Company Registration No. 00258810 (England and Wales)

J T MACKLEY & CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 2 DECEMBER 2018

J T MACKLEY & CO LIMITED

COMPANY INFORMATION

Directors	Mr R Pope Mr A J Camilleri Mr R Sargeant Mr G C Page
Secretary	Mr R Pope
Company number	00258810
Registered office	Bankside House Henfield Road Small Dole Henfield West Sussex BN5 9XG
Auditor	MHA Carpenter Box Amelia House Crescent Road Worthing West Sussex BN11 1QR
Business address	Bankside House Henfield Road Small Dole Henfield West Sussex BN5 9XG

J T MACKLEY & CO LIMITED

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J T MACKLEY & CO LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 2 DECEMBER 2018

The directors present the strategic report and financial statements for the period ended 2 December 2018.

Fair review of the business

J T Mackley & Co Limited is a civil engineering contractor specialising in the water industry, and coastal and marine construction. The company operates mainly in the South, the East and in the London area.

The company's long-standing reputation and technical expertise enables it to deliver quality projects safely, on time and at realistic cost.

The strategy of the business is to increase its market share in existing core business, whilst pursuing expansion into other market segments.

There is a medium-term plan for investment in new and replacement plant and equipment, which is supported by the larger Van Oord group and which is funded through positive cash flow.

Review of the year

Revenue in 2018 increased by £8.5m from £28.4m in 2017 to £36.9m, an improvement of 30% year-on-year, and 13% against forecasts. Pre-tax profit improved from 1.7% of turnover in 2017 to 2.0% in 2018. Whilst project margins remained tight, equipment utilisation remained consistent and justified the investment strategy.

The largest client, which has continued to produce a significant proportion of turnover, is the Environment Agency.

The Shoreham Adur Tidal Walls Scheme completed in early 2019. Despite the complexities and challenges of this project, it has turned out to be the expected flagship project for our company and an example of excellent collaborative working both with the client and the designer. At the end of the year all reaches were complete, with the exception of small amounts of work to do on just two reaches.

Our site teams have continued to work on several Term Maintenance contracts at Chichester, Eastbourne, GSK Worthing, Pevensey Coastal Defences, South East Shingle Recycling Framework and the South East Minor Works Framework for the Environment Agency. We completed our maintenance contract with Waveney and Suffolk Councils in July after a five year term. During the year we won a place on three additional frameworks - Sutton and East Surrey Water, RNLI Construction and East Kent Engineering Partnership. We look forward to winning work over the coming year on all of these.

The PFI consortium Pevensey Coastal Defence Ltd, of which the company is a partner for beach frontage works for the Environment Agency, continues to be successful for all of the PFI partners and has provided the business with a long term maintenance contract which has a further seven years.

During 2018 the company put a lot of resource and creative energy into a bid for the Next Generation Supplier Arrangement for the Environment Agency. This replaces the WEMF contract which has been in place since 2013. Unfortunately since year-end we found out that we were unsuccessful, which, although disappointing, has given us an opportunity to explore relationships with the winning contractors and we are positive about continuing to work on these projects going forward. In addition, we have recently won sizeable "legacy" contracts under the WEMF contract, which will give us an income stream from this client until 2020 at least.

At the time of this report we are on course to meet our target for turnover for 2019. We will continue to strategically manage overheads and improve our plant fleet during the next year with further investment.

Principal risks and uncertainties

The directors have identified the following principal risks and uncertainties affecting the company:

Market risk - The company can be affected by delays in construction programmes and uncertainties in the client's design and planning. We manage this by engaging with the client and the client's representatives at the earliest opportunity, before the project is let out to tender if possible, with the aim of being a strategic partner throughout the whole project phase.

Tendering on price alone remains competitive and in order to win work we have to explore other initiatives such as innovation, quality, and added value, as part of this partnering initiative.

A significant proportion of the company's workload has been with the Environment Agency and through strategic marketing the company continues to pursue additional income sources. We continue to monitor data on our competitors so that we can identify those who are the most likely to be the biggest threat within that specific market sector, or to offer opportunities.

Health, Safety and Quality risk – the company can be affected by compliance and reputational risks. We manage this by continuing to maintain a fully certified Integrated Management System for the management standards ISO9001, ISO14001 and ISO45001 (which we migrated to from OHSAS18001 during the year), within which there are dedicated processes that enable us to monitor and manage our organisations' business effectively.

During 2018 there were two RIDDOR reportable incidents. The directors recognise that accidents are always possible and are committed to avoiding work related injuries and ill health by maintaining a focus on all aspects of hazard identification and risk reduction through effective planning, training, supervision monitoring.

Environment risk - working in a civil engineering the company can be affected by environmental risks. We manage this through our accreditation to ISO 14001 and have effective systems in place which are subject to regular review. We have vast experience in numerous environmental fields, and continue to maintain high standards of commitment and management. The company's commitment to Euro IV B fuel efficient engines, biodegradable oil and electric or hybrid vehicles remains the policy going forward. The company strives to continually improve its environmental performance through our ongoing sustainability initiatives.

Procurement risk – the company can be affected by inflation, currency, supply chain failure and any other risks which could manifest due to the UK leaving the European Union. Inflation risks are mitigated by the length of the contracts we operate and the contract conditions, and we apply protective clauses to tenders where the project period is in excess of 12 months. Currency risk is mitigated by including an item in the Risk Register for each project at time of tender, and by using our international parent to support us.

People risk – the biggest risk is staff turnover and possible shortage of key resources. We mitigate this by maintaining relationships with our supply chain, including subcontractors, particularly to manage staffing requirements, and by strategic and targeted training processes. Succession planning remains high on the agenda and applies at all levels and grades. We use the Investors in People standard to benchmark our employee engagement.

Key performance indicators

The directors consider that the key performance indicators and risk mitigation measures below enable the business to be managed robustly and strategically and will support the organisational growth plans.

J T MACKLEY & CO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 2 DECEMBER 2018

	2018 (£000)	2017 (£000)	% Change
Revenue	36,889	28,394	+29.9%
Gross Profit	7,619	7,445	+2.3%
Profit before tax	730	485	+50.5%
Post tax profit	593	396	+49.7%
Net Assets	5,001	4,408	+13.5%
Turnover achieved from Environment Agency - % of total	77.3%	64.3%	+13.0%

The Board of Directors meets monthly to monitor the progress of the business and to evaluate and discuss principal risks. This is augmented by quarterly meetings with the parent company executives. In addition, a team of senior and departmental managers meets regularly to report on business objectives and KPIs. This process ensures that any risks and uncertainties are identified and understood by stakeholders as appropriate.

On behalf of the board

Mr R Pope
Director
14 August 2019

J T MACKLEY & CO LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 2 DECEMBER 2018

The directors present their report and financial statements for the period ended 2 December 2018. The comparatives relate to the period of 28 November 2016 to 3 December 2017 which is considered comparable.

Directors
The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr R Pope
Mr A J Camilleri
Mr R Sargeant
Mr G C Page

Results and dividends
The results for the period are set out on page 9.

Since the period end date, the directors have confirmed that a dividend of £1,000,000 has been declared payable in December 2018 to the parent company.

Future developments
The directors believe that there are currently no major future developments requiring disclosure.

Auditor
The auditor, MHA Carpenter Box, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Financial risk management objectives and policies
The company operates management policies designed to minimise its exposure to financial risk:

Credit risk
The company operates a number of policies and procedures designed to mitigate credit risk. In particular, before entering into a transaction with a customer a detailed credit review is undertaken to determine whether or not, in the opinion of the directors, the customer has the ability to meet its debts as they fall due.

Liquidity and cash flow risk
The company operates a range of policies to ensure there is sufficient liquidity and cash to meet its liabilities. Regular cash flow forecasts are prepared to ensure the company is able to pay its debts as they fall due.

Price risk
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required to be contained in the directors' report. It has done so in respect of the company's exposure to price risk and disclosure of its principal activity.

On behalf of the board

Mr R Pope
Director

14 August 2019

J T MACKLEY & CO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 2 DECEMBER 2018

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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;
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF J T MACKLEY & CO LIMITED

Opinion

We have audited the financial statements of J T Mackley & Co Limited (the 'company') for the period ended 2 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the 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 their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 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 our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

J T MACKLEY & CO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF J T MACKLEY & CO LIMITED

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

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 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 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: http://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 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 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Dowling FCA (Senior Statutory Auditor)
for and on behalf of MHA Carpenter Box 15 August 2019
Chartered Accountants
Statutory Auditor
Worthing

MHA Carpenter Box is a trading name of Carpenter Box Limited

J T MACKLEY & CO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 2 DECEMBER 2018

	Notes	Period ended 2 December 2018 £	Period ended 3 December 2017 £
Revenue	**3**	36,888,962	28,394,283
Cost of sales		(29,269,807)	(20,949,489)
Gross profit		7,619,155	7,444,794
Administrative expenses		(7,095,452)	(7,094,268)
Other operating income		131,011	103,624
Operating profit	**4**	654,714	454,150
Investment income	**7**	78,972	44,674
Finance costs	**8**	(4,121)	(13,433)
Profit before taxation		729,565	485,391
Taxation	**9**	(136,094)	(89,475)
Profit for the financial period	**24**	593,471	395,916
Other comprehensive income		-	-
Total comprehensive income for the period		593,471	395,916

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

J T MACKLEY & CO LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 2 DECEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Non-current assets					
Property, plant and equipment	**10**		3,355,127		2,917,649
Investments	**11**		131,799		131,799
			3,486,926		3,049,448
Current assets					
Inventories	**14**	7,672		30,326	
Trade and other receivables	**16**	7,866,545		4,911,057	
Cash and cash equivalents		1,582,265		1,656,875	
		9,456,482		6,598,258	
Current liabilities	**17**	(7,818,421)		(5,066,090)	
Net current assets			1,638,061		1,532,168
Total assets less current liabilities			5,124,987		4,581,616
Provisions for liabilities	**19**		(123,700)		(173,800)
Net assets			5,001,287		4,407,816
Equity					
Called up share capital	**22**		500,001		500,001
Share premium account	**23**		52,430		52,430
Retained earnings	**24**		4,448,856		3,855,385
Total equity			5,001,287		4,407,816

The financial statements were approved by the board of directors and authorised for issue on 14 August 2019 and are signed on its behalf by:

Mr A J Camilleri
Director

Company Registration No. 00258810

J T MACKLEY & CO LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 2 DECEMBER 2018

	Share capital	Share premium account	Retained earnings	Total
	£	£	£	£
Balance at 28 November 2016	500,001	52,430	3,459,469	4,011,900
Period ended 3 December 2017:				
Profit and total comprehensive income for the period	-	-	395,916	395,916
Balance at 3 December 2017	500,001	52,430	3,855,385	4,407,816
Period ended 2 December 2018:				
Profit and total comprehensive income for the period	-	-	593,471	593,471
Balance at 2 December 2018	500,001	52,430	4,448,856	5,001,287

1 Accounting policies

Company information

J T Mackley & Co Limited is a private company limited by shares incorporated in England and Wales. The registered office is Bankside House, Henfield Road, Small Dole, Henfield, West Sussex, BN5 9XG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

J T Mackley & Co Limited is a wholly owned subsidiary of the ultimate parent Van Oord NV . The registered office is Schaardijk 211, Postbus 8574, 3009 AN Rotterdam, The Netherlands. The results of J T Mackley & Co Limited are included in the consolidated financial statements of Van Oord NV which are available from http://annualreport.vanoord.com.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Reporting period

The financial statements have been prepared for a 52 week period and the comparative period is 53 weeks. As a result, the comparative period amounts presented in these financial statements will not be entirely comparable.

1 Accounting policies **(Continued)**

1.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for construction services provided in the normal course of business, and is shown net of VAT and trade discounts.

Revenue from contracts for the provision of construction services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Property, plant and equipment

Property, plant and equipment is initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the term of the lease
Plant and machinery	15-25% reducing balance per annum
Fixtures, fittings and equipment	20-25% reducing balance per annum
Motor vehicles	25% reducing balance per annum

Depreciation on leasehold improvements has not been recognised as the assets are not yet in use at the year end.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Non-current investments

Interests in subsidiaries and associates are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

1 Accounting policies **(Continued)**

1.8 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its 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 in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.9 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

The “percentage of completion method” is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include deposits held at call with banks.

1 Accounting policies **(Continued)**

1.12 Financial assets and liabilities

The group company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and loans from related parties.

Debt instruments like loans and other accounts receivable and payable are initially measured at transaction price and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.14 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

1.15 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1 Accounting policies **(Continued)**

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the period they are payable.

1.18 Other operating income

Other operating income relates to rent receivable, management charges rendered, and other sundry income recognised in the period to which they relate.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Construction contracts

Revenue derived from construction services include a judgement of the stage of completion at the year end. This judgement is used to determine the amount of revenue and profit to recognise in relation to each contract, which is still ongoing at the end of the reporting period. The stage of completion is calculated based on the assessment of qualified quantity surveyors of the costs incurred for work performed in conjunction with expected final contract costs and overall profitability.

The provisions for losses on contracts are included for expected losses made on contracts in progress at the balance sheet date.

3 Revenue

	2018	2017
	£	£
Revenue analysed by class of business		
Construction contracts	36,888,962	28,394,283

3 Revenue **(Continued)**

	2018	2017
	£	£
Other significant revenue		
Interest income	10,831	3,789
Dividends received	68,141	40,885

	2018	2017
	£	£
Revenue analysed by geographical market		
United Kingdom	36,876,292	28,311,283
Kuwait	12,670	83,000
	36,888,962	28,394,283

4 Operating profit

	2018	2017
Operating profit for the period is stated after charging/(crediting):	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	31,000	30,000
Depreciation of owned property, plant and equipment	866,769	859,222
(Profit)/loss on disposal of property, plant and equipment	(7,924)	22,347
Operating lease charges	277,775	281,444

5 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2018	2017
	Number	Number
Site management	39	35
Head office/administration	31	29
Workshops and stores	8	9
Plant and civil engineering operatives	36	40
	114	113

5 Employees (Continued)

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	6,068,121	5,923,249
Social security costs	594,793	577,525
Pension costs	271,251	230,004
	6,934,165	6,730,778

6 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	483,063	489,884
Company pension contributions to defined contribution schemes	70,788	55,662
	553,851	545,546

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017 : 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018	2017
	£	£
Remuneration for qualifying services	123,910	126,820
Company pension contributions to defined contribution schemes	24,154	13,666

7 Investment income

	2018	2017
	£	£
Interest income		
Interest on bank deposits	10,831	3,789
Other income from investments		
Dividends received	68,141	40,885
Total income	78,972	44,674

8 Finance costs

	2018	2017
	£	£
Interest on finance leases and hire purchase contracts	101	1,338
Interest payable to group undertakings	2,614	12,095
	2,715	13,433
Other interest	1,406	-
	4,121	13,433

9 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	180,630	93,923
Adjustments in respect of prior periods	-	(4,448)
Total current tax	180,630	89,475
Deferred tax		
Origination and reversal of timing differences	(44,536)	-
Total tax charge	136,094	89,475

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
Profit before taxation	729,565	485,391
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.33%)	138,617	93,826
Tax effect of expenses that are not deductible in determining taxable profit	10,775	4,137
Dividend income	(12,947)	-
Deferred tax adjustments in respect of timing differences	-	(2,900)
Adjustment to prior years	-	(4,448)
Other reconciling items	(351)	(1,140)
Taxation charge for the period	136,094	89,475

10 Property, plant and equipment

	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 4 December 2017	23,229	4,848,021	680,558	887,448	6,439,256
Additions	3,594	1,278,720	19,998	362,434	1,664,746
Disposals	-	(746,193)	-	(202,063)	(948,256)
At 2 December 2018	26,823	5,380,548	700,556	1,047,819	7,155,746
Depreciation and impairment					
At 4 December 2017	-	2,597,493	446,790	477,324	3,521,607
Depreciation charged in the period	-	651,135	52,514	163,120	866,769
Eliminated in respect of disposals	-	(424,685)	-	(163,072)	(587,757)
At 2 December 2018	-	2,823,943	499,304	477,372	3,800,619
Carrying amount					
At 2 December 2018	26,823	2,556,605	201,252	570,447	3,355,127
At 3 December 2017	23,229	2,250,528	233,768	410,124	2,917,649

11 Fixed asset investments

	Notes	2018 £	2017 £
Investments in subsidiaries	12	2	2
Investments in associates	13	131,797	131,797
		131,799	131,799

12 Subsidiaries

These financial statements are separate company financial statements for J T Mackley & Co Limited.

Details of the company's subsidiaries at 2 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Mackley Construction Limited	England & Wales	Dormant	Ordinary	100.00	

12 Subsidiaries **(Continued)**

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Mackley Construction Limited	2	-

13 Associates

Details of the company's associates at 2 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Team Van Oord Limited	England & Wales	Design and construction of fluvial and coastal civil engineering projects	Ordinary	25.00	
Pevensey Coastal Defence Limited	England & Wales	Provision of flood defence services	Ordinary	13.60	

14 Inventories

	2018	2017
	£	£
Raw materials and consumables	7,672	30,326

15 Construction contracts

	2018	2017
	£	£
Contracts in progress at the reporting date		
Gross amounts due from contract customers included in debtors	4,140,592	2,339,937

At 2 December 2018, retentions held by customers for contract work amounted to £1,494,140 (2017 : £307,897) These retentions are recognised in trade receivables. Included within these retentions are amounts of £738,136 (2017 : £35,666) which are due for settlement after more than 12 months.

Advances received from customers for contract work amounted to £204,000 (2017 : £106,349). These are recognised in current liabilities.

16 Trade and other receivables

	2018	2017
Amounts falling due within one year:	**£**	**£**
Trade receivables	2,703,743	2,267,897
Gross amounts due from contract customers	4,140,592	2,339,937
Amounts due from fellow group undertakings	-	6,312
Other receivables	104,649	42,960
Prepayments and accrued income	179,425	218,285
	7,128,409	4,875,391
Amounts falling due after more than one year:		
Trade receivables	738,136	35,666
Total debtors	7,866,545	4,911,057

17 Current liabilities

	Notes	2018 £	2017 £
Bank loans and overdrafts	18	-	270,318
Obligations under finance leases		-	1,114
Payments received on account		204,000	106,349
Trade payables		6,849,902	3,757,242
Amounts due to group undertakings		82,326	266,313
Amounts due to associates		80,000	32,501
Corporation tax		175,000	89,200
Other taxation and social security		164,791	347,296
Other payables		214,282	150,329
Accruals and deferred income		48,120	45,428
		7,818,421	5,066,090

18 Borrowings

	2018 £	2017 £
Bank overdrafts	-	270,318
Payable within one year	-	270,318

19 Provisions for liabilities

	Notes	2018 £	2017 £
Provision for contract losses		18,200	-
Deferred tax liabilities	**20**	105,500	173,800
		123,700	173,800

Movements on provisions apart from retirement benefits and deferred tax liabilities:

	Provision for contract losses £
Recognition of provision	18,200

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	105,500	173,800

Movements in the period:	2018 £
Liability at 4 December 2017	173,800
Credit to profit or loss	(68,300)
Liability at 2 December 2018	105,500

The directors have considered the deferred tax assets and liabilities notes above and concluded that it is not possible to state the estimated assets and liabilities which will reverse within the next 12 months. This is due to the level of reversal being dependent on events which are not yet known.

21 Retirement benefit schemes

	2018	2017
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	271,251	230,004

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2018	2017
	£	**£**
Ordinary share capital		
Authorised, issued and fully paid		
500,001 ordinary shares of £1 each	500,001	500,001

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

23 Share premium account

This reserve represents the excess of the issue price over the par value on shares issued less transaction costs.

24 Retained earnings

Includes all current and prior year retained profits and losses.

25 Financial commitments, guarantees and contingent liabilities

The credit card facility has been secured by way of a debenture on the assets of the company.

The total exposure under this agreement at the year end was £nil (2017: £nil).

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£	**£**
Within one year	268,600	278,696
Between two and five years	807,871	775,095
In over five years	727,780	909,725
	1,804,251	1,963,516

27 Events after the reporting date

Following the reporting date the company was informed that it was unsuccessful with its bid for the next generation supplier arrangement for the Environment Agency. Further details are disclosed in the strategic report.

Since the reporting date, a dividend of £1,000,000 has been declared payable to the parent company.

28 Related party transactions

Transactions with related parties

During the year the company raised sales invoices totalling £23,860,962 (2017: £19,126,797) and rendered management fees totalling £29,510 (2017: £47,642) to Team Van Oord Limited a joint venture between the company, Van Oord UK Limited, Keir MG Limited and Royal Haskoning DHV. In addition, management fees of £83,684 (2017: £126,139) and expenditure recharges of £78,515 (2017: £115,724) were paid to the same related party. The outstanding creditor at the year end was £80,000 (2017: £32,501).

29 Directors' transactions

At the year end date, the directors owed the company £14,980.30 (2017: £13,013.18).

30 Ultimate controlling party

The company is a 100% subsidiary of Van Oord UK Limited.

The ultimate parent company is Van Oord NV, a company controlled by its directors and no one party has ultimate control.

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