned 1 May 2020) Jonathan Mark Holmes Dennis Hone CBE (resigned 27 January 2020) Richard Bienfait (appointed 27 January 2020) 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 2019

The Mace Group 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 Mace Group comprises Mace Finance Limited and its subsidiaries.

Overview headlines

In 2019 we delivered strong and profitable performance. Key highlights of the Group's results are:

- Group revenue of £1.8bn (2018: £2.3bn).
- Profit before taxation of £25.3m (restated 2018: £19.5m).
- Construction contributed £1.4bn (78%) of turnover (2018: £2.0bn - 84%).
- Work undertaken on construction management contracts amounted to £688m (2018: £713m). Mace has no contractual arrangement with the supply chain. This amount is not included in our Group revenue.
- Consultancy turnover increased by 15% to £314m (2018: £274m).
- International activities contributed £524m (2018: £831m) to Group revenue.
- Cash balances net of overdrafts were £170m at the year-end (2018: £203m).
- External borrowing increased to £307m (2018: £202m) to fund development schemes.
- Expenditure on Research & Development amounted to £51m (2018: £63m).
- 72% of turnover targeted for 2020 was secured by end 2019. 98% secured by September 2020.
- The Mace Foundation made donations of £514k to charitable causes in 2019.
- The overall tax charge for 2019 is £8.1m (restated 2018: £4.2m) which is an effective tax rate of 32% (2018: 22%) of profit on ordinary activities.

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, commercial office and data centre sectors.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2019

Key Performance Indicators

Our 2022 Business Strategy has been vital in guiding our decision-making to ensure we remain financially resilient and robust, to be recognised globally as a leader in the industry and true delivery partner of choice.

We have continued to invest in, and develop, our people and capabilities – strengthening our global footprint in new markets and geographies, pushing the industry forward in areas such as modern methods of construction, and taking a bold stance as a responsible business in areas such as single-use plastic and carbon reduction. In addition, we have been developing new technological and digital solutions, helping to drive productivity and quality across all our projects.

2019 was the second year of the 2022 Business Strategy and we have been measuring our progress by reference to the following key KPIs under four Business Priorities:

	2022 Target	2019 Actual	2018 Actual
Engage, develop and inspire our people			
Staff turnover	10%	17%	14%
Staff satisfaction	90%	84%	84%
Achieve stable and sustainable growth			
Margin (profit after tax/revenue) *	2.5%	1.4%	0.7%
Revenue target	£2,200m	£1,782m	£2,315m
Five-year cumulative profit after tax 2018-2022*	£180m	£42m	£17m
Be a responsible business			
Accident frequency rate	0.05	0.07	0.10
Lost time injury (per 100,000 hours worked)	0.21	0.24	0.29
Annual contribution to society in 2022	£500k	£522k	£491k

*Margin and cumulative profit KPI in the 2022 Business Strategy referenced performance of the Mace Limited Group of companies. Mace Limited is the main and largest operating entity in the Mace Group. The KPIs here are as per the Consolidated Mace Limited Financial Statements and not that of Mace Finance Limited.

KPIs were established for the fourth Business Priority, Drive innovation to improve service excellence. However, during 2019 and 2020, the industry measure for productivity has been debated and this KPI is therefore currently under review.

The progress made in the year in regard to the target KPIs is explored in more detail in the business review below.

Business Review

Mace Finance Limited's consolidated profit before tax on ordinary activities in 2019 was £25.3m (2018: £19.5m). If pre-tax profit attributable to non-controlling interests is excluded the profit before tax amounted to £25.0m (2018 £18.7m). This was Mace's 29th consecutive year of making a profit. Group revenue reduced to £1.8bn (2018: £2.3bn) mainly a result of high income from international data centre business in 2018.

2019 was the second year of our 2022 Business Strategy. This strategy is based on our four engines for growth which are Develop, Consultancy, Construction and Operate. These business divisions are supported by Group Services which 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 Develop business is involved with schemes with a development value of over £2bn. In 2019, we made considerable progress and achieved some significant milestones on our town centre regeneration scheme in Stevenage Town Centre by signing our Development Agreement with the Council, developing our masterplan proposals through an extensive engagement process with local businesses, stakeholders and the community, and we submitted our planning application for the whole development. The planning application was approved by the Stevenage Borough Council on 20 October 2020. The site aims to provide 1,860 new homes, shops, restaurants, a health centre, library, primary school, sport, leisure and cultural facilities. Construction on our student accommodation sites in Exeter, Cardiff and Oxford continued. We reached Practical Completion on our student accommodation site in Cardiff with students taking occupation of the facility from September 2019. Construction on our residential scheme in Greenwich continued in the year with the first of 325 apartments in total being completed early in 2020. At 31 December 2019 development work in progress for our schemes at Exeter, Cardiff and the residential development of 325 apartments at Greenwich Square amounted to £237m and in addition we have invested via loans of £58m in a joint venture arrangement for the mixed use development of a site in West Oxford. These values reflect the historic costs incurred on these schemes and does not reflect development profit. These developments have been financed by limited recourse funding of £147m and by investing funds from the £160m corporate bond issued in March 2017. It is forecast that the total debt will increase to circa £310m in 2020 before the 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 of the outstanding debt.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2019

Our Consult business grew turnover by 15% to £314m in 2019 (2018: £274m) and headcount increased to 2,542 (2018: 2,397). Mace completed a number of landmark consultancy projects in 2019, including; a major construction milestone for Expo 2020 Dubai – the Al Wasi dome, the successful delivery of major sporting venues at the Lima 2019 Pan American and Parapan American Games and working for the Department for International Trade. In addition, a number of appointments such as the Defence Infrastructure Organisation (DIO) as Client-Side Partner (CSP) to support delivery of the Defence Estate Optimisation (DEO) Programme, the appointment by HS2 Ltd to deliver the high speed rail projects and securing our role on Keflavik Airport's Major Development Plan.

The Construct engine contributed £1.4bn of turnover in 2019 reflecting 78% of the Group's turnover (2018: £2.0bn – 84%). In 2019, lower turnover from our International Data Centres business compared to 2018 was the main driver for the decrease in overall turnover. The Construct business continued with a number of significant construction management projects throughout the year, the most significant being Battersea Power Station. Overall, the amount of work managed, as construction management, but not included in Group turnover was £688m (2018: £713m). Construction headcount decreased to 1,538 (2018: 1,718). This reflects the lower level of turnover.

During 2019 our facilities management business rebranded itself from Mace Macro to Mace Operate. The business increased turnover to £72m (2018: £66m) with headcount decreasing to 995 (2018: 1,079). This decrease is reflective of the loss of two contracts towards the end of 2018 where the business benefitted from turnover for a significant portion of the year, despite headcount transferring to a competitor service provider in November and December respectively. This effectively offset any headcount growth made from other new contracts secured throughout the year. This included new commissions with several clients in different regions across the pharmaceutical, retail, technology, telecommunications & travel industry sectors, whilst also expanding long-standing relationships with strategic clients in both the finance and global resources industry sector.

The 2019 annual report and accounts includes a restatement of the Group's 2018 performance, due in part to the restatement of insurance related assets and liabilities which has impacted the accounting of expected reimbursements resulting from certain third-party claims. We have therefore restated our 2018 results, resulting in a reduction of profit before tax of £9.1m resulting from the recognition of cost provisions of £19.1m and virtually certain recoverable assets of £10m. Reimbursements from third-party claims have been accounted for in the same manner in 2019, resulting in further cost provisions with a net impact of £6.3m on profit.

Due to foreign exchange fluctuations we made a retranslation loss of £3.2m in 2019 (2018: loss of £0.4m). This had a negative impact on retained earnings as shown in the statement of changes in equity. The overall tax charge for 2019 is £8.1m (2018: £4.1m) which is an effective tax rate of 32% (2018: 22%) of profit on ordinary activities. This effective tax rate is reconciled to the UK corporation tax rate of 19% in note 10.

The Mace Group supports the prompt payment of suppliers and subcontractors subject to receiving appropriate invoices for undisputed amounts. The largest trading entity in the Group, Mace Limited, continues to report payment performance statistics under the Government's Duty to Report scheme. The latest 2019 reporting under the scheme showed that the Mace Limited's average time taken to pay invoices was 26 days and 96% of invoices, including those in dispute, were paid within 60 days.

By the end of 2019, our headcount had reduced to 5,416 staff (2018: 5,561). The movement is reflected in our staff turnover which went up from 14% in 2018 to 17% in 2019. The reduction in headcount went hand in hand with our reduced turnover as we right sized our direct staff cost base and this increased our staff attrition rate. Staff engagement, measured by reference to responses to our annual staff satisfaction survey, remained consistent with the 2018 result at 84% and we remain confident of achieving our 90% target by 2022. In each our Engines for Growth we have continued to invest and develop in our people.

In 2019 we continued to deliver against our responsible business strategy, creating even more opportunities for people, trialling new clean technologies and pushing the boundaries of sustainable construction. Our focus remains aligned with environmental, social and governance (ESG) principles and United Nations Sustainable Development Goals. Our contribution to society was quantified as £522m in 2019, exceeding our 2022 target three years early. This value was calculated in collaboration with a third-party organisation who specialise in quantifying the total impact and value that organisations have on society and the natural environment.

In 2019 our accident frequency rate reduced to 0.07 (2018: 0.10) with the number of RIDDOR injuries on our projects also reducing to 23 (2018: 47). In addition, our lost time to injury per 100,000 hours worked reduced to 0.24 (2018: 0.29). This is clearly an excellent improvement as a result of focussed campaigns on identified key risks where accidents are more prevalent. Again in 2019 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.

Regrettably for the first time in our history, Mace were prosecuted by the HSE and fined for an incident that occurred on our Nova project in London in October 2016, where a person fell from a height. Our outstanding health and safety record mitigated the amount of the fine which amounted to £409,000.

A prosecution was also brought against Mace for an incident in February 2016 where a traffic marshal was fatally injured by a waste collection vehicle that was collecting waste from adjacent premises. On 7 May 2020, the HSE advised that they would not present any further evidence and at a court hearing on 3 June 2020, Mace were found not guilty.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2019

Looking to the future

Our pipeline for 2020 was already 72% secured by the end of 2019 (2018: 62%), with opportunities in both the UK and International markets, with revenue for the Group budgeted to be £2.1bn for 2020. The Covid-19 pandemic has affected our business, particularly the Construct, Develop and Operate divisions. Overall, the revenue of the Group is likely to be lower by 20% than budget due to the lockdown measures taken by nations around the world to confine the spread of the virus. We expect the Group to remain profitable during 2020. The Consult division, although not immune to the effects of Covid-19, is likely to exceed its budget both in terms of revenue and profitability for 2020. Further details of the impact of Covid-19 on the business is explained later in the report in the Covid-19 post balance sheet event section.

Cashflow and financing

The Group's cash position at the end of December 2019, net of overdraft, was £170m (2018: £203m). The Group's debt position, excluding overdraft, at the end of December 2019 was £317m (2018: £213m), of which £147m (2018: £42m) is secured on development projects.

Cash inflows from Group operating activities, before changes in working capital, were £48.7m in the year (2018: £34.2m). The Group took on £106m of new borrowings in the year (2018: £40m) in order to fund the construction of development assets.

Shareholders' funds

Shareholders' funds decreased by £6.5m to £44.4m. This movement arises from:

- £45.8m from the reversal of fair value adjustments, made in December 2018, against an investment which was redeemed at par value during the year.
- Redemption of preference shares of £56.8m.
- £17.2m from profit after tax for the year.
- £ (7.6) m from dividends paid in the year;
- £ (5.3) m from the adoption of IFRS16; and
- £0.9m of currency translation differences/recycling to profit and loss.

Risks and Uncertainties

Our strategy is designed to reduce risk and build a sustainable and profitable business with reliable income streams and increasing margins. 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 Board, using analysis of the likelihood of risk occurring and the business impact of such risk, has determined that the principle business risks, in no particular order, to be as follows:

Principle risk	Potential business impact	Mitigation
1. Major project delivery failure		
Not meeting the contractual, legal or client expectations about the timing, cost, quality or safety requirements of a project either because of adverse bidding and contractual arrangements, or not controlling the project or development effectively. This risk has been exacerbated by the impact of Covid-19 on the Group's operations. The national lockdown in March 2020 temporarily closed a large number of constructions sites, most of which have re-opened, however delays to the delivery of projects has been a consequence.	Significant financial losses including, breach of contract claims and liquidated damages from the client and legal claims from the supply chain. Loss of market reputation leading to losing new and repeat clients. Diversion of resources (cash and people) to dealing with legal proceedings rather than building business.	Early identification of issues and proactive management to resolve. Focus on selective bidding achieving realistic programmes and margins, mobilisation, design control, commercial terms and contract management, supply chain management, quality of delivery and service excellence and sharing of best practice (knowledge management including lessons learnt). Last year, 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, which we have continued to employ during the reporting period. Effective engagement with clients/employers has been essential to ensure the business mitigates the impact of delays to the delivery of projects due to Covid-19.
2. Major supplier failure		
The collapse of one of our supply chain partners that has a significant role in the successful delivery of our projects.	Project disruption, potential additional costs through delivery delays, and reputational damage.	Actively managing relationships with our supply chain, ensuring appropriate levels of vetting and checks to their financial strength. Ensuring good breadth of supply chain partners to control volumes of work. Early identification and problems and robust knowledge and understanding of contract position. Enhanced supply chain analysis and more regular internal reporting of concerns has been implemented since March 2020, due to Covid-19, in order to identify and act upon potential concerns with our supply chain.

3. Health and safety issues		
The occurrence of major health and safety incidents – including fatalities – on projects.	Project disruption, significant fines and reputational damage. Potential custodial sentences for senior employees. Impact on mental health of employees who witness incidents.	High standards of health, safety and wellbeing 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”. Fostering a culture where <i>health and safety remains a priority. Focus on health and safety training, the role of supervisors, best practice, knowledge sharing and working with our suppliers to embed Mace standards. The implementation of new procedures to tackle evolving risks on site. Mental health training and support for employees.</i>
4. Failure to win the right work		
Inability to win work either by negotiation or by competitive failure.	Reduced turnover and profit. Less work generally could lead to redundancies and/or staff leaving. Failure to secure good quality work could lead to employee demotivation as well as delivery issues.	Long term business development planning. Senior management review of bidding processes, cost budgeting and programme estimation to ensure Mace are realistically competitive and fairly price complex projects and programmes for the risk involved. Seeking to move into new sectors and/or geographies to expand opportunities to win new work. Investment in innovation and build upon <i>mature relationships and genuine partnerships with our clients and suppliers.</i>
5. Retention and attraction of employees		
Significant challenges in recruiting and keeping the right people to deliver projects for our clients or to support Mace's corporate activity.	Inability to deliver on our promises to our clients. Loss of skills, expertise or institutional knowledge when employees leave.	Competitive salaries and fair grading structures, incentivisation arrangements and open promotion opportunities together with a first-class development and learning programme for employees. Development of an employee value proposition. Increased focus on inclusion and diversity.
6. Market fluctuations		
Macroeconomic and industry sector changes affect confidence and/or investment levels, reducing the pipeline of available work and the pausing or cancellation of new or current assignments.	Reduced turnover and profits. Possible reductions in staff headcount and other costs.	Diversification into new sectors, markets and major programmes, together with the ability to adjust the workforce level and costs if turnover decreases. Innovate to become a contractor of choice during a changing market.
7. Cyber security incident or IT system failure plus data misuse/loss		
Major business disruption caused by a cyber security incident, IT failure or breach of the data protection/GDPR regime.	Major impact on the ability to effectively work for days or even weeks. Disruption to projects or clients. Significant fines or failure to comply with relevant legislation.	Move away from legacy systems to cloud technology, ensuring appropriate patches and revisions are in place together with an effective cyber security and Mace-wide data protection regime. Basic security screening for all employees and enhanced checks for those operating in secure client environments. Maintain ISO27001 Information Management accreditation.
8. Environmental damage		
Major environmental damage as a result of a Mace project.	Significant financial penalties, combined with reputational damage, which could affect our future ability to win work.	Responsible business strategy that includes best practice environmental practices and monitoring. The assurance of our projects to ensure they are meeting Mace standards.
9. Regulatory non-compliance		
Action taken against the business for failing to put in place effective arrangements to mitigate risk of breaches of legislation/regulation e.g. Modern Slavery Act, Bribery Act, corporate criminal offence.	Custodial sentences for senior employees. Reputational damage. Being prohibited from bidding on certain pieces of work. Significant financial penalties to the business.	Compliance training for all employees on existing and upcoming issues, rigorous policies and a clear disciplinary process for breach. Horizon scanning to look ahead for legislative and regulatory change. Top down commitment to a culture of ethical behaviour demonstrated in promotion of, and adherence to corporate compliance policies.
10. Major client failure		
The collapse of one of our clients that we have current project/s with.	Project/s disruption, potential loss of secured income.	Early identification and reporting of problems and robust knowledge and understanding of contract position. Ensuring we have a diverse client portfolio.
11. Brexit		
The absence of a comprehensive trade deal by the 31 December 2020 between the UK and EU and the economic consequences this may have on the UK and EU economies, on people movement, on global logistics and compliance with regulations.	Reduced turnover and profits, delays in the delivery of projects, loss and the restriction of the movement of staff, the failure to adopt new regulations.	A mature cross-functional working group remains in place which meets and reviews regularly the risks and issues posed by Brexit and the potential that there will not be a comprehensive trade deal in place by 31 December 2020 between the UK and EU. Over time, as this risk evolves, mitigations are recommended by the working group and implemented by the business.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2019

Covid-19 post balance sheet event

In March 2020, the Covid-19 pandemic forced the UK into an unprecedented state of lockdown. At the balance sheet date, the Directors had no way of knowing how the Coronavirus outbreak in Asia would evolve globally. In early 2020, several international locations where we operate had also been forced into lockdown.

The first UK lockdown in March 2020 led to the suspension of work on most of our UK construction sites, while the vast majority of Consult projects remained operational although our teams largely worked remotely and away from clients' sites or offices. In February 2020, the Group deployed a "crisis management" response to the Covid-19 pandemic, formulating teams at both strategic and operational levels, empowered to make fast decisions to respond to the crisis as it evolved.

In April 2020, our financial forecasting assumed lockdown would continue for the remainder of Q2 in the UK. On this basis, the Group Board decided to implement a number of special measures in order to support the financial resilience of the Group:

- Maximising the utilisation of our staff while reducing our contingent staffing and utilising the Government's job retention scheme;
- Reduced the payroll cost for the Group, by seeking and receiving the support from our staff to temporarily reduce basic salaries from April to December 2020 for all our staff globally between 0% and 20%, depending on the level of remuneration; and reducing temporarily the employer's pension contributions by 3%;
- Cancellation of the 2019 annual bonus;
- Immediate overhead reductions at divisional and group levels
- A drive to improve cash collection by limiting accrued income and chasing overdue debtors while ensuring prompt payment to our supply chain.

The second UK lockdown in November 2020 has had no material impact to the operations of the business.

Specific impacts of the Covid-19 pandemic on our divisions are detailed below:

Develop

Our budget 2020 anticipated the completion of construction of our development assets in Exeter and Oxford as well as the disposal of several assets during the period ending 31 December 2020, in particular the sale of our residential units at Greenwich.

Covid-19 has had the following impact on our development assets:

For Greenwich Square

The sale of apartments slowed when we were unable to accept viewings of private residential units during lockdown. That said, at the end of August 2020, the construction of the development reached practical completion and more than 81% of private units in the development are sold. Our latest financial forecast for 2020 assumes we will complete the sales on only 75% of units by December 2020 with the remaining completing during 2021.

For Exeter and Cardiff student accommodation

Student lettings for the 2019/20 academic year was impacted by Covid-19 lockdown. Only our Cardiff student scheme was operational during the academic year 2019/20 and releasing students from their tenancy for the third term had a £0.3m impact to revenue and margin. The combined portfolio is 1,245 rooms. Student lettings for 2020/21 academic year have been impacted by fewer foreign students planning to study in the UK, and from general uncertainty as to whether face to face tuition and lectures would commence in September 2020. Our Exeter accommodation is likely to be circa 85% let for 2020/21. Our Cardiff accommodation is circa 72% let currently, slightly behind compared to last year, where occupancy settled at circa 85% during the academic year.

In December 2020 we expect to achieve practical completion of Phase 2 in Exeter adding a further 114 rooms to the portfolio.

In August 2020, we appointed JLL to lead a refinancing of the secured debt of £93m on the two student accommodation schemes by Q4 2020, with the aim of reducing our cost of debt, now that the schemes are both operational. In addition, we plan to undertake a sale process of the two student accommodation schemes in 2021.

For Botley

For Botley Phase 1 and Phase 2, being a mixed-use student accommodation, retail and hotel accommodation for phase 1 and residential phase 2.

In August 2020, the construction of the student accommodation of Phase 1 completed. Student lettings for the 2020/21 academic year are much slower than expected, for all the reasons mentioned above regarding Cardiff and Exeter. The Botley scheme is circa 30% let currently and we expect the letting process for 2020/21 will continue through the year.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2019

Consult

The division's work has been impacted to a limited extent by the pandemic with many assignments continuing as usual, albeit with our colleagues working from home or in remote locations from other client teams. For some clients and sectors, we have experienced an increase in demand for our services, particularly with clients in the healthcare, utilities and public sectors. Key client sectors which have suffered from Covid-19 include aviation (where we provide services to all the UK major airports and some international airports), the hospitality, leisure and retail sectors. The division's latest forecast anticipates annual revenue of £363m which exceeds our budget for 2020, and of which £300m has been secured (83%) as at June 2020.

The net margin is forecast to be £45m for 2020, again overperforming the budget for 2020 by more than 5% and this is despite pressure from clients to reduce the rates which we charge our staff during lockdown.

The primary cost for Consult is the cost of employment, both directly employed and contingent workers, who are mainly fee earning. When the Covid-19 crisis first emerged, we were decisive to reduce the number of contingent workers we employed in order to utilise as many directly employed staff as possible. We have kept a very close control over the utilisation of all our fee earning staff. Headcount reductions have occurred where clients have stopped or postponed assignments, as previously mentioned: in the aviation, hospitality, leisure and retail sectors. In addition, a further 263 contingent workers have left our business.

Construct

On 24 March 2020 the decision was taken to temporarily suspend all construction sites, until such time as clear direction was issued by the Government as to the on-site protocols of 'social distancing' for construction. 28 sites re-opened on 9 April 2020. 12 projects were cancelled; these mainly serving our clients in the aviation sector. At the date of signing, final accounts had been agreed for 10 of these projects and there were no disputes arising from those with final accounts still in progress. By the end of April, 82% of our remaining sites were open and by end of May 94% were open. The remaining 3 sites re-opened in June 2020.

The impact of Covid-19 resulted in a drop of circa 45% in income for Q2. It is anticipated that there will be a steady recovery through to the end of the year, with income levels reaching more than £120m a month in Q4.

The division's 2020 forecast anticipates annual revenue of £1.26bn. Overall, the forecasted impact of Covid-19 on revenue for 2020, is anticipated to be circa £400m, coupled with a drop in gross margin to 3.4%, from a budgeted gross margin of 5.1%.

Our 2021 forecasting assumes that Covid-19 social distancing measures will need to remain in place on all our construction sites.

Operate

As a result of client lockdowns, project tender deferrals and impacted client sectors (hospitality, leisure, retail etc), revenue dropped 20% a month compared to pre Covid-19 forecasts, resulting in our forecast for revenue for 2020 reducing to £116.5m, and with net margins falling to £1.3m. It is not anticipated that pre Covid-19 levels of income will be achieved until at least Q2 of 2021.

The base cost for Operate is driven by the employment of staff, both employed and contingent workers. A number of headcount reductions have been made in response to the level of reduced income for 2020.

Mace Group

The directors of Mace Finance Limited have considered the consequences of Covid-19, including the impacts from the first national lockdown in the UK in March 2020 and the second national lockdown in November 2020 as well as other trading events and conditions it can predict now and, in the future, and has determined that these events and conditions do not create a material uncertainty that casts significant doubt upon the entity's, and the wider Group's, ability to continue as a going concern. For that reason, the Board have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and so it considers it appropriate for the 2019 financial statements to be prepared on a going concern basis.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2019

Section 172 Companies Act 2006

The Board of Directors in the performance of their duties must act in accordance with the requirements of the Companies Act 2006 S172 as follows:

"A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—

- 1) the likely consequences of any decision in the long term,
- 2) the interests of the company's employees,
- 3) the need to foster the company's business relationships with suppliers, customers and others,
- 4) the impact of the company's operations on the community and the environment,
- 5) the desirability of the company maintaining a reputation for high standards of business conduct, and
- 6) the need to act fairly as between members of the company."

The Directors have met formally as a Board on a quarterly basis this past year and less formally at the Directors "Start of the Week" meeting. The Directors are careful to ensure that in their decision-making process they manage both their expectations as shareholders and the expectations of other stakeholders.

To support this, our decision-making process is guided by our Governance Structure contained on pages 13 to 17 of the report. It is a transparent, informative and inclusive process with recommendations being made by the sub-Boards through to the Board.

The Mace Group 2022 Business Strategy as set by the Board fully supports this approach by assuring that stakeholders are a key focus of the Strategy. Our vision to be the Industry Leader in Shaping Cities and Building Sustainable Communities envelopes stakeholders across the board. The Board has focused their decision making on four key priorities:

Engage, develop and inspire our people

- Engage and retain our people
- Equip our people with the skills and tools to succeed
- Attract and recruit the best people
- Create an inclusive environment that recognises everyone's abilities

Achieve stable and sustainable growth

- Grow income and margin by delivering value to our clients
- Secure major projects and programmes
- Manage our risk and assure delivery
- Target growth in new sectors and geographies

Be a responsible business

- Be world leading in our health and safety approach
- Promote wellbeing and opportunity
- Lead on environmental quality
- Deliver resource efficiency
- Contribute shared value

Drive innovation to improve service excellence

- Embrace digital transformation
- Develop product and process solutions
- Deliver service excellence to our clients
- Develop supply chain partnerships

Mace is a responsible business and the Board understand the impact their decision-making process has on people and our environment and are therefore fully committed to our Responsible Business strategy. Our strategy specifically looks at areas of wellbeing and opportunity, quality of environment, using resources efficiently and delivering shared value.

Stakeholder interests and key Board decisions

Three important decisions were made by the Board during the year. The section below seeks to explain these decisions and how the interests of our stakeholders were taken into account.

1. The Implementation of the Group's Net Zero Carbon ("NZC") Strategy

The Board considered proposals to achieve a NZC strategy for the Mace Group by the end of 2020 and a proposal to provide a NZC Strategy Service Offering to clients to deliver clean energy and emissions reductions from inception through to the operations of a building or development. The Board was very familiar with the scientific facts about climate change, the harm that global warming is having on the Earth, and the likely consequence if global warming is not addressed.

Buildings, electricity use, and HFC refrigerant gases in HVAC systems are all major contributors to climate change. The Board recognised the opportunity Mace has to influence its clients, across the four Mace engines, to choose more sustainable solutions. The Board also recognised the opportunity for Mace to develop its service offer and create market opportunities by delivering a commercial NZC programme across an estate, from inception to implementation.

The Board considered the likely long-term consequences of these two proposals on its business would be to take a leadership role in the Construction and Consulting sectors by committing to be NZC by the end of 2020. The Board recognised that "Sustainability" was the most popular search word on its external internet site "macegroup.com", with 50% of those searching for this term were customers and the remainder potentially future customers, current or former employees and other stakeholders.

Although the Mace Group had already been implementing various low and zero carbon construction techniques and beginning to form partnerships to gain access to new technologies, the Mace Group did not have a definitive NZC strategy. Having listened to its staff, the Board were clear that Mace people wanted Mace to be a leader in this area.

Mace Finance Limited

Strategic report (continued)

Year ended 31 December 2019

The Mace Board agreed the Mace Group would adopt NZC corporate strategy "Steps without Footprints" and launch this strategy by the end of January 2020 with the screening to staff, current and future clients and other stakeholders of the firm 2040. The Mace Board also agreed in principle the Mace Consultancy NZC strategy service offering.

2. The implementation of the Group's Governance

The Board considered proposals to improve the governance of the business with the implementation of a new governance structure. The Board considered this matter twice during the year with further research, consideration and consultation with valid stakeholders taking place.

The Board considered the improvements to arise from the changes being the clarity for all stakeholders, and clear and formal terms of reference for all the designated Boards. The Board considered the likely long-term consequences from the adoption of this proposal being improved decision making and control of key business risks. The Board agreed to establish the Mace Executive Board and its sub Boards and new terms of reference. The Governance structure of the business is described in the Corporate Governance report.

3. Investing in Mace Tech

The Board considered a proposal to undertake a structured review into how to develop new products and solutions as part of a business case for Mace Tech. The Board agreed to commission a small team from High Rise Solutions and the Consultancy business to identify and evaluate options and opportunities of innovations.

In order to develop the proposal, a number of key clients had already been consulted. From those client discussions it was clear there was universal supportive to the approach being considered. The Board considered the likely long-term consequences from investing in Mace Tech would be the potential for the Mace Group to provide clients with innovative solutions that would potentially optimise operational costs of facilities and provide improvements in customer service.

Signed by order of the directors



Mark Reynolds

Chief Executive Officer

20 November 2020

Mace Finance Limited

Corporate Governance Report

Year ended 31 December 2019

Following the introduction of The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles") as an appropriate framework when making a disclosure about the Company's corporate governance arrangements.

The Mace Group is committed to ensuring high standards of corporate governance across the Group and the Principles have assisted by providing a robust framework against which we can measure ourselves against. Our ambition is to become an industry leader in large private company governance. This is the first year of applying the framework which we will continue to develop and improve.

Purpose and leadership

The Board set out and led the 2022 business strategy for the Mace Group with the primary purpose of focusing our ambitions, measure our progress and achieve our goals so "to inspire our spirit of adventure" which defines our vision to be the industry leader in shaping and building sustainable communities and to continuously pursue a better way.

Our values: safety first, client focus, create opportunity, integrity – permeate through everything we do. Together with our clear vision and mission, our values guide our behaviours and foster a culture of innovation and service excellence. These have helped us forge cooperative long-term partnerships and relationships with clients and suppliers that are increasingly focused on great mutual outcomes rather than transactional rewarding arrangements.

"Being a Responsible Business" has been a key focus area for the leadership in 2019 and their commitment to this permeates throughout the business.

In support, several initiatives have been launched by the Board such as introducing a new "Code of Ethics" and external whistleblowing service; implementing our behavioural framework "Behaviours for Success" which includes "Act Inclusively" which focuses on treating people with respect, in a fair and consistent manner; the developing and implementing of a culture which seeks to embrace diversity and inclusion; setting a target to achieve net zero carbon by the end of 2020 through our "Steps Without Footprints" initiative.

The Board is firmly committed to the principles of tax transparency and the implementation of measures globally to prevent the facilitation of tax evasion. As part of our increased focus on governance, procedures and a programme of improvement to align with the annual Senior Accounting Officer ("SAO") certification, a clean SAO certificate was issued during the year.

As a global business operating within four distinct sectors: developments, consultancy, construction, and facilities management, our exposure to risk is mitigated as a result of the strong diversification of our portfolio. Our Risk and Audit Board has a delegated authority of the Mace Executive Board and provides assurance that the business is fulfilling its corporate governance duties. Our internal Compliance & Audit team ran a programme of internal audits. In total 131 audits were undertaken equating to 169 audit days. On external auditing, our Independent Certification Body delivered a total of 85 audit days across 7 ISO standards.

To support the Board's target to achieve a workforce which reflects society we have a Diversity and Inclusion Steering Committee (DISC) who are responsible for driving positive change. This is chaired by our Inclusion Manager and members of the committee are drawn from across the business to ensure we consider a variety of perspectives.

The Company is well on its way to achieving its targets and will continue to keep focus on Being a Responsible Business.

Mace Finance Limited

Corporate Governance Report (continued)

Year ended 31 December 2019

Board composition

The Board comprises of eleven statutory directors with an appointed Chairman and Chief Executive Officer to ensure good governance.

On 1 January 2020, as part of developing the Board's Governance programme, the Board created and sponsored a sub board, referred to as *the Executive Board, which it delegated a number of authorities and this board is now responsible for the day to day operation of Mace Group, including Mace Limited.*

The Executive Board comprises of both statutory directors and senior management. The Executive Board together represent the knowledge, experience and expertise required to run an organisation as large and diverse as the Mace Group. Membership of the Board and the Executive Board are listed below.

Both the Board and Executive Board recognise there is still work to be done to improve the diversity of the Board and is committed to increasing diversity amongst the senior leadership team which will also reflect the Company's diversity and inclusion targets.

Board

Stephen Pycroft - Chairman
Jonathan Mark Holmes - Deputy Chairman
Mark Reynolds - Chief Executive Officer
Richard Bienfait - Chief Financial Officer
Gareth Lewis - CEO Construct
Jason Millett - CEO Consult
Mark Castle - Chief Operating Officer
Lee Penlington - Commercial Director
Mandy Willis - Director of Strategy
Stephen Jeffrey - Chief Technical Officer
Clare Lewis - Director

Executive Board

Mark Reynolds - Chairman
Michelle Barkess
Richard Bienfait
Mark Castle
Patrick Dixon
Florence Hayden
Jonathan Mark Holmes
Stephen Jeffrey
Gareth Lewis
Jason Millett
Carolyn Pate
Lee Penlington
Stephen Pycroft
Mandy Willis

Members of the Executive Board who are not statutory directors are: Michelle Barkess (Chief Information Officer), Florence Hayden (Group Human Resources Director), Patrick Dixon (Non-executive Director of Mace Limited) and Carolyn Pate (Company Secretary).

Director responsibilities

The Board met quarterly in 2019 and in addition met less formally during the weekly operational meetings. Quarterly Board meetings will reduce in 2020 to annually as the Executive Board takes on its operational responsibilities. The Executive Board will meet formally on a quarterly basis and again less formally at the start of the week meetings.

The Mace business is divided into four operating divisions being Develop, Consult, Construct and Operate, each has its own CEO who is responsible for delivering the business plan for their respective division. Each division has its own Board chaired by the respective divisional CEO or the Group CEO. These sub-boards meet on a quarterly basis and sit under the Executive Board.

During the past year the directors have sought to carry their duties as required under S172 of the Companies Act 2006 (the Act) as referred to in the Strategic Report.

In 2019 the focus of the Board was in "driving the four priorities" of the 2020 Business Strategy. Focusing on these four priorities helped the Company better focus efforts, strategies and action plans to meet plan.

The Four Priorities

- Engage, develop and inspire our people
- Achieve stable and sustainable growth
- Driving innovation to improve service excellence
- Be a responsible business

For each priority, focus areas were established, actions agreed, KPI's set and progress measured at each quarterly meeting. The standing items on the main Board agenda during the past year included health, safety & wellbeing, financial performance, operations update, opportunities & risk report and responsible business.

Mace Finance Limited

Corporate Governance Report (continued)

Year ended 31 December 2019

Opportunity and risk

As part of the priority to achieve stable and sustainable growth the Board set a target to achieve a robust risk management programme in 2019. The Risk and Audit Board was overhauled with a new membership drawn from across business functions and sponsored by the CFO.

The Risk and Audit Board monitors and reviews the development and delivery of the Group Risk and Audit strategy, ensuring its plans are aligned to and enable delivery of the 2022 Business Strategy and to mitigate the business' principal risks, as identified in the Strategic Report.

The Risk and Audit Board reports on a quarterly basis to the Executive Board to which it will refer recommendations for decisions which are outside of its delegated authority.

Remuneration

As a privately-owned company, the Company is not required to have a Remuneration Committee and as such the responsibility of setting executive pay is assumed by the Board.

Key objectives of the Board whilst operating within the principles of good governance are to:

- Assess executive remuneration and reward packages for the individual executive directors;
- Determine the remuneration of the Chair, the executive directors and the Group management team;
- Determine the total remuneration packages for these individuals including any compensation on termination of office;
- Approve any and all annual bonus arrangements and share awards, including the performance targets that apply.

Executive remuneration is structured simply to drive both accountability and performance, creating long-term value for all stakeholders. In determining the remuneration, the performance of the business during the financial year is taken into consideration, together with future strategy. Pay levels are commensurate with external pay levels.

A small number of share awards were made during the year, with some restrictions being lifted on previous awards.

Performance is continually under review and remuneration packages revised appropriately.

Stakeholders

The Board takes a proactive stance to engaging directly with our core stakeholder audiences, both inside and outside the company. We aim to ensure that as much of our communication as possible is an open dialogue, ensuring that our communication is authentic, transparent and that we are open to new ideas and critique of current practises across the organisation.

Our most important stakeholder group is the Mace workforce. Our internal communications strategy relies on a broad range of channels to engage directly with our colleagues, including our intranet, regular events, emails and direct engagement to create an open conversation across the organisation. We carry out annual engagement and wellbeing surveys to measure engagement and run regular internal campaigns to promote information about topics that are important to our people, including sustainability, mental health and diversity and inclusion.

Externally, our core stakeholder audiences are our clients, our strategic supply chain, insurers, bond providers, investors, industry organisations, public sector bodies; including both local and national government, and the communities we work in. We communicate with those audiences through a wider variety of channels, both as part of our day to day delivery and wider communications channels and campaigns. We promote Mace's work through media and social media, provide regular updates to our clients about our work and carry out regular customer surveys.

Through CEO Mark Reynolds, and our Deputy CEO for Construction Mark Castle, in 2019 we played a leading role in the Construction Leadership Council and Build UK, helping to shape our sector's response to critical issues, regulation and its dialogue with Government. In the preparation for the UK's exit from the European Union, Mark Reynolds played a key role in bringing the sector together to understand and mitigate the key risks we faced.

Mace Finance Limited

Corporate Governance Report (continued)

Year ended 31 December 2019

External reporting

In addition to our Annual Report and Financial Statements, we publish information regularly in the public domain. This includes our business payment practices and performance under the Duty to Report requirements which are filed at Companies House. In addition, we produce our Annual Business Review which is published on our website, alongside our Annual Report and Financial Statements. We published our third Gender Pay Gap statistics in April 2020. Mace Limited is required to publish payment practices and performance statistics twice a year in accordance with Duty to Report.

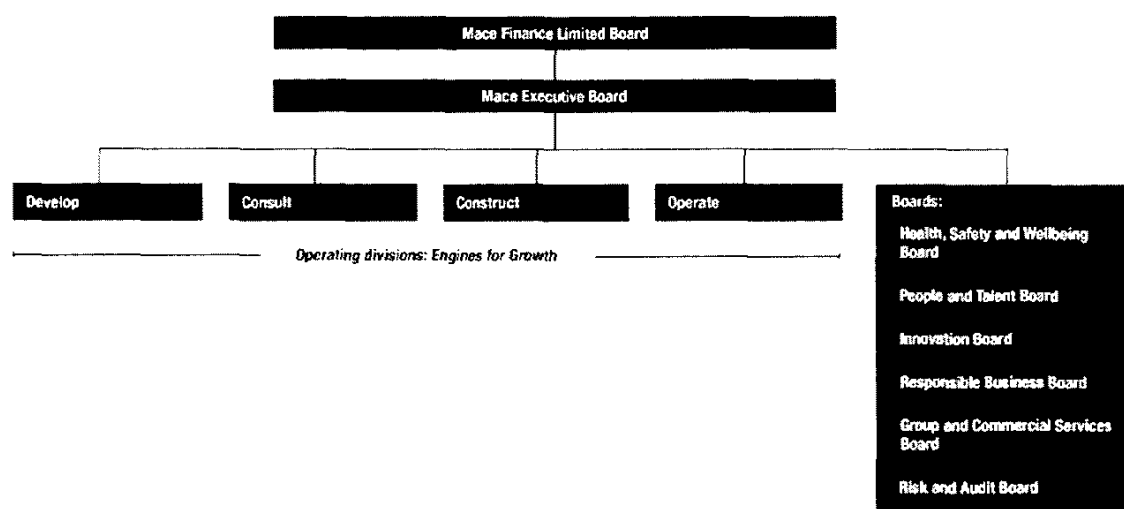
External auditors

The Group appointed BDO LLP as auditors on 1 February 2019; 2019 being the second year that BDO have acted as auditors for the Mace Group, following their acquisition of Moore Stephens in February 2019. 2019 represents the 10th consecutive year of tenure of the audit partner and the Board have made the decision to retender the Group audit in line with good practice. The Audit Reporting Committee is currently considering proposals and will decide on the outcome of the tender process in November 2020.

As a private company, the Group is not subject to external restrictions in terms of non-audit work provided by the external auditors, but for good governance has chosen to implement its own policy in relation to the level of their remuneration and the extent of their non-audit services.

Sub-Boards

The Executive Board sponsor a series of sub-boards, which consist of the following:



Health, Safety and Wellbeing Leadership Board

The Health, Safety and Wellbeing Board operates to monitor and review the development and delivery of the Group health, safety and wellbeing strategy, ensuring its plans are aligned to and enable the business to deliver the 2022 Business Strategy. Responsibilities include but are not limited to:

- Reviewing and monitoring the Group health, safety and wellbeing strategy to ensure it is aligned to the delivery of the 2022 Business Strategy;
- Developing and monitoring the scorecard of key measures as agreed with the Executive Board;
- Setting the health, safety and wellbeing policies for the Mace Group;
- Provide direction and guidance to the HS&W team on changes to the strategy and plans to ensure delivery of programmes and initiatives remain on track. Support the HS&W team in developing roll-out strategies that will gain maximum traction across the business;
- Evaluation of the budget and investment in the health, safety and wellbeing agenda, and
- Champion the broad health, safety and wellbeing agenda within business units and across the wider Group, to achieve a consistent approach to corporate challenges.

Mace Finance Limited

Corporate Governance Report (continued)

Year ended 31 December 2019

People and Talent Board

The People and Talent Board acts to ensure the delivery of the Group HR strategy. Responsibilities include but are not limited to:

- Reviewing and monitoring the Group HR strategy to ensure it is aligned to the delivery of the 2022 Business Strategy;
- Developing and monitoring a scorecard of key measures agreed with the Executive Board and reviewed on a quarterly basis;
- Setting the HR Policies for the Mace Group;
- Providing direction and guidance to the HR team on changes to the HR strategy and plans to ensure delivery of programmes and initiatives remain on track. Support the HR team in developing roll-out strategies that will gain maximum traction across the business, and
- Identify developments (from other institutions and organisations) that could be considered best practice, considering and adapting these, as appropriate for possible introduction at Mace.

Innovation Board

The Innovation Board operates to monitor and review the development and delivery of the Group Innovation strategy, ensuring its plans are aligned to and enable the business to deliver the 2022 Business Strategy. Responsibilities include but are not limited to:

- Setting the Innovation Policies for the Mace Group for approval by the Executive Board;
- Provide direction and guidance to the Innovation team on changes to the Innovation strategy and plans to ensure delivery of programmes and initiatives remain on track. Support the Innovation team in developing roll-out strategies that will gain maximum traction across the business;
- Identify developments (from other institutions and organisations) that could be considered best practice, considering and adapting these, as appropriate for possible introduction at Mace, and
- Champion the broad Innovation agenda within business units and across the wider Group, to achieve a consistent approach to corporate challenges.

Responsible Business Board

The Responsible Business Board was commissioned to lead the Group in the development and delivery of the Responsible Business Strategy.

Responsibilities include but are not limited to:

- Providing direction and guidance to the Responsible Business team on the Responsible Business strategy and plans to ensure delivery of programmes and initiatives remain on track;
- Identifying developments (from other institutions and organisations) that could be considered best practice, considering and adapting these;
- Championing the broad Responsible Business agenda within business units and across the wider Group, to achieve a consistent approach to corporate challenges, and
- Commissioning of working groups, establishing appropriate objectives in accordance with the 2022 Business Strategy and monitoring progress for the duration of the working group.

Group and Commercial Services Board

The Group and Commercial Services Board operates to monitor and review the development and delivery of the Group and Commercial Services strategy, ensuring its plans are aligned to and enable the business to deliver the 2022 Business Strategy. Responsibilities include but are not limited to:

- Setting the Group and Commercial Services Policies for the Mace Group for approval by the Executive Board;
- Provide direction and guidance to the Group and Commercial Services teams on changes to the strategy and plans to ensure delivery of programmes and initiatives remain on track. Support the Group and Commercial Services team in developing roll-out strategies that will gain maximum traction across the business;
- Identify developments (from other institutions and organisations) that could be considered best practice, considering and adapting these, as appropriate for possible introduction at Mace;
- Evaluation of the budget and investment in the Group and Commercial Services agenda, and
- Champion the broad Group and Commercial Services agenda within business units and across the wider Group, to achieve a consistent approach to corporate challenges.

Risk and Audit Board

The Risk and Audit Board acts to monitor and review the development and delivery of the Risk and Audit strategy. Responsibilities include but are not limited to:

- Monitoring a scorecard of key measures set by the Mace Executive Board;
- Setting the Risk and Audit Policies for the Mace Group under the authority of the Executive Board;
- Supporting the Risk and Audit team in developing roll-out strategies that will gain maximum traction across the business;
- Commissioning of working groups, establishing appropriate objectives in accordance with the 2022 Business Strategy and monitoring progress for the duration of the working group, and
- Pre-screening and making recommendations to the Mace Executive Board regarding corporate proposals which fundamentally affect future corporate strategy, culture, organisation, debt/capital raises and items of significant business risk.

Mace Finance Limited

Directors' report

Year ended 31 December 2019

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 2019.

Principal activity

The Mace Group 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 £25.3m (2018: £19.5m). Mace Finance Limited has paid dividends of £7.6m (2018: £6.8m). 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. 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 (resigned 1 May 2020)
Jonathan Mark Holmes
Dennis Hone CBE (resigned 27 January 2020)
Richard Bienfait (appointed 27 January 2020)
Stephen Jeffery (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 of the financial statements.

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 directors continue to adopt the going concern basis in preparing the Group's 2019 financial statements.

At 31 December 2019, the Group had £202m of cash held in bank accounts controlled by the Group, and overdrafts of £32m. The Group issued in 2017 a £160m unsecured bond with a tenor of 5 year, repayable in March 2022, of which the Group has repaid £40m in August 2020.

The corporate bond finances, in part, the construction of the Group's four development assets, which are also individually funded through secured debt. At December 2019, the level of secured debt was £147m. For each of the four development assets, the Mace Develop division is pursuing a strategy of disposal over the next 12 to 18 months, so that by the end of 2021, the Group would have disposed of its development assets in: Greenwich Square, Cardiff, Exeter and Botley. These asset sales will enable the Group to repay the secured debt on each asset, which will fall due at the time of the asset sale from the Group and the remaining £120m principal of the corporate bond.

At the end of 2019, and at the date at which these financial statements have been signed, the Group continues to comfortably meet the covenant requirements of the corporate bond. The Group has other limited-recourse loan facilities, which will fall due for repayment when the assets on which they are secured are sold.

At the end of 2019, the Group had a strong forward order book, and as at the signing date, has 98% of the forecasted 2020 turnover secured, and 73% of the forecasted 2021 turnover secured.

Mace Finance Limited

Directors' report (continued)

Year ended 31 December 2019

The directors are satisfied that the Group has adequate resources to meet its obligations as they fall due, and for this reason they continue to support the going concern basis in preparing the Group's 2019 financial statements. The group have prepared integrated financial model forecasts to 31 December 2021 and applied sensitivities. Even after applying these sensitivities, the group cash flow forecasts have sufficient headroom to meet liabilities as they fall due.

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

Events after the reporting date

Details of significant events after the reporting date can be found in the Strategic Report and in note 30.

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

Investment in research and development is the key to driving our industry forward, and in 2019 we invested £51m (2018: £63m) which included development of our High-Rise Solution capability (seeking to further reduce time during construction by 30%, vehicle movement by 40% and construction waste by 70%), development of new construction elements, temporary works processes, and making substantial improvements in mechanical and electrical services.

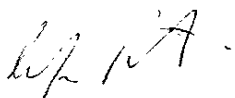
Disclosure of information to auditors

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.

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



Carolyn Pate
Group Company Secretary

20 November 2020

Mace Finance Limited

Directors' responsibilities statement

Year ended 31 December 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report, the Corporate Governance 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 2019

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 2019 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 2019 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.

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 2019

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.



Paul Fenner (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
20 November 2020

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 2019

	Notes	2019 £000s	Restated 2018 £000s
Group revenue	4	1,782,279	2,315,297
Cost of sales	4	(1,620,314)	(2,168,629)
Gross profit	4	161,965	146,668
Administrative expenses	4	(128,393)	(129,250)
<i>Fair value on financial assets measured at FVPL (inc. derivatives)</i>	3	(444)	-
Operating profit before exceptional items	4	33,128	17,418
Exceptional items	9	(6,205)	-
Operating profit	4	26,923	17,418
Share based payment	23	-	(153)
Share of profit of associates and joint ventures	14	5,659	1,045
Profit on disposal of a subsidiary		-	1,920
Profit on ordinary activities before interest	4	32,582	20,230
Finance income	6	182	3,769
Finance costs	6	(7,430)	(4,538)
Profit on ordinary activities before taxation	4	25,334	19,461
Income tax expense	10	(8,102)	(4,198)
Profit on ordinary activities after taxation		17,232	15,263
Profit for the year attributable for			
Owners of the parent		16,855	14,513
Non-controlling interest		377	750
		17,232	15,263
Other comprehensive income			
Items that will or may be classified to profit and loss			
Exchange differences on re-translation of foreign subsidiaries		(3,240)	(398)
Recycling of accumulated of foreign exchange differences on disposal of foreign operations		4,092	-
Items that will not be classified to profit and loss			
Fair value movements on other investments classified as fair value through other comprehensive income		45,765	7,500
Total comprehensive income for the year		63,849	22,365
Owners of the parent		63,472	21,615
Non-controlling interest		377	750
		63,849	22,365

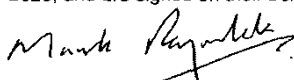
The notes on pages 30 to 74 form part of these financial statements. The 2018 restatement is explained in note 29.

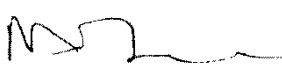
Mace Finance Limited

**Consolidated statement of financial position
As at 31 December 2019**

		31 December 2019 £000s	Restated 31 December 2018 £000s	Restated 31 December 2017 £000s
Non-current assets	Notes			
Property, plant and equipment	11	28,782	14,807	20,509
Intangible assets	12	156,868	147,919	136,869
Deferred tax assets	10	4,486	2,905	3,361
Investments in joint ventures & associates	14	3,072	1,772	2,405
Other investments	14	8,600	18,500	3,500
Total non-current assets		201,808	185,903	166,644
Current assets				
Trade and other receivables	15	399,750	455,832	467,551
Development work in progress	16	237,403	140,697	70,689
Development loan to joint venture	16	57,917	54,907	37,287
Other work in progress		-	1,976	1,333
Cash at bank		202,281	217,407	216,236
		897,351	870,819	793,096
Current liabilities				
Trade and other payables	17	(637,283)	(747,950)	(749,299)
Provisions	18	(29,188)	(19,658)	-
Financial liabilities	19	(1,544)	-	-
Lease liabilities & borrowings	21	(134,098)	(25,695)	-
		(802,113)	(793,303)	(749,299)
Net current assets		95,238	77,516	43,797
Total assets less current liabilities		297,046	263,419	210,441
Non-current liabilities				
Trade and other payables	20	(10,831)	(10,831)	(13,576)
Lease liabilities and borrowings	21	(241,784)	(201,644)	(161,501)
Net assets		44,431	50,944	35,364
Capital and reserves				
Called up share capital	22	2	56,766	56,766
Share based payment		9,803	9,242	9,088
Own shares		(1,228)	(538)	(538)
Accumulated reserves		34,049	(16,214)	(30,349)
Equity shareholders' funds		42,626	49,256	34,967
Non-controlling interests		1,805	1,688	397
		44,431	50,944	35,364

These financial statements of Mace Finance Limited (company number 08057308) were approved by the directors, authorised for issue on 20 November 2020, and are signed on their behalf by:


Mark Reynolds
 Chief Executive Officer


Richard Bienfait
 Chief Financial Officer

The notes on pages 30 to 74 form part of these financial statements. The 2018 restatement is explained in note 29.

Mace Finance Limited

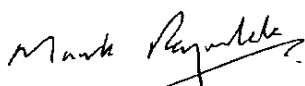
Company statement of financial position

As at 31 December 2019

		31 December	Restated 31 December	Restated 31 December
		2019	2018	2017
	Notes	£000s	£000s	£000s
Non-current assets				
Investments	14	141,604	141,604	141,604
Long term receivables	15		2,800	2,800
		141,604	144,404	144,404
Current assets				
Trade and other receivables	15	11,096	6,036	516
Cash at bank		2,071	274	1,117
		13,167	6,310	1,633
Current liabilities				
Trade and other payables	17	(91,870)	(39,007)	(43,698)
Lease liabilities & borrowings	21	-	(7,440)	(3,206)
		(91,870)	(46,447)	(46,904)
Net current liabilities		(78,703)	(40,137)	(45,271)
Total assets less current liabilities		62,901	104,267	99,133
Non-current liabilities				
Trade & other payables	20	-	-	(2,500)
Deferred tax liabilities		(297)	-	-
Net assets		62,604	104,267	96,633
Capital and reserves				
Called up share capital	22	2	56,766	56,766
Share based payment		9,803	9,241	9,088
Own shares		(1,228)	(538)	(538)
Accumulated reserves		54,027	38,798	31,317
Equity shareholders' funds		62,604	104,267	96,633

A separate profit and loss account for the Company (company number 08057308) is not presented as permitted by section 408 of the Companies Act 2006. The profit after taxation of the Company was £21.9m (2018: £15.0m).

These financial statements were approved by the directors, authorised for issue on 20 November 2020 and are signed on their behalf by:



Mark Reynolds
Chief Executive Officer



Richard Bienfait
Chief Financial Officer

The notes on pages 30 to 74 form part of these financial statements. The restatement is explained in note 29.

Mace Finance Limited

Consolidated statement of cash flows

Year ended 31 December 2019

	Note	Year ended 31 December 2019 £000s	Restated Year ended 31 December 2018 £000s
Cash flows from operating activities	24	(51,307)	13,528
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(13,460)	(10,682)
Dividends received from JV & Associates		5,348	-
Acquisition of investments		(594)	(7,500)
Disposal of subsidiary		-	1,920
Proceeds from disposals of fixed asset		-	30
Net cash used in investing activities		(8,706)	(16,232)
Cash flows from financing activities			
Dividends paid to company shareholders		(7,497)	(6,637)
Dividends paid		(120)	(194)
Own shares acquired		(1,183)	-
Employee benefit trust receipts		-	557
Employee benefit trust payment		-	(1,400)
Increase in borrowings		46,232	40,143
Repayment of borrowings and lease liabilities		(5,839)	(5,000)
Repayment of loan notes		(2,500)	(16,500)
Net cash generated in financing activities		29,093	10,969
Net (decrease)/increase in cash		(30,920)	8,265
Cash at bank and bank overdrafts at beginning of year		202,584	193,767
Effects of currency translation on cash at bank and bank overdrafts		(1,693)	552
Cash at bank and bank overdrafts at end of year		169,971	202,584
Cash at bank and bank overdrafts		2019 £000s	2018 £000s
Cash at bank		202,281	217,407
Bank overdrafts		(32,310)	(14,823)
		169,971	202,584

The notes on pages 30 to 74 are an integral part of these consolidated financial statements. The restatement is explained in note 29.

Mace Finance Limited

Company statement of cash flows

Year ended 31 December 2019

	Note	Year ended 31 December 2019 £000s	Restated Year ended 31 December 2018 £000s
Cash flows from operating activities	24	(9,837)	2,405
Cash flows from investing activities			
Dividends received from subsidiaries		28,900	16,498
Net cash generated/(used) in investing activities		28,900	16,498
Cash flows from financing activities			
Dividends paid to company shareholders		(7,393)	(6,637)
Capital contribution to employee benefit trust from subsidiary		1,250	
Employee benefit trust receipts			557
Employee benefit trust payments			(1,400)
Own shares acquired		(1,183)	
Repayment of loan notes		(2,500)	(16,500)
Net cash (used)/generated in financing activities		(9,826)	(23,980)
Net increase/(decrease) in cash		9,237	(5,077)
Cash at bank and bank overdrafts at beginning of year		(7,166)	(2,089)
Cash at bank and bank overdrafts at end of year		2,071	(7,166)
Cash at bank and bank overdrafts		2019 £000s	2018 £000s
Cash at bank		2,071	274
Bank overdrafts		-	(7,440)
		2,071	(7,166)

The notes on pages 30 to 74 are an integral part of these consolidated financial statements. The restatement is explained in note 29

Mace Finance Limited

Consolidated statement of changes in equity
Year ended 31 December 2019

	Foreign Exchange Reserve £000s	Share Capital £000s	Equity Investment Reserve £000s	Share Based Payment £000s	Own shares £000s	Retained Earnings £000s	Attributable to owners £000s	Non-Controlling Interest £000s	Total £000s
Equity shareholders' funds as at 1 January 2018 (reported)	(2,414)	56,766	(41,361)	9,088	-	12,271	33,850	397	34,247
Adjustment (note 29)	-	-	-	-	(538)	1,655	1,117	-	1,117
Equity shareholders' funds at 1 January 2018 (restated)	(2,414)	56,766	(41,361)	9,088	(538)	13,926	34,967	397	35,364
Comprehensive Income for the year:									
Profit after tax for the year (restated)	-	-	-	-	-	14,513	14,513	750	15,263
Fair value movements on other investments	-	-	7,500	-	-	-	7,500	-	7,500
Retranslation gain/(loss)	(398)	-	-	-	-	-	(398)	12	(386)
Acquisition on non-controlling interest	-	-	-	-	-	-	-	724	724
Share based payment	-	-	-	153	-	(843)	153	-	153
Employee benefit trust share transfers (restated)	-	-	-	-	-	-	(843)	-	(843)
Distributions to owners:									
Dividends paid	-	-	-	-	-	(6,637)	(6,637)	(194)	(6,831)
Equity shareholders' funds as at 31 December 2018 (restated)	(2,812)	56,766	(34,361)	9,241	(538)	20,959	49,255	1,689	50,944
Adjustment from the adoption of IFRS 16	-	-	-	-	-	(5,263)	(5,263)	-	(5,263)
Equity shareholder funds as at 1 January 2019	(2,812)	56,766	(34,361)	9,241	(538)	15,696	43,992	1,689	45,681
Comprehensive Income for the year:									
Profit after tax for the year	-	-	-	-	-	16,855	16,855	377	17,232
Fair value movements on other investments classified as fair value through other comprehensive income	-	-	45,765	-	-	-	45,765	-	45,765
Other movement in reserves	(3,197)	-	(11,404)	-	-	11,404	(3,197)	(43)	(3,240)
Retranslation gain/(loss)	-	-	-	-	-	-	-	-	-
Recycling of accumulated foreign exchange differences on disposal of foreign operations	4,092	-	-	-	-	690	4,092	-	4,092
Own shares acquired by employee benefit trust	-	-	-	-	(690)	(1,182)	(1,182)	-	(1,182)
Purchase of own shares	-	-	-	-	-	-	-	(98)	(98)
Acquisition of non-controlling interest	-	-	-	51	-	-	51	-	51
Fair value movement on share-based payment awards	-	-	-	300	-	-	300	-	300
Issue of shares by employee benefit trust	-	-	-	211	-	-	211	-	211
Share based payment	-	-	-	-	-	-	-	-	-
Redemption of shares	-	(56,764)	-	-	-	-	(56,764)	-	(56,764)
Distributions to owners:									
Dividends paid	-	-	-	-	-	(7,497)	(7,497)	(120)	(7,617)
Equity shareholders' funds as at 31 December 2019	(1,917)	2	-	9,803	(1,228)	35,966	42,628	1,805	44,431

Mace Finance Limited

Company statement of changes in equity

Year ended 31 December 2019

	Share capital £000s	Share based payment £000s	Own Shares £000s	Retained earnings £000s	Total £000s
Equity shareholders' funds as at 1 January 2018 (reported)					
Adjustment (Note 28)	56,766	9,088	-	26,862	92,716
	-		(538)	4,455	3,917
Equity shareholders funds at 1 January 2018 (restated)	56,766	9,088	(538)	31,317	96,633
<i>Comprehensive income in the year:</i>					
Profit after tax for the year	-	-	-	14,961	14,961
Share based payment	-	163	-	-	163
Employee benefit trust share transfers (restated)				(843)	(843)
<i>Distributions to owners:</i>					
Dividends paid	-	-	-	(6,637)	(6,637)
Equity shareholders' funds as at 31 December 2018	56,766	9,241	(538)	38,798	104,267
<i>Comprehensive income for the year:</i>					
Profit after tax for the year	-	-	-	21,864	21,864
Own shares acquired by EBT			(690)	690	-
Contribution to employee benefit trust				1,250	1,250
Purchase of own shares				(1,182)	(1,182)
Redemption of shares	(56,764)	-	-	-	(56,764)
Fair value movement on share-based payment awards		51			51
Issue of shares by employee benefit trust		300			300
Share based payment	-	211	-	-	211
<i>Distributions to owners:</i>					
Dividends paid	-	-	-	(7,393)	(7,393)
Equity shareholders' funds as at 31 December 2019	2	9,803	(1,228)	54,027	62,604

The notes on pages 30 to 74 are an integral part of these consolidated financial statements. The restatements are explained in the prior year adjustments note 29.

Mace Finance Limited

Notes to the financial statements

Year ended 31 December 2019

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 preparation

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 2019.

Going concern

The directors continue to adopt the going concern basis in preparing the Group's 2019 financial statements.

At 31 December 2019, the Group had £202m of cash held in bank accounts controlled by the Group, and overdrafts of £32m. The Group issued in 2017 a £160m unsecured bond with a tenor of 5 year, repayable in March 2022, of which the Group has repaid £40m in August 2020.

The corporate bond finances, in part, the construction of the Group's four development assets, which are also individually funded through secured debt. At December 2019, the level of secured debt was £147m. For each of the four development assets, the Mace Develop division is pursuing a strategy of disposal over the next 12 to 18 months, so that by the end of 2021, the Group would have disposed of its development assets in: Greenwich Square, Cardiff, Exeter and Botley. These asset sales will enable the Group to repay the secured debt on each asset, which will fall due at the time of the asset sale from the Group and the remaining £120m principal of the corporate bond.

At the end of 2019, and at the date at which these financial statements have been signed, the Group continues to comfortably meet the covenant requirements of the corporate bond. The Group has other limited-recourse loan facilities, which will fall due for repayment when the assets on which they are secured are sold.

At the end of 2019, the Group had a strong forward order book, and as at the signing date, has 98% of the forecasted 2020 turnover secured, and 73% of the forecasted 2021 turnover secured.

The directors are satisfied that the Group has adequate resources to meet its obligations as they fall due, and for this reason they continue to support the going concern basis in preparing the Group's 2019 financial statements. The group have prepared integrated financial model forecasts to 31 December 2021 and applied sensitivities. Even after applying these sensitivities, the group cash flow forecasts have sufficient headroom to meet liabilities as they fall due.

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 and joint operations. 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 32. 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 2019. 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.

Note 28 explains the impact of the adoption of new and revised standards, in the period.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

1. Accounting policies (continued)

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 highly probable that their inclusion will not result in a significant reversal in the future when the uncertainty has been subsequently resolved. 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 construction contracts;

i) Construction Management

Contracts are typically accounted for as a single performance obligation. The Group 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. Unvoiced amounts are recognised as assets.

ii) Fixed Price

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.

iii) Cost-reimbursable

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.

(b) Consultancy contracts

The Group typically engages with clients using the following forms of contract;

i) Time and materials

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.

ii) Fixed fee

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.

iii) Risk and reward

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.

(c) Facilities management contracts

The Group 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 Group'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.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

1. Accounting policies (continued)

(d) Development contracts

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. Cost of sales is also recognised at legal completion, when the goods are sold, and until then the costs are recorded within Development WIP on the balance sheet.

Segment information

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

Disaggregation of revenue:

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.

Goodwill and other intangible assets

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. Amortisation of intangible assets commences once the asset is in use. Assets under construction, such as the assets associated with the implementation of the company's ERP system are not amortised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation of tangible fixed assets commences once the asset is in use. Assets under construction, such as assets associated with the implementation of the company's ERP system are not depreciated.

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 basis:

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.

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. Accounting policies (continued)

Leases

IFRS 16 Leases became mandatorily effective on 1 January 2019. The Group has applied this for the first time for the period ending 31 December 2019, which resulted in changes to the accounting policies. More information on the transition to IFRS 16 and the impact on the financial statements can be found in note 28.

Where the Company is a lessee, a right-of-use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Group's expectations of the likelihood of lease extension or break options being exercised. The lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any lease modifications. The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Group and an estimate of any costs that are expected to be incurred at the end of the lease to dismantle or restore the asset. The right-of-use asset is subsequently depreciated in accordance with the Group's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability. Where a lease is for a term of less than 12 months or the lease is of a low value, the lease cost is recorded as an expense in the income statement when the cost is incurred.

Retirement benefit costs

The Group contributes to the personal pension plans of certain employees 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.

Equity compensation plans

Executive directors and senior management have been granted share options under the Group share option scheme. They have also been granted shares on both restricted and unrestricted terms in return for service. At the grant date, the fair value of the options or the shares is measured and recognised over the period until the options vest or the shares become unrestricted as an employment expense, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The total amount to be expensed is determined by reference to the fair value of the options or the shares granted;

- (a) including any market performance conditions;
- (b) excluding the impact of any non-market performance vesting conditions, such as profitability levels, sales growth targets and continuing service; and
- (c) including the impact of any non-vesting conditions, such as any savings requirements.

Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on meeting non-market performance vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The shares awarded and the shares subject to options have already been issued and are held by an Employee Benefit Trust (EBT). When the options are exercised, the Company requests the EBT to award the shares. The proceeds received net of any directly attributable transactions costs are retained by the EBT.

The Employee Benefit trust is included in the Mace Finance Limited company accounts.

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.

1. Accounting policies (continued)

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.

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 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 calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios over the lifetime of the asset in question and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes, and in effect represents a 'general' provision against each class of financial asset based on information available to the business (for example, the historic incidence of bad debts within a particular trading division). Because every loan and receivable carries with it some risk of default, in theory every such asset has an expected loss attached to it from the moment of its origination. In practical terms, the Group has historically had limited experience of default on its financial assets. There has however, been specific instances where the Group has considered increased risk due to nature of the negotiation or circumstances of the customer. In these instances, we have made adjustments such that the carrying value takes into account the credit default and only the recoverable amount is carried.

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.

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. Joint arrangements in legal entities are classified as joint ventures and are equity accounted for. Where the joint arrangement is not structured through a separate vehicle these are classified as joint operations. This applies to most of the unincorporated joint arrangements in note 31 other than Dubai Expo 2020, which is structured through a separate vehicle so is treated as a joint venture. The Group accounts for joint operations by recognising its share of profits and losses in the consolidated income statement. The Group recognises its share of associated assets and liabilities in the consolidated balance sheet.

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.

d) Other investments

This category includes an investment in Finsbury Tower that is a debt investment carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income as part of operating profit.

Other investments in the prior year also included an equity investment in Mace Capital Limited, this investment was disposed of in the year. Up to the date of disposal, the investment was carried at fair value with changes recognised, by designation, in other comprehensive income.

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.

Notes to the financial statements (continued)

Year ended 31 December 2019

1. Accounting policies (continued)

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.

k) Operating cycle

The statement of financial position classifies the Group and Company's liabilities as either current or non-current. In respect of the Group/Company's construction business, contract related balances are typically classified as current when management expect to settle the liability within its normal operating cycle. Management have determined that the normal operating cycle for the construction business is 38 months, being the typical length of a construction contract. There has been a prior year adjustment to reclassify non-current liabilities to current liabilities, the impact of which on the prior year is explained in note 29.

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.

Provisions

Provisions for insurance liabilities retained in the Group's captive insurance arrangements, legal claims, defects and warranties and other onerous commitments are recognised at the best estimate of the expenditure required to settle the Group's liability.

Provisions are recognised when: i) the Group has a present legal or constructive obligation as a result of a past event; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount of the obligation can be estimated reliably.

Contingent liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will only be confirmed by future uncertain events that are not wholly within the group's control, or present obligations where it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be reliably measured. If the outflow of economic resources is not considered remote, contingent liabilities are disclosed but not recognised in the financial statements.

Contingent assets

Insurance claims are recognised under IAS 37 when the economic benefit arising from the claims is virtually certain. It is probable that these amounts will be recognised in future periods when the uncertainty over their recoverability has been removed. The amounts of such claims are disclosed as contingent assets but not recognised in the financial statements.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the Generally Accepted Accounting Principles ('GAAP') under which the Group reports. The Group believes that operating profit before exceptional items provides additional useful information on underlying trends to the users of the financial statements. This non-GAAP measure is used by the Group for internal performance analysis. The term 'exceptional items' and 'operating profit before exceptional items' are not a defined term under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures. The separate reporting of non-recurring exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's underlying business performance. The principal items which are included as exceptional items are non-trading items included in operating profit such as profits and losses on the disposal, closure or impairment of subsidiaries, joint ventures, associates, joint operations and investments which do not form part of the Group's operating activities. The term 'operating profit before exceptional items' refers to the relevant measure being reported for continuing operations excluding exceptional items.

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, judgements 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 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.

Sources of estimation uncertainty:

a) Estimates of cost to complete and contract provisions

To determine the margin that the Group is able to recognise on its construction contracts in the reporting period, the Group has to allocate total costs of the construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the of total cost to be incurred and the final contract value requires a degree of estimation.

The estimation of final contract value includes assessments of the recovery of variations which have yet to be agreed with the client, but which meet the criteria set out in the Group's accounting policies and are in accordance with IFRS 15 Revenue from Contracts with Customers. The consideration recognised is the amount which is highly probable not to result in a significant reversal in future. At the reporting date, unagreed variations accounted for less than 0.5% of total contract revenue. Compensation events and claims include recovery of monies

The largest component of the cost to complete are the agreed subcontract sums; the stage of completion of which are assessed and verified as part of the contract process. These amounts have a low level of estimation uncertainty and typically make up the bulk of the cost to complete. However, the cost to complete may also include provisional sums and provisions for cost, both of which require estimation and judgement in order to establish the appropriate amount to recognise.

Provisional sums arise when no subcontract has been entered into at the contract date and so estimates of the likely cost are required for the purposes of establishing cost to complete, until such time that subcontracts are entered into and the ultimate cost can be determined. Generally provisional sums are purposely a minor component of the overall contract value, due to the inherent risk of entering into contracts without having certainty of the outturn cost.

Contract provisions are made in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and are measured at the best estimate of the expenditure required to settle obligations present at the reporting date. Contract provisions may include estimates of remediation works that could be required where defects are present or where insurance claims have been made. The assessment of this cost is based on best estimates made by experienced senior management, on an individual contract basis and with reference to relevant contract provisions and insurance excess premiums. Where the cost cannot be reliably measured, and the likelihood of incurring the cost only considered possible rather than probable, estimated amounts are disclosed as contingent liabilities, more details of which are disclosed in note 25.

Recoveries of these amounts from insurers or third parties are treated as a deduction of cost rather than income and are only recognised when recovery is deemed to be virtually certain. Management mitigate the degree of uncertainty by ensuring estimates of recovery are produced by suitably qualified individuals and are subject to thorough review by senior management. Insurance recoveries that are considered probably recoverable but not virtually certain are only disclosed as contingent assets. Details of contingent assets recognised in the year in relation to insurance matters are disclosed in note 25.

b) Valuation of development work in progress

The key 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 but reliance is placed on third party valuations as the best estimate of the market value at the balance sheet date. These valuations are compared against the carrying amount of the asset. Where carrying amount is lower than the net realisable value, write-downs of land and work in progress may be necessary. Note 16 explains the impairment assessment in the current period.

2. Significant accounting estimates and judgements and key sources of uncertainty (continued)*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 overdue trade debtors. Overseas debt is subject to an adjusted scale, to account for the differing cultural conditions faced when operating internationally.

Age of debt	UK debt provision	Overseas debt provision
0-60 days overdue	0%	0%
60-90 days overdue	10%	0%
90-120 days overdue	25%	10%
120-180 days overdue	50%	25%
181-270 days overdue	75%	50%
271-365 days overdue	100%	75%
Over 365 days overdue	100%	100%

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 five 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 12 together with an assessment of the impact of reasonably possible sensitivities.

Judgements made in applying accounting policies:*a) Exceptional items*

Exceptional items are reported separately in order to calculate adjusted results, as the Group believes these adjusted measures provide additional useful information on continuing performance and trends. Judgement is required in determining whether an item should be classified as an exceptional item or included within adjusted results. The definition of exceptional items is outlined in note 1.

b) Contingent liabilities and contingent assets

Provisions are made using the Directors' best judgements and estimates of known legal claims, investigations and legal actions relating to the Group which are considered more likely than not to result in an outflow of economic benefit. If the Directors consider that a claim, investigation or action relating to the Group is unlikely to succeed, no provision is made. If the Directors cannot make a reliable estimate of a potential, material obligation, no provision is made but details of the claim are disclosed as contingent liabilities. As at the reporting date there was one such matter (2018: Nil).

The Group discloses contingent assets in relation to claims against third-parties for the reimbursement of costs on construction contracts. As at 31 December 2019, there were 8 ongoing matters that are disclosed as contingent assets (2018: 4). Under IAS 37 these amounts may only be recognised when the economic benefit arising from the claims is virtually certain.

c) Fair value of investments

The investment in Finsbury Tower is valued at fair value using a discounted cashflow approach, the inputs of which are determined using forecasts where management judgement is applied in relation to assumptions on the timing for completion and exiting the investment, as well as the rental yields used for determining the value of the return on investment. A £4.2m undiscounted return on investment assumed is the lower end of the possible range of return and assuming realisation of the investment in 2022, factoring in the potential for delays with a project of this scale. A change in the assumptions with higher rental yield could increase the return up a further £2m and earlier completion would also increase the value of the investment.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

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 Risk and Audit Board 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's two development projects are funded using limited recourse debt facilities which borrow funds at floating rates. The two schemes are Purpose Built Student Accommodation (PBSA) schemes in Cardiff and Exeter and a residential development in Greenwich. Floating rate borrowings expose the Group to cash flow interest rate risk. Since these borrowings are limited in their duration, being no more than 24 months, the Group has chosen not to enter into swaps to mitigate this risk.

The funding agreements on both development projects are held at a floating interest rate of LIBOR plus a fixed margin. For the PBSA schemes in Cardiff and Exeter, the interest rate is LIBOR + 6.0% and for the Greenwich development, LIBOR + 6.5%. At the time of signing the financial statements, LIBOR is below 0.5% and a decrease in LIBOR will have little to no impact on the interest rate charged. A 50 basis point increase in the LIBOR for both loans would lead to a circa £0.3m increase in interest costs for the PBSA schemes in Cardiff and Exeter (2018: £0.1m) and a circa £0.2m increase in interest costs for the Greenwich development (2018: £nil).

The Group's other long term borrowings of £160m principal are held at fixed rate of 8%. Interest rate risk also arises on the Group's cash and cash equivalents, term deposits and overdraft.

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 2019, 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.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable listed in note 15 and cash and cash equivalents. Management believes that the concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large and geographically and sector diverse.

d) Capital risk management

The Group'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 2019 the Group had external debt of £307.3m (2018: £202m).

The Group is funded by ordinary shares, retained profits, and external borrowing. Borrowings includes the corporate bond issued in 2017 for the sum of £160m, a finance facility of £98.5m agreed in December 2017 and a finance facility for £71.8m agreed in June 2018. The £98.5 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 facility for the Greenwich development is also limited recourse on the development assets of this project. 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.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

3. Financial risk management (continued)

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 2019 £160m had been utilised including a £58m 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 £87.8m. In June 2018 the Group agreed a limited recourse finance facility of £71.8m for the development of Greenwich Square and as at 31 December 2018 the Group had drawn down £59.5m. 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.

Income from three major clients in relation to construction projects amounted to 28% (2018: 38%) of total Group revenue during 2019.

e) 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 following table summarises the maturities of the Group's undiscounted non-derivative financial liabilities at the reporting date, based on contractual payment dates. The lease liabilities disclosed in the table below and in balance sheet are the contractual discounted cash flows (excluding interest).

31 December 2019				
£000s				
	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	115,785	-	-	115,785
Contract liabilities: purchase retentions	70,145	19,595	-	89,740
Bank overdrafts	32,310	-	-	32,310
Directors' loans	9,245	-	-	9,245
Limited recourse finance	87,875	59,457	-	147,332
Corporate bond	3,550	160,000	-	163,550
Lease liabilities	3,047	14,147	9,800	26,994
Derivative financial liabilities:				
Derivative contracts – payments	4,376	59,773	-	64,149
Derivative contracts – receipts	(4,196)	(58,409)	-	(62,605)
Total	322,137	254,563	9,800	586,500

31 December 2018 (Restated*)				
£000s				
	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	145,471	-	-	145,471
Contract liabilities: purchase retentions	61,176	42,581	-	103,757
Bank overdraft	14,823	-	-	14,823
Directors' loan	10,872	-	-	10,872
Limited recourse finance	-	41,644	-	41,644
Loan notes	2,500	-	-	2,500
Corporate bond	3,550	160,000	-	163,550
Total	238,392	244,225	-	482,617

* Purchase retentions were previously excluded from this analysis. The amount due within less than one year on the corporate bond relates to accrued interest that was not previously presented in this disclosure. This has been restated above.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

3. Financial risk management (continued)

f) 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 2019 would have decreased equity and profit or loss by the following amounts:

	2019 £000s		2018 £000s	
	Profit or loss	Equity	Profit or loss	Equity
Euro	(246)	(330)	(788)	(1,260)
USD	(300)	(3,288)	(858)	(4,571)
Indian Rupee	(63)	(366)		

A ten per cent weakening of sterling against these currencies would have an opposite effect. A common analysis basis has been applied for both 2019 and 2018. 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 2019 the Group held £42.6m, €58.8m and DKK170.9m in cash at bank.

g) Fair values

The investment in Finsbury Tower (note 14: Other Investments), represents an investment in 7.7% of the ordinary shares which have no voting rights. As there is no control or significant influence in this investment it is classified as a debt investment under IFRS 9 and held at fair value. A prior year adjustment, explained in note 29, reclassified this investment from a joint venture investment.

The shares were acquired in August 2018 so the fair value at 31 December 2018 is based on cost. This is considered an appropriate price of the investment in the market because that this is what was paid for the shares close to the balance sheet date. This is therefore a level 2 valuation in the hierarchy described in IFRS 13.

The valuation as at 31 December 2019 is based on a level 3 hierarchy, given there is no observable inputs for the asset in 2019. The valuation was based on a discounted cash flow approach, referencing an estimated yield from the investment to the Group which is expected to be what a similar market participant would achieve from the investment at its highest or best use.

Financial liabilities – derivative financial liabilities

The fair value of forex options, forward contracts and interest rate caps 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 IFRS 13.

Current Liabilities: Group & Company	2019 £000s	2018 £000s
Fair value movement on derivative contracts	<u>1,544</u>	<u>501</u>

As the Group has not adopted hedge accounting, fair value of derivative contracts are recognised as fair value through profit and loss.

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

	2019 £000s	Restated 2018 £000s
Financial liabilities		
Current borrowings including future interest commitments	363,269	227,339
Current financial liabilities measured at amortised cost	521,608	560,594
Financial assets		
Financial assets at amortised cost	350,432	291,562
Cash and cash equivalents	202,281	217,407
Financial asset at fair value	8,600	7,500
Equity investment at fair value	-	11,000

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.

Restatements are explained in note 29.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

4. Segmental analysis

Revenue

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

	2019 £000s	Restated 2018 £000s
Continuing operations:		
UK & Europe	1,747,883	2,344,250
Middle East North Africa	96,808	82,127
Asia	12,425	11,545
Sub-Saharan Africa	7,671	4,241
America	30,744	14,317
Intercompany trading	(113,252)	(141,183)
Total revenue	1,782,279	2,315,297

General

For management purposes the Group is organised into four operational division 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.

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 events.

	Construct £000s	Consult £000s	Operate £000s	Develop £000s	Group Services £000s	Total £000s
2019						
Group revenue	1,390,852	313,851	143,688	5,648	-	1,854,039
Costs recharged to clients	-	-	(71,760)	-	-	(71,760)
Total Group revenue	1,390,852	313,851	71,928	5,648	-	1,782,279
Cost of sales	(1,303,649)	(240,014)	(63,532)	(12,377)	(742)	(1,620,314)
Gross profit	87,203	73,837	8,396	(6,729)	(742)	161,965
Administrative expenses	(41,271)	(32,473)	(9,777)	(261)	(44,611)	(128,393)
Fair value through profit and loss	-	-	-	-	(444)	(444)
Operating profit before exceptional items	45,932	41,364	(1,381)	(6,990)	(45,797)	33,128
Exceptional items	-	(6,205)	-	-	-	(6,205)
Operating profit	45,932	35,159	(1,381)	(6,990)	(45,797)	26,923
Share of operating profit of JV's	-	5,708	-	(49)	-	5,659
Net finance costs payable	(9)	(2,574)	(56)	(1,352)	(3,257)	(7,248)
Profit before tax	45,923	38,293	(1,437)	(8,391)	(49,054)	25,334

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

4. Segmental analysis (continued)

	Construct £000s	Consult £000s	Operate £000s	Develop £000s	Group Services £000s	Total £000s
2018 Restated						
Group revenue	1,954,042	273,880	144,110	21,639	-	2,393,671
Costs recharged to clients	-	-	(78,374)	-	-	(78,374)
Total Group revenue	1,954,042	273,880	65,736	21,639	-	2,315,297
Cost of sales	(1,886,947)	(211,434)	(54,277)	(13,843)	(2,128)	(2,168,629)
Gross profit	67,095	62,446	11,459	7,796	(2,128)	146,668
Administrative expenses	(37,044)	(38,122)	(8,829)	(513)	(44,742)	(129,250)
Operating profit before exceptional items	30,051	24,324	2,630	7,283	(46,870)	17,418
Exceptional items	-	-	-	-	-	-
Operating profit	30,051	24,324	2,630	7,283	(47,870)	17,418
Share based payment	-	-	-	-	(153)	(153)
Share of operating profit	-	611	367	67	-	1,045
Profit on disposal of a subsidiary	-	-	-	-	1,920	1,920
Net finance costs payable	108	-	(99)	3,308	(4,086)	(769)
Profit before tax	30,159	24,935	2,898	10,658	(49,189)	19,461

A further analysis of the Group's Construct revenue is as follows:

	2019 £000s	Restated 2018 £000s
Construction revenue:		
Fixed Price & Cost Reimbursement	1,285,181	1,845,479
Construction Management	105,671	108,563
Total revenue	1,390,852	1,954,042

Inter-segment sales are carried out at open market rates.

Income from three major clients in relation to construction projects amounted to 28% (2018: 38%) of total Group revenue during 2019.

	Construct £000s	Consult £000s	Operate £000s	Develop £000s	Total £000s
External borrowings	-	-	-	(247,875)	(247,875)
Goodwill	52,240	67,784	4,036	11,499	135,559
Development WIP & loan to joint venture	-	-	-	295,320	295,320
Contract assets	90,937	-	-	-	90,937
Contract receivables	42,844	32,816	12,203	-	87,863
Contract liabilities	(175,554)	(15,190)	(6,422)	(8,250)	(205,416)

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

5. Operating profit & EBITDA

	2019	Restated 2018
	£000s	£000s
The operating profit is stated after charging:		
Depreciation and amortisation of owned assets	4,722	5,620
Depreciation of right of use assets	2,711	-
Profit on disposal of fixed assets	20	20
Research and development costs	51,444	63,003
Employee benefit costs	430,838	414,781
Lease rentals for low value leases:		
Motor vehicles	149	21
Office equipment	639	-
Short term leases:		
Land and buildings*	1,518	5,127
Profit on ordinary activities before interest	32,582	20,230
Depreciation of property, plant and equipment	6,945	5,132
Amortisation of intangible assets	488	488
EBITDA	40,015	25,850

*Prior to adoption of IFRS 16 from 1 January 2019, operating lease rentals were recorded as an expense in the profit and loss under IAS 17.

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:

	2019	2018
	£000s	£000s
Fees payable to the Company's auditor for the audit of the parent Company and consolidated accounts	95	67
UK	317	223
Overseas	68	48
	480	338
Other fees:		
Tax services	70	70
Other services	10	0
	560	408
Fees payable to other non-associated component auditors	-	85

6. Interest

	2019	2018
	£000s	£000s
Bank and other interest receivable	182	3,769
Bond and other interest payable	(5,636)	(4,538)
Interest expense for lease arrangements	(1,794)	-

During the year, interest was charged on long term intercompany loans at a rate of LIBOR + 2%. On 4 July 2019 a further loan of £56.8m was extended to Mace Finance Limited from a subsidiary, Mace Limited, on which interest was charged at a rate of 6% per annum. Interest is incurred on lease liabilities since the adoption of IFRS 16 'Leases' from 1 January 2019. More information on the transition is explained in note 28.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

7. Directors' remuneration

	2019	2018
	£000s	£000s
Remuneration for management services (including benefits)	5,341	2,826
Performance related remuneration	467	1,423
Pension contributions	10	10
	<u>5,818</u>	<u>4,259</u>

Pension contributions were made in respect of 1 director (2018: 1).

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

	2019	2018
	£000s	£000s
Remuneration for management services (including benefits)	773	723
Share based payments	-	153
Pension contributions	10	10
	<u>783</u>	<u>886</u>

All key management are directors of the Company.

8. Staff costs and numbers

	2019	2018
	£000s	£000s
Staff costs were as follows:		
Aggregate gross wages and salaries	369,915	360,749
Employer's social security costs	34,458	32,176
Other pension costs	27,657	23,244
	<u>432,030</u>	<u>416,169</u>

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

	2019	2018
Corporate support services	336	351
Project delivery staff	5,181	5,025
	<u>5,517</u>	<u>5,376</u>

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

	2019	2018
	<u>5,416</u>	<u>5,561</u>

Discretionary bonuses were accrued in the accounts for the year ended 31 December 2018 because the directors considered there to be a constructive obligation to pay them and, because the amounts were finalised and paid before the 2018 accounts were authorised for issue, a reliable estimate could be made. In contrast, discretionary bonuses have not been accrued in the accounts for the year ended 31 December 2019 as the board cancelled discretionary bonuses due to the effects of Covid-19, and therefore no reliable estimate could be made.

9. Exceptional items

The Group has recorded exceptional losses in the year, in relation to some of the overseas operations, that are expected to cease operations or are in the process of being disposed. This is where the business and contracts that are operated by these entities are coming to an end. They are not considered to be a significant part of the Group's operations so have not been classified as discontinued operations. Impairment has been recognised on the investments and goodwill where it is in excess of the recoverable amount.

	2019	2018
	£000s	£000s
Impairment of goodwill	(2,111)	-
Impairment of investments	(2)	-
Recycling of foreign exchange differences in equity	(4,092)	-
	<u>(6,205)</u>	<u>-</u>

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

10. Tax on profit on ordinary activities	2019	2018
(a) Analysis of charge in year	£000s	£000s
UK corporation tax at 19% (2018: 19.00%)	3,485	578
Adjustments in respect of previous years	480	(1,122)
Group relief payment	-	-
Overseas taxation	4,932	4,604
Deferred tax	(795)	138
Total current tax (note 10(b))	8,102	4,198

(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% (2018: 19.00%). The differences are explained below:

Profit on ordinary activities before tax	25,334	19,461
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19.00%)	4,813	3,698
Effects of:		
Expenses not deductible for tax purposes	6	658
Non-taxable dividend income	53	-
Goodwill impairment	431	-
Non-taxable profit on fair value adjustments		-
Non-taxable profit on disposal of investments		(364)
Temporary differences not recognised in deferred tax	(58)	197
Group relief surrendered/(claimed)	21	-
Utilisation of tax losses	224	650
Non-taxable foreign branch income	173	249
Different rates of tax on overseas earnings	1,396	17
RDEC	(421)	304
Impact of deferred tax rate movements	331	83
Adjustments to tax charge in respect of previous years	316	(1,146)
Adjustment to tax charge in respect of previous years – overseas taxation	817	(148)
Current tax charge for the year (note 10(a))	8,102	4,198

Deferred tax	2019	2018
	£000s	£000s
Opening deferred tax asset	2,905	3,361
Reanalysis of tax asset	786	(318)
Deferred tax income/(expense) for year	795	(138)
Closing deferred tax asset	4,486	2,905

Analysed as:

Fixed asset temporary differences	1,181	1,073
Short-term temporary differences	2,263	298
Loss carried forward	1,042	1,534
	4,486	2,905

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

11. Property, plant and equipment

Group

	Freehold property	Property right of use assets	Leasehold improvements	Computer Equipment & IT Systems	Plant, motor vehicles & equipment	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cost						
At 1 January 2018	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
Adjustment on transition to IFRS 16	-	31,991	-	-	-	31,991
At 1 January 2019	2,400	31,991	12,244	16,100	1,764	64,499
Exchange differences	(75)	(140)	(25)	(110)	(33)	(383)
Additions	-	164	395	2,517	141	3,217
Reclassification to intangibles	-	-	-	(38)	-	(38)
Disposals	-	-	(478)	(4,236)	(67)	(4,781)
At 31 December 2019	2,325	32,015	12,136	14,233	1,805	62,514
Depreciation						
At 1 January 2018	287	-	3,900	12,134	1,052	17,373
Transfer to intangible assets	-	-	-	(46)	-	(46)
Exchange differences	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
Adjustment on transition to IFRS 16	-	14,086	-	-	-	14,086
At 1 January 2019	356	14,086	4,714	11,343	1,288	31,787
Exchange difference	(13)	(66)	(19)	(167)	(23)	(288)
Charge for the year	50	2,711	785	3,224	175	6,945
Disposals	0	0	(471)	(4,233)	(8)	(4,712)
At 31 December 2019	393	16,731	5,009	10,167	1,432	33,732
Net book value						
At 31 December 2019	1,932	15,284	7,127	4,066	373	28,782
At 31 December 2018	2,044	-	7,530	4,757	476	14,807

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

12. Intangible assets

Group	Computer Software	Assets under construction	Goodwill	Total
	£000s	£000s	£000s	£000s
Cost				
At 1 January 2018	-	-	136,869	136,869
Additions – transfer from non-current assets	3,961	-	-	3,961
Additions	7,413	-	210	7,623
Amortisation – transfer from non-current assets	(46)	-	-	(46)
Amortisation	(488)	-	-	(488)
At 31 December 2018	10,840	-	137,079	147,919
Reclassification	(6,455)	6,493	-	38
Additions	13	10,906	767	11,686
Disposals	-	-	(229)	(229)
Amortisation	(488)	-	-	(488)
Impairment	-	-	(2,058)	(2,058)
At 31 December 2019	3,910	17,399	135,559	156,868

Assets under construction 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 amortised over 10 years.

Goodwill on consolidation represents the excess if 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 carrying amount of goodwill is allocated to the CGUs as follows:

	2019 £000s	2018 £000s
Construct	52,240	52,240
Consult	67,784	69,075
Develop	11,499	11,499
Operate	4,036	4,265
Total	135,559	137,079

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 were primarily prepared using historic performance indicators, secured order book values and a comparison of the secured order book to historic trends. They were originally 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 2 year period to 2024 and include a terminal value calculation. Following the outbreak of the Covid-19 pandemic, the Group revisited the long range strategic forecasts and has forecasted from a revised 2020 baseline. The original goodwill impairment assessment has been performed using pre Covid-19 forecasts on the basis that Covid-19 is a non-adjusting post balance sheet event but the revised forecasts were used for the purposes of sensitivity testing.

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 used as the starting point 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 10.5%, 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.

Construct CGU: The discount rate applied to the Construct CGU has been increased by 3% on the weighted average cost of capital. This is due to the size, complexity and duration of Construct projects which typically return small margins as a proportion of overall Construct value. While 3% has been applied to the EBITDA, the actual risk is very difficult to quantify as risk can vary by project, and is determined by market conditions, currency, client and supply chain arrangements. The sensitivity analysis using pre Covid-19 forecasts performed on this CGU illustrates that EBITDA would need to decrease by 66% or the discount rate to increase to 42% before the headroom becomes £nil.

Consult CGU: The discount rate applied to the Consult CGU represents the unadjusted estimated WACC due to the limited amount of risk that this area of the business adopts on behalf of clients, combined with contracts generally being short in duration. Principle risks for this area of the business include pricing and currency as a significant proportion of Consult turnover is generated internationally. The sensitivity analysis performed on this CGU illustrates that EBITDA would need to decrease by 66% or the discount rate increase to 70% before the headroom becomes £nil.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

12. Intangible assets (continued)

Develop CGU: The discount rate for the Develop business has been reduced to 8.5% based on the business having tangible assets under construction on which borrowings are secured. The sensitivity analysis performed on this CGU illustrates that EBITDA would need to decrease by 71% or the discount rate increase to 38% before the headroom becomes £nil. Application of the same model to the post Covid-19 forecasts highlights that the carrying value of the goodwill attributed to Develop may have required some impairment had Covid-19 been an adjusting post balance sheet event. However, this post Covid-19 forecast is extremely conservative from 2022 onwards pending a revision of the division's new business plan for the period 2021 to 2026.

Operate CGU: The discount rate applied to the Operate CGU has been increased by 2%. Generally facilities management is a low risk sector but principle risks arise from the duration of contracts (typically between 3-5 years), geographical spread of the client base and pricing. 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. The sensitivity analysis performed on this CGU illustrates that EBITDA would need to decrease by 79% or the discount rate increase to 42% before the headroom becomes £nil.

13. Joint arrangements

The Group has investments in a number of joint arrangements that are classified as joint ventures or joint operations, depending on the nature of the investment, as described in the accounting policies note 1.

Joint ventures

The following represents the total results of joint ventures in which Mace has a part share:

	Dubai Expo 2020	Botley	Mace Engenharia E Servicos Ltda	Other Joint ventures	Total	Total
	2019 £000s	2019 £000s	2019 £000s	2019 £000s	2019 £000s	2018 £000s
Non-current assets	1	-	21	69	91	160
Current assets	12,498	119,346	10,924	2,706	145,474	90,483
Cash and cash equivalents	-	3,013	2,224	294	5,531	6,556
Current liabilities	(8,435)	(8,231)	(11,215)	(2,740)	(30,621)	(93,518)
Non-current liabilities	-	(114,329)	-	(38)	(114,367)	-
Total	4,064	(201)	1,954	291	6,108	3,681
Revenue	38,042	90	9,038	6,406	53,576	11,937
Expenses	(25,993)	(135)	(9,422)	(6,500)	(42,050)	(9,659)
Interest income	-	-	-	-	-	39
Interest expense	-	(3)	(8)	(15)	(26)	-
Income tax	-	-	(42)	-	(42)	(620)
Profit/(loss) for the year	12,049	(48)	(434)	(109)	11,458	1,697

Dubai Expo 2020 is a joint venture within the Consult operations formed for the exclusive purpose of acting as Programme Management Consultant to provide programme delivery management services for the Expo 2020 event, operating in Dubai. This has now been postponed, due to Covid-19 and will run from October 2021 to March 2022. Mace has joint control with a 49% profit share and net asset agreement. The arrangement is created as a separate vehicle so classified as a joint venture with the equity method of accounting applied.

Botley includes the Develop joint ventures Botley Developments (Holdings) Limited which owns BDC Phase 2 Ltd and The Botley Development Company Limited. These are separate legal entities so the arrangement is classified as a joint venture of which Mace Ltd has 50% joint control with another party and has equal voting rights. The equity method of accounting has been applied. The purpose of the Botley Development (Holdings) Limited is to undertake the development of the site in Oxford. The JV operates from the UK and is an entity registered in England and Wales. The Botley Development Company Limited has raised its own development debt finance, which has security over the assets. Botley Development (Holdings) Limited has raised shareholder debt finance from Mace Limited.

Mace Engenharia E Servicos Ltda is a company incorporated under Angolan law with a registered office in Luanda. It has two shareholders, Mace - Consultoria e Gestão de Projectos e Construção, Lda which holds a 47% share, and Engiservicos Engenharia e Serviços Lda, which holds a 53% share. This company embodies an exclusive partnership agreement between the parties to provide professional engineering services under the Mace brand in Angola. It is part of the Consult operations of Mace. Under the Shareholders' Agreement there is joint control and all forms of decision making require unanimous agreement between the shareholders. The arrangement is classified as a joint venture, and the equity method of accounting has been applied.

Joint operations

Mace Dragados JV is an unincorporated joint operation within the Consult operations formed for the exclusive purpose of contracting with the client for the HS2 project in the UK. Mace Limited has joint control, along with Dragados SA, and recognises a 50% share of profits and losses in the consolidated income statement and 50% share of assets and liabilities in the balance sheet. Both parties in the arrangement are jointly and severally liable under the HS2 contract.

Joint arrangements are listed in note 31.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

14. Investments	Joint ventures & associates	Other investments	Total
Group	£000s	£000s	£000s
Cost less provisions			
At 31 December 2018 (reported)	9,272	11,000	20,272
Reclassification	(7,500)	7,500	-
At 31 December 2018 (restated)	1,772	18,500	20,272
Reclassification	1,435	-	1,435
Fair value adjustments	-	46,865	46,865
Disposal	-	(56,765)	(56,765)
Exchange difference	(522)	-	(522)
Share of post-acquisition profit after tax	5,659	-	5,659
Dividends received	(5,348)	-	(5,348)
Reclassification to liabilities	76	-	76
At 31 December 2019	3,072	8,600	11,672

On 4 July 2019, Mace Limited's non-current asset, an equity investment in Mace Capital Limited, was redeemed for its par value of £56.8m. In the prior year, the carrying value of the investment had been revalued as part of the work undertaken for the implementation of IFRS 9, Financial Instruments. 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 redemption at the 4 July 2019 resulted in a £45.8m gain, which has been shown as a fair value gain through the statement of other comprehensive income.

The investment of £7.5m in Finsbury Tower, acquired in August 2018, was carried out via a new wholly owned subsidiary (City Fringe Limited), which invested in Finsbury Tower Estates Ltd Jersey via the purchase of C shares. In the financial statements for the year ended 31 December 2018, the investment was disclosed as an interest of approximately 20% of the proceeds of the underlying development and was classified as a joint venture from the perspective of the Group. The classification has been reviewed in 2019 and the 7.7% shareholding, with no voting rights, is not considered to represent either joint control or significant influence in the underlying investment. The investment has therefore been reclassified from being an investment in a joint venture that was equity accounted, to a debt investment instrument classified as fair value through profit and loss, in accordance with IFRS 9. The balance sheet restatement reclassifies the category of investment only, and the carrying value as at 31 December 2018, remains at £7.5m as this is considered to materially equate to fair value at that date. The value of this investment has increase by £1.1m in 2019 due to a fair value gain. More details on the fair valuation is disclosed in the financial risk management note 3.

	Subsidiaries	Total
Company	£000s	£000s
Cost less provisions		
At 31 December 2018 (restated)	141,604	141,604
At 31 December 2019	141,604	141,604

This is an investment in Mace Group Limited, an intermediary holding company registered in England & Wales.

Restatements are explained in note 29.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

15. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	£000s	£000s	£000s	£000s
Due within more than 1 year:				
Employment benefit trust loan	-	-	-	2,800

	Group		Company	
	2019	Restated 2018	2019	2018
	£000s	£000s	£000s	£000s
Due within less than 1 year:				
Trade debtors	147,847	201,203	-	-
Contract assets	90,937	133,881	-	-
Contract receivables	87,863	76,930	-	-
Amounts owed by joint ventures and associates	9,880	2,638	-	-
Amounts owed by subsidiary undertakings	-	-	3,755	-
Taxation and social security receivable	6,338	-	1,307	2,384
Employee benefit trust loan	-	-	2,800	-
Loans to Directors	2,441	2,441	2,441	2,441
Other debtors	43,356	30,373	793	1,211
Prepayments	11,088	8,366	-	-
	399,750	455,832	11,096	6,036

Contract assets includes accrued income and amounts recoverable on construction contracts. Retentions will be collected in the normal operating cycle of the Group and are therefore shown in current receivables.

Amounts owed by group joint ventures and associates includes £6.9m of recharged interest on the corporate bond to a development JV.

Details of the loans to directors is included in the related party note 26.

	Group		Company	
	2019	2018	2019	2018
	£000s	£000s	£000s	£000s
Trade receivables not past due	114,153	143,372	-	-
Trade receivables past due 1-30 days	10,814	41,998	-	-
Trade receivables past due 31-60 days	8,398	8,849	-	-
Trade receivables past due over 60 days	17,243	11,190	-	-
Gross trade receivables	150,608	205,409	-	-
Less provision for expected credit losses	(2,761)	(4,206)	-	-
Trade debtors	147,847	201,203	-	-

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

16. Development work in progress and loan to joint venture

	2019	2018
	£000s	£000s
Work in progress	183,009	140,697
Finished goods	54,394	-
Loan to joint venture	57,917	54,907
	295,320	195,604

Work in progress on development schemes includes £9.0m of capitalised interest during the year (2018: £10.9m).

An £8.2m impairment of finished goods was recognised in 2019 to write down a development project to its fair value less cost to sell (being lower than cost). Finished goods are measured at fair value less cost to sell, WIP is measured at cost (which management estimate is lower than fair value less cost to sell).

No work in progress was expensed as cost of sales in the period.

17. Trade and other payables

	Group	Restated	Company	Restated
	2019	2018	2019	2018
	£000s	£000s	£000s	£000s
Trade payables	115,785	145,471	-	-
Taxation and social security payable	42,123	36,139	-	-
Contract liabilities	205,416	260,755	-	-
Other creditors	6,375	4,352	2	74
Amounts due to subsidiaries	-	-	91,868	36,433
Amounts due to joint ventures and associates	147	-	-	-
Loan notes	-	2,500	-	2,500
Accruals	267,438	298,733	-	-
	637,284	747,950	91,870	39,007

Contract liabilities includes deferred income and amounts payable on construction contracts. Retentions and deferred income will be paid in the normal operating cycle of the Group and are therefore shown in current payables.

18. Provisions

	Group	Company
	£000s	£000s
At 1 January 2018	-	-
Additional provisions (restated)	19,658	-
At 31 December 2018 (restated)	19,658	-
Unused amounts reversed	(3,807)	-
Additional provisions	13,337	-
	29,188	-

Provisions include construction insurance liabilities, principally legal claims and costs, where provision is made for the director's best estimate of known legal claims, investigations and legal actions in progress.

19. Financial liabilities

	Group	Company
	2019	2018
	£000s	£000s
Derivatives not designated as hedging instruments:		
Foreign currency exchange contracts	1,544	-
	1,544	-

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

20. Non-current trade & other payables

	Group	Restated	Company	
	2019	2018	2019	2018
	£000s	£000s	£000s	£000s
Accruals for land acquisition	10,831	10,831	-	-

21. Lease liabilities & borrowings

	Group		Company	
	2019	2018	2019	2018
	£000s	£000s	£000s	£000s
Due within one year:				
Bank overdraft	32,310	14,823	-	7,440
Lease liabilities	4,668	-	-	-
Bank loan for development projects	87,875	-	-	-
Directors' loans	9,245	10,872	-	-
	134,098	25,695	-	7,440
Due within two to five years:				
Lease liabilities	22,327	-	-	-
Bank loan for development projects	-	41,644	-	-
Other loans for development projects	59,457	-	-	-
Corporate Bond	160,000	160,000	-	-
	241,784	201,644	-	-

Lease liabilities have been recognised on adoption of IFRS 16 Leases from 1 January 2019. The impact of the adoption of IFRS 16 is explained in note 28.

See the section on capital risk management in the financial risk note for further details of the corporate bond and external borrowings. Interest is charged on these borrowings at between 6-8%.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

22. Share capital - Group and Company

	Ordinary Shares £'000s	Preferred Shares £'000s
At 1 January 2018	2	56,764
Share redemption	-	(56,764)
At 31 December 2019	2	-
At 31 December 2018	2	56,764

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.

On 4 July 2019, the preferred shares were fully redeemed. The preferred shares were redeemable at any time by the Company at par. They had no voting rights and dividends could be paid on the preference shares. They had certain rights upon a return of capital to the shareholders.

Reserves

The foreign exchange reserve holds gains and losses on the re-translation of subsidiaries denominated foreign currencies. £4.1m of foreign exchange losses were recycled from other comprehensive income and reclassified from equity to the profit and loss in 2019. More information is disclosed in the exceptional items note 9.

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

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Notes to the financial statements (continued)

Year ended 31 December 2019

23. Share based payments

As part of the arrangements constituting the MBO of January 2014, 1,850,000 ordinary shares were issued at par to an Employee Benefit Trust controlled by the company. The purpose of the issue was to enable the Group to incentivise directors and eligible employees by granting them shares or options over the shares. At 31 December 2019, 1,365,889 (2018: 1,311,826) shares had been granted.

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 Employee Benefit Trust 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 remains in employment of the Group
- the loan notes created as part of the MBO arrangement are 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 10th anniversary of the date of the grant of the option. A further 40,000 options were granted in 2017 to 2 individuals.

The fair value of the options granted was calculated using the Black Scholes Model and included the following inputs:

	2017	2014
Exercise price	£0.78	£1.07
Expected volatility	29.05%	50.96%
Option life	5 years	5 years
Expected dividends	3.47%	8.89%
Risk free interest rate	0.57%	1.32%

The fair value has been recognised over the vesting period which was estimated as 5 years and the charge for the year amounted to £153,535. The total expense has been recognised in administrative expenses, and where it relates to directors, has been included in their remuneration, as disclosed in note 7.

Unrestricted shares

In April 2016, 1,175,000 shares owned by the EBT were awarded unconditionally to nine individuals for £nil consideration. The shares were valued at £7 per share based on a large contemporaneous transaction in shares between existing shareholders. In August 2019, a further 50,000 shares owned by the EBT were awarded unconditionally to one individual for nil consideration. The shares were valued at £6 per share based on market conditions at the time of issue.

The award of these shares has been accounted for as a share based payment and, as there are no conditions, the whole value of the grant has been charged to the profit and loss at the date of grant. This charge, amounting to £300,000, has been included in administrative expenses, and as it relates to a director, has been included in the remuneration as disclosed in note 7.

Restricted shares

In November 2014 the company issued 434,813 restricted shares to 5 individuals for nil consideration. The restrictions denoted that, until certain conditions were met, the shares could not be voted or receive a dividend and would only participate in surplus assets on a sale with approval of the directors. The conditions were that:

- the employee remains in the employment of the Group,
- the loan notes created during a historic MBO were repaid by 2019; and
- the Group received a target EBITDA prior to the 10th anniversary of the grant

The right to receive unrestricted shares expires on the tenth anniversary of the grant date of the shares. The fair value of the shares issued was determined using the same data as the options granted under the CSOP scheme dealt with above and amounted to £1.44 per share. The fair value has been recognised over the period from the grant to the lifting date of the restrictions which was estimated as 5 years.

In January 2019, the company unconditionally removed restrictions on 143,925 shares issued in November 2014. As a result, the share based payment charge was accelerated. A further charge has been recognised in profit and loss, calculated as the increase in fair value arising from the removal in restriction. This amounted to a further £0.36 per share and has been wholly recognised in the year.

The total charge for the year in respect of all restricted share charges amounted to £109,961 and has been included in administrative expenses, and where it relates to directors, has been included in their remuneration, as disclosed in note 7.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

24. Notes to the cash flow statement

Group reconciliation of operating activities to operating cash flows

	2019 £000s	2018 £000s
Cash flows from operating activities		
Profit before finance costs	32,582	29,289
Adjustments for:		
Loss on disposal of fixed assets	20	20
Share of net profits of joint ventures	(5,659)	(295)
Revaluation to fair value	(1,100)	-
Depreciation	6,945	5,132
Amortisation	488	488
Impairment of assets	10,311	-
Share based payments	562	-
Foreign exchange – retranslation	4,506	(398)
Cash flows before changes in working capital	48,655	34,236
Working capital changes:		
Decrease in trade and other receivables	54,179	17,257
Increase in work in progress	(96,894)	(88,270)
(Decrease)/increase in trade payables	(33,710)	66,252
Increase in working capital	(76,425)	(4,761)
Income taxes paid	(7,363)	(5,937)
Net finance costs	(16,174)	(10,010)
Net cash (outflows)/inflows from operating activities	(51,307)	13,528

Reconciliation of changes in liabilities arising from financing liabilities

	2019 £000s	2018 £000s
Financial liabilities at the end of the prior year	212,516	177,373
Lease liabilities on transition to IFRS 16	29,756	-
Opening financing liabilities at 1 January	242,272	177,373
Lease payments	(4,632)	-
Repayment of borrowings	(3,000)	(5,000)
New borrowings	105,688	40,143
Net cashflow	98,056	35,143
Exchange differences	(87)	-
New lease liabilities in the year	164	-
Interest charge on leases	1,794	-
Interest charges on borrowings	1,373	-
Derivatives not designated as hedging instruments: Fair value movement	1,544	-
Financing liabilities at 31 December	345,116	212,516
Liabilities represented by:		
Directors' loans	9,245	10,872
Bank borrowings and corporate bond	247,875	201,644
Other borrowings	59,457	-
Lease liabilities	26,995	-
Derivatives not designated as hedging instruments: Foreign currency exchange contracts	1,544	-

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

24. Notes to the cash flow statement (continued)

Company reconciliation of operating activities to operating cash flows

	2019 £000s	2018 £000s
Cash flows from operating activities		
Profit before finance costs	22,236	12,626
Adjustments for:		
Share based payment	-	154
Dividends received from subsidiary undertakings	(28,900)	(16,498)
Cash flows before changes in working capital	(6,664)	(3,718)
Working capital changes:		
Decrease in trade and other receivables	(1,698)	(2,760)
Increase in trade payables	682	9,308
(Decrease)/increase in working capital	(1,016)	6,548
Net finance costs	(2,157)	(425)
Net cash (outflow)/inflow from operating activities	(9,837)	2,405

25. Contingent liabilities and contingent assets

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 2019 there was no net group indebtedness to its bankers and therefore the directors consider that no contingency arises.

Provisions are made using the directors' best judgements and estimates of known legal claims, investigations and legal actions relating to the Group which are considered more likely than not to result in an outflow of economic benefit. If the directors consider that a claim, investigation or action relating to the Group is unlikely to succeed, no provision is made. If the directors cannot make a reliable estimate of a potential, material obligation, no provision is made but details of the claim are disclosed as contingent liabilities. At 31 December 2019 the Group had contingent liabilities of £4.5m (2018: Nil) relating to 1 ongoing insurance matter (2018: Nil).

The Group had contingent assets of £18.15m (2018: £9.26m) in relation to claims against third-parties for the reimbursement of costs on construction contracts relating to 8 ongoing matters (2018: 4). Under IAS 37 these amounts may only be recognised when the economic benefit arising from the claims is virtually certain. It is probable that these amounts will be recognised in future periods when the uncertainty over their recoverability has been removed.

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Notes to the financial statements (continued)

Year ended 31 December 2019

26. Related party transactions

Company	2019 £000s	2018 £000s
Non-trading transactions		
Dividends	28,900	16,498
Interest payable	(2,093)	-

Balances between the company and its subsidiaries can be found in note 15 and 17.

Directors' overdrawn loan accounts included in trade and other receivables are loans owing from directors which are repayable on exercise of their share options. S.455 tax has been provided in respect of these director overdrawn loans. These loans are not interest bearing.

27. Leases

The Group holds property leases for offices in the UK and Internationally. The most significant property lease is for the head office in Moorgate, London. IFRS 16 was adopted from 1 January 2019 to account for these leases. A reconciliation of the closing lease commitments at 31 December 2018 to the opening lease liability at 1 January 2019 is set out below:

	£'000s
Lease commitments as at 31 December 2018	30,929
Less: leases expiring within one year	(482)
Less: low value leases	(56)
Change in assumptions	8,402
Future commitment	38,793
Discount rate	6%
Lease liability as at 1 January 2019	29,756

During the transition to IFRS 16 on 1 January 2019, management reviewed the assumptions used to determine the lease commitment as at 31 December 2018. During the course of this review, assumptions were amended such as lease length and inflationary rent increases, which resulted in an increase to the opening lease commitment of £8.4m.

Analysis of the right-of-use assets on the balance sheet is included in the Property, Plant & Equipment note 11. Analysis of the lease liabilities on the balance sheet is included in the lease liabilities and borrowings note 21 and the related interest charge in note 6. The maturity analysis of the lease liabilities is presented in the financial risk management note 3. Cash outflows in relation to leases are described in note 28. In addition to the closing lease liability at the year end, the Group also has commitments for leases that are short term or are of low value individual. The expense incurred in relation to these leases is disclosed in the operating profit note 5.

The total other commitments are set out below. Note that the prior year commitments include those that are now recorded in the balance sheet lease liability since the transition to IFRS 16 from 1 January 2019.

	2019 £000s	2018 £000s
Land and buildings		
Within one year	1,021	4,789
Between two and five years	-	15,621
After five years	-	10,463
	1,021	30,873
Other		
Within one year	1,059	56
Between two and five years	2,190	-
After five years	60	-
	3,309	56

Other commitments

The Group had capital commitments of £356,772 at 31 December 2019 in relation to spend for the implementation of the Oracle Fusion ERP system.

Notes to the financial statements (continued)

Year ended 31 December 2019

28. Impact of the adoption of new and revised standards

IFRS 16 'Leases'; effective 1 January 2019

IFRS 16 Leases became mandatorily effective on 1 January 2019. The Group has applied this for the first time for the period ending 31 December 2019, which resulted in changes to the accounting policies.

The Group transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 January 2019, as if the standard had always applied. The prior period figures were not adjusted. The effect of IFRS 16 has been to recognise a right-of-use asset and a lease liability at the transition date of 1 January 2019.

The Group has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- The right of use assets at the date of initial application are recognised as if IFRS 16 had always applied but using the incremental borrowing rate at the date of initial application.
- Applied a single discount rate to a portfolio of leases with similar characteristics, based on the internal borrowing rate at initial application. The lease liability was discounted using the Group's incremental borrowing rate as of 1 January 2019.
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application.
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining or of low value.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Under IFRS 16 the right of use assets will be tested for impairment in accordance with IAS 36 'Impairment of Assets'. This will replace the previous requirement to recognise a provision for onerous leases. An impairment assessment of the right-of-use assets was performed on transition at 1 January 2019 with no impact identified.

The impact upon the consolidated income statement for the year ended 31 December 2019 is a decrease in administrative expenses of £1.9m and an increase in finance expense of £1.8m (see interest note 6). In the consolidated cash flow statement depreciation of the right-of-use-asset is included in operating activities and the repayment of the lease liabilities are included in financing activities whereas under IAS 17 operating lease rental payments were in operating activities. The impact on the consolidated cash flow statement is decrease in cash inflow from operations of £2.8m and an increase in the cash outflow from financing activities of £2.8m. Total cash outflows in relation to lease payments in the year was £6.9m. In the prior year the operating lease expense was £5.1m. The impact on the balance sheet at the date of transition is shown below.

Group:
£000s

	Carrying amount 31 December 2018	IFRS 16 Remeasurement	Carrying amount 1 January 2019
Property, plant & equipment	14,807	17,905	32,712
Lease liabilities	(5,511)	(24,245)	(29,756)
Deferred tax	2,905	1,077	3,982
Total	12,201	(5,263)	6,938
Retained earnings	27,485	(5,263)	22,222

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Notes to the financial statements (continued)

Year ended 31 December 2019

29. Prior year adjustments

Consolidated statement of comprehensive income

	As previously stated 31 December 2018	Effect of Adjustment (C)	Effect of Adjustment (D)	Restated 31 December 2018
	£000s	£000s	£000s	£000s
Group revenue	2,349,770		(34,473)	2,315,297
Cost of sales	(2,194,043)	(9,059)	34,473	(2,168,629)
Gross profit	155,727	(9,059)		146,668
Administrative expenses	(129,250)			(129,250)
Operating profit	26,477	(9,059)		17,418
Share based payment	(153)			(153)
Share of profit of associates and joint ventures	1,045			1,045
Profit on disposal of a subsidiary	1,920			1,920
Profit on ordinary activities before interest	29,289	(9,059)		20,230
Finance income	3,769			3,769
Finance costs	(4,538)			(4,538)
Profit on ordinary activities before taxation	28,520	(9,059)		19,461
Income tax expense	(5,919)	1,721		(4,198)
Profit on ordinary activities after taxation	22,601	(7,338)		15,263
Profit for the year attributable for				
Owners of the parent	21,851	(7,338)		14,513
Non-controlling interest	750			750
	22,601	(7,338)		15,263
Other comprehensive income				
<i>Items that will or may be classified to profit and loss:</i>				
Exchange differences on re-translation of foreign subsidiaries	(398)			(398)
<i>Items that will not be classified to profit and loss:</i>				
Fair value movements on other investments classified as fair value through other comprehensive income	7,500			7,500
Total comprehensive income for the year	29,703	(7,338)		22,365
Total comprehensive income for the year attributable to				
Owners of the parent	28,953	(7,338)		21,615
Non-controlling interest	750			750
	29,703	(7,338)		22,365

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Notes to the financial statements (continued)
Year ended 31 December 2019

29. Prior year adjustments (continued)	As previously stated 31 Dec 2018	Effect Adjustment (A)	Effect Adjustment (B)	Effect of Adjustment (C)	Effect of Adjustment (E)	Restated 31 Dec 2018
Consolidated Statement of Financial Position	£000s	£000s	£000s	£000s	£000s	£000s
Non- current assets						
Property, plant and equipment	14,807					14,807
Intangible assets	147,919					147,919
Deferred tax assets	2,905					2,905
Investments in subsidiaries	-					-
Investments in joint ventures & associates	9,272	(7,500)				1,772
Other investments	11,000	7,500				18,500
Total non-current assets	185,903					185,903
Current assets						
Trade and other receivables	445,782			10,050		455,832
Development work in progress	140,697					140,697
Development loan to joint venture	54,907					54,907
Other work in progress	1,976					1,976
Cash at bank	217,133				274	217,407
	860,495			10,050	274	870,819
Current liabilities						
Trade and other payables	(727,581)		(22,639)	2,270		(747,950)
Provisions	-			(19,658)		(19,658)
Lease liabilities & borrowings	(25,695)					(25,695)
	(753,276)		(22,639)	(17,388)		(793,303)
Net current assets	107,219		(22,639)	(7,338)	274	77,516
Total assets less current liabilities	293,122		(22,639)	(7,338)	274	263,419
Non-current liabilities						
Trade and other payables	(33,470)		22,639			(10,831)
Amounts owed to subsidiary undertakings	-					-
Lease liabilities & borrowings	(201,644)					(201,644)
Net assets	58,008			(7,338)	274	50,944
Capital and reserves						
Called up share capital	56,766					56,766
Share premium account	-					-
Capital redemption reserve	-					-
Merger reserve	-					-
Share based payment	9,242					9,242
Own shares	-				(538)	(538)
Accumulated reserves	(9,688)			(7,338)	812	(16,214)
Equity Shareholder's funds	56,320			(7,338)	274	49,256
Non-controlling interests	1,688					1,688
	58,008			(7,338)	274	50,944

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Notes to the financial statements (continued)
Year ended 31 December 2019

29. Prior year adjustments (continued)

Consolidated Statement of Financial Position	As previously stated 31 Dec 2017	Effect Adjustment (B)	Effect of Adjustment (E)	Restated 31 Dec 2017
Non- current assets	£000s	£000s	£000s	£000s
Property, plant and equipment	20,509			20,509
Intangible assets	136,869			136,869
Deferred tax assets	3,361			3,361
Investments in subsidiaries	-			-
Investments in joint ventures & associates	2,405			2,405
Other investments	3,500			3,500
Total non-current assets	166,644			166,644
Current assets				
Trade and other receivables	467,551			467,551
Development work in progress	70,689			70,689
Development loan to joint venture	37,287			37,287
Other work in progress	1,333			1,333
Cash at bank	215,119		1,117	216,236
	791,979		1,117	793,096
Current liabilities				
Trade and other payables	(729,043)	(20,256)		(749,299)
Lease liabilities & borrowings	-			-
	(729,043)			(749,299)
Net current assets	62,936	(20,256)	1,117	43,797
Total assets less current liabilities	229,580	(20,256)	1,117	210,441
Non-current liabilities				
Trade and other payables	(33,832)	20,256		(13,576)
Amounts owed to subsidiary undertakings	-			-
Lease liabilities & borrowings	(161,501)			(161,501)
Net assets	34,247		1,117	35,364
Capital and reserves				
Called up share capital	56,766			56,766
Share premium account	-			-
Capital redemption reserve	-			-
Merger reserve	-			-
Share based payment	9,088			9,088
Own shares	-		(538)	(538)
Accumulated reserves	(32,004)		1,655	(30,349)
Equity Shareholder's funds	33,850		1,117	34,967
Non-controlling interests	397			397
	34,247		1,117	35,364

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Notes to the financial statements (continued)

Year ended 31 December 2019

29. Prior year adjustments (continued)

Company Statement of Financial Position

	As previously stated		Restated
	31 December 2018	Effect of Adjustment (£)	31 December 2018
	£000s	£000s	£000s
Non-current assets			
Investments in subsidiaries	138,804	2,800	141,604
Long term receivables		2,800	2,800
	138,804	5,600	144,404
Current assets			
Trade and other receivables	6,036	-	6,036
Cash	-	274	274
	6,036	274	6,310
Current liabilities			
Trade and other payables	(36,207)	(2,800)	(39,007)
Provisions			
Lease liabilities & borrowings	(7,440)	-	(7,440)
	(43,647)	(2,800)	(46,447)
Net current liabilities	(37,611)	(2,526)	(40,137)
Net assets	101,193	3,074	104,267
Capital and reserves			
Called up share capital	56,766	-	56,766
Share based payment	9,241	-	9,241
Own Shares	-	(538)	(538)
Accumulated reserves	35,186	3,612	38,798
Equity Shareholder's funds/(deficit)	101,193	3,074	104,267

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Notes to the financial statements (continued)

Year ended 31 December 2019

29. Prior year adjustments (continued)

Company Statement of Financial Position

	As previously stated		Restated
	31 December 2017	Effect of Adjustment (£)	31 December 2017
	£000s	£000s	£000s
Non-current assets			
Investments in subsidiaries	138,804	2,800	141,604
Long term receivables	-	2,800	2,800
	<u>138,804</u>	<u>5,600</u>	<u>144,404</u>
Current assets			
Trade and other receivables	516	-	516
Cash	-	1,117	1,117
	<u>516</u>	<u>1,117</u>	<u>1,633</u>
Current liabilities			
Trade and other payables	(40,898)	(2,800)	(43,698)
Provisions			
Lease liabilities & borrowings	(3,206)	-	(3,206)
	<u>(44,104)</u>	<u>(2,800)</u>	<u>(46,904)</u>
Net current liabilities	<u>(43,588)</u>	<u>(1,683)</u>	<u>(45,271)</u>
Total assets less current liabilities	<u>95,216</u>	<u>3,917</u>	<u>99,133</u>
Non-current liabilities			
Trade and other payables	(2,500)		(2,500)
Net assets	<u>92,716</u>	<u>3,917</u>	<u>96,633</u>
Capital and reserves			
Called up share capital	56,766	-	56,766
Share based payment	9,088	-	9,088
Own Shares	-	(538)	(538)
Accumulated reserves	26,862	4,455	31,317
Equity Shareholder's funds/(deficit)	<u>92,716</u>	<u>3,917</u>	<u>96,633</u>

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

29. Prior year adjustments (continued)

Consolidated statement of cashflows	As previously stated Year ended 31 December 2018 £000s	Effect of Adjustment (E)	Restated Year ended 31 December 2018 £000s
Cash flows from operating activities	13,528		13,528
Cash flows from investing activities			
Purchase of property, plant and equipment	(10,682)		(10,682)
Acquisition of investments	(7,500)		(7,500)
Disposal of subsidiary	1,920		1,920
Proceeds from disposals of fixed asset	30		30
Net cash used in investing activities	(16,232)		(16,232)
Cash flows from financing activities			
Dividends paid to company shareholders	(6,637)		(6,637)
Dividends paid	(194)		(194)
Employee benefit trust receipts	-	557	557
Employee benefit trust payment	-	(1,400)	(1,400)
Increase in borrowings	40,143		40,143
Repayment of borrowings and lease liabilities	(5,000)		(5,000)
Repayment of loan notes	(16,500)		(16,500)
Net cash generated in financing activities	11,812	(843)	10,969
Net (decrease)/increase in cash	9,108	(843)	8,265
Cash at bank and bank overdrafts at beginning of year	192,650	1,117	193,767
Effects of currency translation on cash at bank and bank overdrafts	552		552
Cash at bank and bank overdrafts at end of year	202,310	274	202,584
Cash at bank and bank overdrafts	2018 £000s		2018 £000s
Cash at bank	217,133	274	217,407
Bank overdrafts	(14,823)		(14,823)
	202,310	274	202,584

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

29. Prior year adjustments (continued)

Company statement of cashflows

	As previously stated Year ended 31 December	Effect of Adjustment (E)	Restated Year ended 31 December
	2018		2018
	£000s		£000s
Cash flows from operating activities	2,405		2,405
Cash flows from investing activities			
Dividends received from subsidiaries	16,498		16,498
Net cash generated/(used) in investing activities	16,498		16,498
Cash flows from financing activities			
Dividends paid to company shareholders	(6,637)		(6,637)
Employee benefit trust receipts	-	557	557
Employee benefit trust payment	-	(1,400)	(1,400)
Repayment of loan notes	(16,500)		(16,500)
Net cash (used)/generated in financing activities	(23,137)	(843)	(23,980)
Net increase/(decrease) in cash	(4,234)	(843)	(5,077)
Cash at bank and bank overdrafts at beginning of year	(3,206)	1,117	(2,089)
Cash at bank and bank overdrafts at end of year	(7,440)	274	(7,166)
Cash at bank and bank overdrafts	2018		2018
	£000s		£000s
Cash at bank	-	274	274
Bank overdrafts	(7,440)		(7,440)
	(7,440)	274	(7,166)

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

29. Prior year adjustments (continued)

A. Investments

The investment of £7.5m in Finsbury Tower, acquired in August 2018, was carried out via a new wholly owned subsidiary (City Fringe Limited), which invested in Finsbury Tower Estates Ltd Jersey via the purchase of C shares. In the financial statements for the year ended 31 December 2018, this was incorrectly disclosed as an interest of approximately 20% of the proceeds of the underlying development and was classified as a joint venture from the perspective of the Group. This was an error and the classification has been reviewed in 2019. The 7.7% shareholding, with no voting rights, is not considered to represent either joint control or significant influence in the underlying investment. The investment has therefore been reclassified from being an investment in a joint venture that was equity accounted, to a debt investment instrument classified as fair value through profit and loss, in accordance with IFRS 9. The balance sheet restatement reclassifies the category of investment only, and the carrying value as at 31 December 2018, remains at £7.5m as this is considered to materially equate to fair value at that date. The value of this investment has increased by £1.1m in 2019 due to a fair value gain. More details on the fair valuation is disclosed in the financial risk management note 3.

A. Operating cycle

The statement of financial position classifies the group and company's liabilities as either current or non-current. In respect of the Group/Company's construction business, contract related balances are typically classified as current when management expect to settle the liability within its normal operating cycle. Management have determined that the normal operating cycle for the construction business is 38 months, being the typical length of a construction contract. In the prior year, £22.6m of contract liabilities in the Group accounts, and £20.3m in the Company accounts, were incorrectly classified as non-current when management expect to settle the liability within 38 months. The balance sheet has therefore been restated to re-classify this amount from non-current liabilities to current liabilities.

B. Insurance claims

In 2018 the Group had a number of claims from construction customers in respect of defects. Management expects that in materially all cases these claims will be covered either by a claim by the Group against a sub-contractor or a claim by the Group to its insurer. In 2018 management incorrectly concluded that the reimbursement assets from sub-contractors and insurers could be recognised and offset against the defect liability. Management have now revisited all claims and consider that:

- A provision for £19.1m should have been recognised in respect of claims from construction customers based on management's best estimate of the cost to rectify the defect at 31 December 2018;
- A reimbursement asset of £10m should have been recognised in respect of insurance claims based on management's assessment on whether the recovery of the asset was virtually certain at 31 December 2018; and
- The tax charge for 31 December 2018 was overstated by £1.7m as a consequence of the above misstatement.

The adjustment for this error also includes a restatement of amounts previously disclosed as contract liabilities to provisions, amounting to £0.6m as at 31 December 2018.

Management have also reviewed whether the statement of financial position was misstated for the same error at 1 January 2018. As at 1 January 2018 Mace had no material outstanding claims from customers and as such the balance sheet at 1 January 2018 has not been restated in respect of claims.

C. Intercompany sales and cost of sales

Revenue and cost of sales between entities within the Group are eliminated on consolidation so that only external revenue and cost of sales are presented in the statement of comprehensive income. 2018 has been restated to include an adjustment to remove £34.5m intercompany revenue and cost of sales relating to some of intercompany sales that were not eliminated in error in the prior year, mainly in relation to the Greenwich Square development project.

D. Employee Benefit Trust

The Group operate two Employee Benefit Trusts (EBTs) for which Mace Finance Limited is the sponsoring employer and exercises control in accordance with IFRS 10. The EBTs have erroneously not previously been accounted for in the results of either the company or group. Management had previously concluded that the EBTs, in aggregate, were immaterial however on re-assessment have now concluded that they are material and therefore should be accounted for. The Group financial statements have therefore been restated to recognise cash held by the EBTs in current assets (as cash and cash equivalents), shares held by the EBTs in Mace Finance Limited in equity (as own shares) and the retained earnings of the EBTs within equity (as retained earnings). The same adjustments have been made in the Company financial statements as the Company considers the EBTs to be an extension of its own operations. In addition, in 2016, one EBT (EBT 2013) transferred shares to the second EBT (EBT 2016). In order to execute this transaction Mace Limited (a subsidiary of Mace Finance Limited) entered into an agreement to pay £2.8m to EBT 2016. At the same time, Mace Finance Limited agreed to pay Mace Limited £2.8m. The Company has therefore additionally recognised a liability of £2.8m to Mace Limited with a corresponding reduction in retained earnings.

30. Post balance sheet events

Covid-19

The Company and Group have been impacted by the Covid-19 global pandemic in 2020. More details on the impacts are included in the post balance sheet event section of the strategic report.

Part repayment of corporate bond

In August 2020, the Group repaid £40m of principal of its £160m corporate bond which it issued in 2017 and which is repayable in March 2022.

Judgement on Health & Safety case

In January 2020, we received a judgement on a Health and Safety case that had been in progress as at the year end. The outcome of the judgement was a settlement of £409k, the costs of which had been provided for in the 2019 results. Also in progress at 31 December 2019 was a prosecution brought against Mace for an incident in February 2016 where a traffic marshal was fatally injured by a waste collection vehicle that was collecting waste from adjacent premises. On 7 May 2020, the HSE advised that they would not present any further evidence and at a court hearing on 3 June 2020, Mace were found not guilty.

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

31. List of joint arrangements

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
Botley DevManCo Limited	England & Wales	50	Property development
BDC Phase 2 Limited	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
MWJV Limited	England & Wales	50	Consultancy
New Burlington Developments Limited	England & Wales	50	Construction delivery
The Botley Development Company Limited	England & Wales	50	Property development
TMT Developments Limited	England & Wales	25	Property development
West Way Academic Residential 1 Limited	England & Wales	50	Property development
West Way Academic Residential 2 Limited	England & Wales	50	Property development
Westway Estate Management Limited	England & Wales	50	Property development
MMQSMace Consultancy (Pty) Limited	South Africa	49	Project management
MMQS Mace (Pty) Limited	South Africa	49	Project management
Mace Project Solutions (Pty) Limited	South Africa	48	Project management

The following is a list of unincorporated joint arrangements that the Group participate:

Unincorporated joint arrangement	Participation share	Nature of arrangement
HS2 Euston	50%	Consultancy
Dubai Expo 2020	49%	Consultancy
Paragon	50%	Consultancy
Pier Airside	55%	Consultancy
TfL Integrator	50%	Consultancy
Highways England PDP	33%	Consultancy

The following companies were dissolved after the balance sheet date:

- TMT developments Limited
- Mace International dooel skopje
- Mace doo Podgorica

The following arrangement was entered into after the balance sheet date:

Unincorporated joint arrangement	Participation share	Nature of arrangement
Peru G2G	45%	Consultancy

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

32. List of subsidiary undertakings (continued)

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 Brigadeiro Faria Lima No 1478, Conjunto 711, Sao Paulo, 01451-001, Brazil	Brazil	100	Facilities management
Mace Consultancy (Canada) Limited c/o ARC Information Services Inc 1105-105 Victoria St Toronto, Ontario M5C 3B4 Canada	Canada	100	Project management
Mace Macro Chile Spa Padre Mariano No 272 Office 602 Providencia Santiago Chile	Chile	100	Facilities management
Mace (China) Limited Room C04, 17/F 2650 North Zhongshan 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 Avenue 3 rd floor, Flat 301 Nicosia 2012 Cyprus	Cyprus	100	Project management
Mace Holdings Limited 59-61 Acropolis Avenue 3 rd floor, Flat 301 Nicosia 2012 Cyprus	Cyprus	100	Holding company
Mace International Limited 59-61 Acropolis Avenue Savvides Court 3 rd floor Nicosia 2012 Cyprus	Cyprus	100	Project management
Mace Macro International Limited 59-61 Acropolis Avenue 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 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

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

32. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Cambridge Heath Road Developments Limited (in liquidation) Jupiter House, Warley Hill Business Park, The Drive, Brentwood, Essex, CM13 3BE	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
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 Cardiff Retail Management Limited*	England & Wales	100	Development
Graduation Exeter (Phase 2) Limited*	England & Wales	100	Development
Graduation Exeter Management Limited*	England & Wales	100	Development
Graduation Exeter Retail 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 (Asia Pacific) Limited* (Change of Name 10/03/2020)	England & Wales	100	Dormant
Mace Consultancy (Europe) Limited*	England & Wales	100	Consultancy
Mace Consultancy (MENA) Limited*	England & Wales	100	Consultancy
Mace Consultancy (Netherlands) Limited*	England & Wales	100	Consultancy
Mace Consultancy (Peru) Limited*	England & Wales	100	Consultancy
Mace Consultancy (The Americas) Limited*	England & Wales	100	Consultancy
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 (Fulham) Limited*	England & Wales	100	Development
Mace Developments (Greenwich) Limited*	England & Wales	100	Development
Mace Developments Limited*	England & Wales	100	Development
Mace Developments (Stevenage) Limited*	England & Wales	100	Development

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

32. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Facades Limited*	England & Wales	100	Construction
Mace Group Limited*	England & Wales	100	Holding company
Mace Interiors Group Limited*	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	Domant
Mace Tech Limited*	England & Wales	100	Construction delivery
Msecure Limited*	England & Wales	100	Project management
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 Kwakkranaya Street Accra 1359 Ghana	Ghana	100	Project management
Mace Limited Flat/RM 306 G/F 200 Hennessy 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 Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

32. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
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
Graduation Exeter and Cardiff (Jersey) Limited 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	61	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 d.o.o. Podgorica Bulevar Dzordza Vasingtona 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 Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

32. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Management Services B.V. Zuidplein 116 Tower H, Level 14, 1077XV Amsterdam Netherlands	Netherlands	100	Construction delivery
Utrema 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
Mace Consultancy (Peru) S.A.C Avenue Santo Toribio 143 San Isidro Lima, Peru	Peru	100	Project management
Mace Polska Spolka zoo Al Jana Pawla II 29 00-867 Warszawa Poland	Poland	100	Project management
D.C.G.P.- Gestão de Projectos, Unipessoal, Lda Edifício 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 Management Services Limited Umujyi wa Kigali Gasabo, Kacyiru Rwanda	Rwanda	100	Project management
Mace Arabia for Engineering Consultancy LLC The Business Gate, Unit A, Second Floor Zone C, Building 4 PO Box 12195 Riyadh, 11473 Saudi Arabia	Saudi Arabia	100	Project management
Mace Holdings Limited Al Mousa Centre, Tower 4 Unit 435, Olaya Street PO Box 9817, Riyadh 12241 Saudi Arabia	Saudi Arabia	55	Project management

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

32. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
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	75	Facilities management
Mace d.o.o. Association for consulting, engineering, production, construction, trading and services, Belgrade Drinicka Street No 8 Belgrade Savski Venac Serbia	Serbia	100	Project management
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
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 119 8038 Zurich, Switzerland	Switzerland	100	Project management

Mace Finance Limited

Notes to the financial statements (continued)

Year ended 31 December 2019

32. List of subsidiary undertakings (continued)

Company	Country of registration/ incorporation	Voting rights	Nature of business
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 İstanbul, 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	Facilities management
Mace Macro Owners Association Management Co Marina Plaza, Al Marsa Street, United 3006, 30 th Floor, Dubai Marina, 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 Macro Owner Association Management Co DMCC Unit No S04, Madina Tower Plot No: JLT-PH2-O3A Jumeirah Lakes Towers Dubai United Arab Emirates	UAE	100	Project management
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

The following entities were incorporated into the Group after the balance sheet date:

Company	Country of registration/ incorporation	Voting rights	Nature of business
Mace Consultancy (Jersey) Limited 44 Esplanade, St Helier, JE4 9WG	Jersey	100	Consultancy
Mace International Construction (Belgium) BV Avenue Marnix 23, fifth floor, 100 Brussels	Belgium	100	Construction

* 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)