

Boskalis Westminster (Holdings) Limited

Directors' report and consolidated
financial statements

Registered number 282243

Year ended 31 December 2018

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Strategic report

Boskalis Westminster (Holdings) Limited and subsidiaries, 'the Group', continued to be one of the largest providers of maintenance dredging services in the United Kingdom. The Group continues to take advantage of its access to offshore aggregate winning areas, by successfully undertaking beach renourishment projects. Boskalis Group expertise is utilised to secure strategic capital works, where the Group looks to deliver a complete marine infrastructure service.

The management of the Group use a number of key financial and other performance indicators in reviewing the Group's performance. Foremost among these are the following:

	31 December 2018	31 December 2017
Turnover (£000)	59,248	87,188
Gross profit as a percentage of turnover	13.4%	21.1%
Operating profit as a percentage of turnover (excluding exchange losses)	2.5%	12.2%
Net current assets (£000)	20,057	18,985
Current ratio (current assets to current liabilities)	2:1	1.5:1
Number of employees	121	103

The safety of our own employees and those employed by our subcontractors is a core value within our organisation and is given top priority. Our central safety objective is 'No Injuries No Accidents' (NINA). This is also the name of our progressive safety program, which enjoys broad support amongst our employees.

As anticipated, the company saw a reduction in turnover and profit in 2018 compared to 2017. This result is reflective of a cautious market offering limited new opportunities whilst the uncertainty surrounding Brexit remains. The current market conditions also increased pressure on prices and therefore margin of projects executed in the year.

The outlook for 2019 is not significantly different from 2018. However, the company has a stable presence in the maintenance dredging and marine services markets providing a base on which to pursue any new capital projects which may arise in the year.

The aim is to continue to implement the policies of the management team and maintain a strong cost focus to help make the most from any opportunities offered by the market.

The Boskalis integrated quality management system 'Way of Working' (introduced at the end of 2017) was implemented throughout the year. The system aims to place focus on client requirements whilst delivering solutions in a safe and sustainable manner. The system covers all business aspects from identifying client needs, project preparation, through to project execution, control and risk management.

The management of the Group regularly reviews the financial and other risks to which the Group is exposed. The following are considered to be the principal risks that could affect the Group's future operating profits or financial position in an adverse and material way:

- Cancellation of major projects which the Group had every reason to expect would be awarded to them;
- Delays in projects coming out to tender due to unforeseen economic uncertainty;
- Availability of dredging plant due to other commitments across the worldwide Boskalis Group;
- Delays in ongoing projects due to adverse weather conditions.

These and other risks are under continual review by the management in order that, wherever possible, corrective action can be taken to minimise any adverse effects.

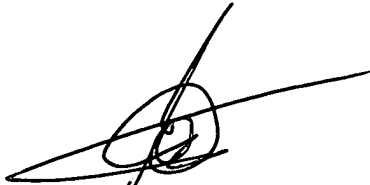
Strategic report (continued)

Environmental Statement

The Group has recognised that the market it operates in demands appreciation and awareness of the close interaction between business requirements and the environment and it has developed an environmental policy consistent with these.

In addition, to further facilitate these principles, the Group is committed to a programme of staff training and to continual investment in the development of innovative equipment and techniques to minimise any impact its activities have on the environment.

This report was approved by the board of directors on **29 AUGUST 2019** and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P M de Jong', written over a circular stamp or seal.

P M de Jong
Director

Westminster House
Crompton Way
Fareham
Hampshire
PO15 5SS

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018 for Boskalis Westminster (Holdings) Limited and subsidiaries, 'the Group'.

The results of the Group for the year are set out in the profit and loss account on page 8. The profit on ordinary activities after taxation amounted to £2,531,000 (*year ended 31 December 2017: £10,072,000*) and was transferred to reserves. The Group did not make any dividend payments in the year (*year ended 31 December 2017: £7,150,000*).

Going Concern Statement

The financial statements have been prepared on a going concern basis. The group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Directors

The directors who served during the year were as follows:

R Richards
P De Jong

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Re-appointment of auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

This report was approved by the board of directors on **29 AUGUST 2019** and signed on its behalf by:



P M de Jong
Director

Westminster House
Crompton Way
Fareham
Hampshire
PO15 5SS

Statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (FRS 102).

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Boskalis Westminster (Holdings) Limited

Opinion

We have audited the financial statements of Boskalis Westminster (Holdings) Limited for the year ended 31 December 2018 which comprise Group income statement, Group statement of comprehensive income, Group statement of financial position, Company statement of financial position, Group statement of cash flows, Group and Company statement of changes in equity and the related 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; 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 below. 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.

Independent auditor's report to the members of Boskalis Westminster (Holdings) Limited (*continued*)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or in 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.

Independent auditor's report to the members of Boskalis Westminster (Holdings) Limited (*continued*)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 <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 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.

Ernst & Young LLP.

James Harris (Senior Statutory Auditor)
for and on behalf of Ernst and Young LLP, Statutory Auditor
Southampton

Date: *29 August 2019*

Group income statement
for the year ended 31 December 2018

	<i>Note</i>	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Turnover – continuing operations	2	59,248	87,188
Cost of sales		(51,324)	(68,804)
Gross profit		7,924	18,384
Administrative expenses		(6,452)	(7,953)
Operating profit		1,472	10,431
Share of operating profit in joint ventures		216	254
Share of operating loss in associates		(50)	257
Total operating profit		1,638	10,942
Loss on disposal of tangible fixed asset investment		(1)	562
Other interest receivable and similar income	6	51	-
Other finance income	7	1,039	369
Interest payable and similar charges	8	(80)	(53)
Profit on ordinary activities before taxation	3	2,647	11,820
Taxation on profit on ordinary activities	9	(116)	(1,748)
Profit on ordinary activities after taxation and amount transferred to reserves		2,531	10,072

The results in both the current and previous year relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation or the retained profit for the year and their historical cost equivalents.

The notes on page 14 to 32 form part of the financial statements.

Group statement of comprehensive income
for the year ended 31 December 2018


	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Profit for the financial year	2,531	10,072
Actuarial loss recognised in the pension scheme (note 26)	(1,141)	(3,487)
Net exchange differences on the retranslation of net investments and related borrowings	36	(93)
Total recognised profit relating to the financial year	1,426	6,492

Group statement of financial position

at 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		1,149		947
Investments in joint venture:	12		308		276
Investments in associates	13		208		280
			<hr/>		<hr/>
			1,665		1,503
Current assets					
Stock	15	554		544	
Debtors falling due within one year	16	38,757		54,074	
Debtors falling due after one year	16	105		210	
Cash at bank and in hand		529		419	
		<hr/>		<hr/>	
Creditors: amounts falling due within one year	17	39,945 (19,888)		55,247 (36,262)	
		<hr/>		<hr/>	
Net current assets			20,057		18,985
			<hr/>		<hr/>
Total assets less current liabilities			21,722		20,488
			<hr/>		<hr/>
Provisions for liabilities and charges	18		(75)		(267)
			<hr/>		<hr/>
Net assets			21,647		20,221
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	20	3,600		3,600	
Revaluation reserve		106		70	
Profit and loss account		17,941		16,551	
		<hr/>		<hr/>	
Total equity			21,647		20,221
			<hr/>		<hr/>

These consolidated financial statements were approved by the board of directors on 29 AUGUST 2019 and were signed on its behalf by:

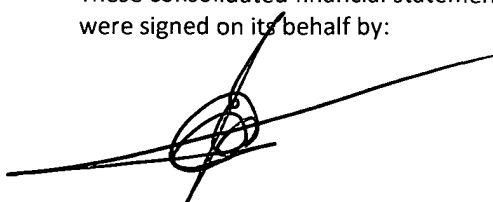

 P M de Jong
 Director

The notes on page 14 to 32 form part of the financial statements.

Company statement of financial position
at 31 December 2018

	Notes	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Fixed assets					
Investments	14		18,759		17,285
Current assets					
Debtors	16	12,379		10,724	
Cash at bank and in hand		10		10	
		<u>12,389</u>		<u>10,734</u>	
Creditors: amounts falling due within one year	17	<u>(14,496)</u>		<u>(12,157)</u>	
Net current liabilities			(2,107)		(1,423)
Net assets			<u>16,652</u>		<u>15,862</u>
Capital and reserves					
Called up share capital	20		3,600		3,600
Profit and loss account			13,052		12,262
Total equity			<u>16,652</u>		<u>15,862</u>

These consolidated financial statements were approved by the board of directors on 29 AUGUST 2019 and were signed on its behalf by:


 P M de Jong
 Director

Group statement of cash flows
for the year ended 31 December 2018

	<i>Note</i>	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Net cash inflow from operating activities	27	278	5,558
Investing activities			
Interest received		51	-
Dividends received from joint ventures		184	307
Dividends received from associated companies		22	42
Receipts from sale of fixed assets		-	1,240
Payments to acquire fixed assets		(345)	(217)
Net cash flow from investing activities		(88)	1,372
Financing activities			
Equity dividends paid		-	(7,150)
Interest paid		(80)	(53)
Net cash outflow from financing activities		(80)	(7,203)
Increase / (decrease) in cash and cash equivalents		110	(273)
Cash and cash equivalents at 1 January		419	692
Cash and cash equivalents at 31 December		529	419

Group statement of changes in equity
for the year ended 31 December 2018

	Share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 30 December 2016	3,600	163	17,116	20,879
Profit for the year	-	-	10,072	10,072
Dividends paid	-	-	(7,150)	(7,150)
Actuarial loss recognised in the pension scheme	-	-	(3,487)	(3,487)
Net exchange differences on the retranslation of net investments and related borrowings	-	(93)	-	(93)
At 31 December 2017	3,600	70	16,551	20,221
Profit for the year	-	-	2,531	2,531
Dividends paid	-	-	-	-
Actuarial loss recognised in the pension scheme	-	-	(1,141)	(1,141)
Net exchange differences on the retranslation of net investments and related borrowings	-	36	-	36
At 31 December 2018	3,600	106	17,941	21,647

Company statement of changes in equity
for the year ended 31 December 2018

	Share capital	Profit and loss account	Total equity
	£000	£000	£000
At 30 December 2016	3,600	13,910	17,510
Profit for the year	-	8,989	8,989
Dividends paid	-	(7,150)	(7,150)
Actuarial loss recognised in the pension scheme	-	(3,487)	(3,487)
At 31 December 2017	3,600	12,262	15,862
Profit for the year	-	1,931	1,931
Dividends paid	-	-	-
Actuarial loss recognised in the pension scheme	-	(1,141)	(1,141)
At 31 December 2018	3,600	13,052	16,652

Notes

(forming part of the consolidated financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's consolidated financial statements except where it is noted below.

Statement of compliance

Boskalis Westminster (Holdings) Limited is a private limited liability company incorporated in England. The company is limited by shares. Registered Office is Westminster House, Crompton Way, Fareham, Hampshire, PO15 5SS.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2018.

Basis of preparation

The financial statements of Boskalis Westminster (Holdings) Limited were authorised for issue by the Board of Directors on the date shown on the statement of financial position. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

Going concern

The financial statements have been prepared on a going concern basis. The group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Basis of consolidation

The Group consolidated financial statements consolidate that of the company and all of its subsidiary undertakings drawn up to 31 December 2018. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. The activities and net assets of the associates and joint venture companies have been accounted for in accordance with Section 14 'Investments in Associates' and Section 15 'Investments in Joint Ventures' using the equity method.

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. Judgements within the application of FRS 102 with a material effect on the financial statements are the qualifications of joint ventures and associates, the defined benefit pension scheme and impairment of fixed assets. Details are incorporated in the accounting policies and in the explanatory notes to these items. The estimates and related assumptions are based on management's experience and understanding and the development of external factors that can be considered reasonable under the given circumstances. Estimates and assumptions are subject to alterations as a result of changes to facts and understanding and may have different outcomes per reporting period. The actual results may deviate from results reported previously.

Notes (continued)

1 Accounting policies (continued)

Subsidiary audit exemption

Under s479A of the Companies Act 2006, the following subsidiaries are exempt from the audit of their individual financial statements due to the existence of a parental guarantee given by Boskalis Westminster (Holdings) Limited, the parent undertaking of this group which prepares these consolidated accounts:

- Rock Fall Company Limited (0128025)
- Cofra Limited (7814472)
- Llanelli Sand Dredging Limited (0338917)
- Westminster Gravels Limited (2380267)
- Boskalis Offshore CI Limited (01220931)
- Boskalis EOD Services (UK) Limited (08607296)
- Boskalis Marine Contracting Limited (0635649)

Foreign currencies

The assets and liabilities of foreign Group companies that are denominated in functional currencies other than Sterling have been translated at the exchange rates as at the end of the reporting period. The profit and loss items of the foreign Group companies concerned have been translated at average exchange rates, which approximate the applicable exchange rates at transaction settlement date. Resulting currency translation differences are added or charged directly to the revaluation reserve in Group equity.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is at rates calculated to write off the costs, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Plant and machinery depreciation has been fixed at percentages between 15% - 30% of the net book value based on the life expectancy of the assets.

Vessel improvements are written off over the period of the future economic benefit arising from the expenditure

Other assets are written off on the basis of fixed annual percentages of the original cost:

Long leasehold land and buildings – 50 years (2% per annum).

Short leasehold land and buildings – over period of lease.

Fixtures and fittings – 4 years (25% per annum).

Assets under construction are not depreciated. Assets under construction will be transferred to the asset account on the earlier of; completion, delivery or when all or part of the asset is put into use.

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount.

Notes (continued)

1 Accounting policies (continued)

Stocks

Raw materials and consumables are valued at the lower of cost and net realisable value. Sand and gravel is valued at the lower of estimated cost and net realisable value. Estimated cost is determined by reference to dredging costs and a proportion of overhead expenses.

Trade debtors and amounts recoverable on contracts

Trade and other receivables are stated initially at fair value and subsequently at amortized cost less accumulated impairment losses, such as doubtful debts.

Turnover

Turnover is the revenue arising from the sale of goods and services. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Research and development

Expenditure on research and development is written off when incurred.

Leases

The rental charges on operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions

The Group operates defined benefit pension schemes covering some of the Group's salaried employees, which provide benefits based on final pensionable pay. The scheme's funds are administered by Trustees and are independent of the Group's finances. The defined benefit scheme closed for future accrual on 1 April 2012, and all active members were enrolled in a defined contribution pension scheme.

The pension scheme surplus is recognised in full, to the extent it is recoverable through reduced contributions in the future or through refunds from the plan. The movement in the scheme surplus is split between operating charges, finance items and the statement of comprehensive income.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation less the fair value of the plan assets at the reporting date.

With effect from 18 March 2019 the Trustees entered into an arrangement with Rothesay Life Plc to buy out the scheme during the financial year ended 31 December 2019.

The Group also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independent administered fund. The amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Investment Policy

Investments are accounted for at cost less impairment.

Notes (continued)

2 Turnover

Turnover represents the total amount receivable from customers, excluding value added tax, for work done:

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
United Kingdom	46,913	84,762
Europe	4,611	2,298
South America	7,720	128
Asia	4	-
	<hr/>	<hr/>
	59,248	87,188
	<hr/>	<hr/>

3 Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
(Loss) / Profit on sale of tangible fixed asset	(1)	23
Depreciation	210	232
Impairment	-	327
Loss on disposal of stock	-	-
Hire of other assets		
- operating leases relating to vessel hire	4,549	11,796
- operating leases relating to land and buildings	49	48
- other operating leases	683	529
Exchange loss	29	170
	<hr/>	<hr/>
<i>Auditor's remuneration:</i>		
Audit of these consolidated financial statements	25	25
Audit of subsidiaries	64	54
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
Directors' emoluments	483	434

The remuneration for the highest paid director, for the year ended 31 December 2018 was £205,000 (2017: £199,000).

One director was remunerated by Baggermaatschappij Boskalis BV, a fellow subsidiary of Royal Boskalis Westminster N.V and recharged to Boskalis Westminster Limited (2017: One).

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
	Number	Number
Management, finance and administration	41	25
Site and technical	80	78
	121	103

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
Wages and salaries	5,881	4,773
Social security costs	625	529
Pension costs	646	590
	7,152	5,892

Notes (continued)

6 Other interest receivable and similar income

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
Interest receivable on intercompany balances	51	-
Other interest received	-	-
	<u>51</u>	<u>-</u>

7 Other finance income

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
Interest on pension scheme liabilities (note 26)	(1,626)	(1,636)
Less: Expected return on pension scheme assets (note 26)	2,259	2,409
Less: Curtailment costs (note 26)	-	(404)
Amounts receivable as compensation	406	-
	<u>1,039</u>	<u>369</u>

During the year, the Group received compensation of £406,000 in relation to access restrictions placed upon one of the Group's license areas.

8 Interest payable and similar charges

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
Interest payable on intercompany balances	80	53
Other interest payable	-	-
	<u>80</u>	<u>53</u>

Notes (continued)

9 Taxation

Analysis of charge in year

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
<i>UK Corporation Tax</i>		
Current tax on income for the year	(21)	1,815
Adjustments in respect of prior year	98	(1)
Total current tax	77	1,814
<i>Deferred tax (see note 19)</i>		
Reversal of timing differences	39	(66)
Tax on profit on ordinary activities	116	1,748

Factors affecting the tax charge for the current year

The current tax charge for the year is lower than (*year ended 31 December 2017: lower than*) the standard rate of corporation tax in the UK of 19% (*year ended 31 December 2017: 19.25%*). The differences are explained below.

	Year ended 31 December 2018	Year ended 31 December 2017
	£000	£000
<i>Total tax reconciliation</i>		
Profit on ordinary activities before tax	2,647	11,820
Current Tax at 19% (<i>year ended 31 December 2017: 19.25%</i>)	503	2,275
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(38)	32
Rate change adjustment	(31)	-
Movement on unrecognised deferred tax	13	(20)
Adjustment on consolidation	-	68
Income from shares in associated undertakings	(9)	(103)
Adjustment in respect of joint ventures	(6)	(49)
Adjustment in respect of associates	14	(49)
Pension spreading	(345)	(363)
Utilising of brought forward losses	(60)	(35)
Adjustment in respect of prior years	64	(1)
Other differences	11	(7)
Total tax charge	116	1,748

In November 2015, reductions in the rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020 were fully enacted. In September 2016, a revision to reduce the rate of corporation tax from 1 April 2020 to 17% was fully enacted. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 31 December 2018 has been calculated based on the rate of 17%.

Notes (continued)

10 Dividends

	Year ended 31 December 2018	Year ended 31 December 2017
Amounts recognised as distributions to equity holders in the year:	£000	£000
Interim dividend	-	7,150
	<u> </u>	<u> </u>

The directors have not proposed a final dividend for 2017 or 2018.

11 Tangible fixed assets - Group

	Assets under construction	Long leasehold property	Short leasehold property	Plant and Machinery	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2018	-	1,162	288	2,729	805	4,984
Additions upon acquisition	-	-	-	448	12	460
Additions	212	-	-	127	8	347
Disposals	-	-	-	(5)	(20)	(25)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2018	212	1,162	288	3,299	805	5,766
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation						
At 1 January 2018	-	645	288	2,331	773	4,037
Depreciation upon acquisition	-	-	-	382	12	394
Charge for the year	-	23	-	163	24	210
Disposals	-	-	-	(4)	(20)	(24)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2018	-	668	288	2,872	789	4,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value						
At 31 December 2018	212	494	-	427	16	1,149
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2017	-	517	-	398	32	947
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

There are no tangible fixed assets held within the parent company.

Notes (continued)

12 Investments in joint venture – Group

	Joint Entity
	£000
Valuation	
At beginning of year	276
Dividends received in year	(184)
Result in the financial year	216
	<hr/>
At end of year	308
	<hr/>
Net book value	
At 31 December 2018	308
	<hr/> <hr/>
At 31 December 2017	276
	<hr/> <hr/>

The joint venture is in relation to Pevensey Coastal Defence Limited, in which Boskalis Westminster (Holdings) Limited has an indirect holding of 61.4% of the ordinary share capital. During the year Boskalis Westminster Limited received a dividend of £184,000 (Year to 31 December 2017: £307,000).

13 Investments in associates - Group

	Participating Interest
	£000
Valuation	
At beginning of year	280
Dividends received in year	(22)
Result in the financial year	(50)
	<hr/>
At end of year	208
	<hr/>
Net book value	
At 31 December 2018	208
	<hr/> <hr/>
At 31 December 2017	280
	<hr/> <hr/>

The participating interest is in relation to two companies. Boskalis Canada Dredging & Marine Services Limited, a company registered in Canada, in which Boskalis Westminster (Holdings) Limited holds 49% of the ordinary share capital. And VBA Limited, a company registered in England and Wales, in which Boskalis Westminster (Holdings) Limited has an indirect holding of 15% of ordinary share capital. During the year Boskalis Westminster Limited received a dividend of £22,000 (Year to 31 December 2017: £42,000).

Notes (continued)

14 Fixed assets investments - Company

Company	Shares in Group undertakings
	£000
Cost	
At 31 December 2017	19,009
Additions	1,240
	<hr/>
At 31 December 2018	20,249
	<hr/>
Impairment	
At beginning of year	1,724
Reverse Impairment	(234)
	<hr/>
	1,490
	<hr/>
Net book value	
At 31 December 2018	18,759
	<hr/> <hr/>
At 31 December 2017	17,285
	<hr/> <hr/>

On the 1st November 2018, Boskalis Westminster (Holdings) Limited purchased 100% of the share capital in Boskalis Marine Services Limited, a company registered in the United Kingdom. The consideration paid was £1,026,000, being the Fair Value of Boskalis Marine Services Limited's net assets at the acquisition date as well as £5,125 of costs associated with the acquisition.

On the 1st November 2018, Boskalis Westminster (Holdings) Limited purchased 100% of the share capital in C-Crew Limited, a company registered in the United Kingdom. The consideration paid was £209,000, being the Fair Value of Boskalis Offshore CI Limited's net assets at the acquisition date as well as £1,045 of costs associated with the acquisition.

Notes (continued)

14 Fixed assets investments – Company (continued)

The principal companies in which the company's interest at the year end is more than 20% are:

Significant Group undertakings	Class and percentage of shares held	Registered address
Dredging and land reclamation		
Boskalis Westminster Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Boskalis Marine Contracting Limited (non-trading)	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Irish Dredging Company Limited *	100% Ordinary	Pembroke House, Pembroke Street, Cork, Ireland
Marine drilling and blasting		
Rock Fall Company Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Bottom and shore protection		
Boskalis EOD Services (UK) Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Specialist geotechnical		
Cofra Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Marine dredged aggregates		
Llanelli Sand Dredging Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Westminster Gravels Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Flood defence services		
Pevensey Coastal Defence Limited*	61.4% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Quay Wall construction		
Boskalis Offshore CI Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
Marine Services		
Boskalis Marine Services Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom
C-Crew Limited	100% Ordinary	Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire, PO15 5SS, United Kingdom

* owned by a subsidiary

15 Stock - Group

	31 December 2018 £000	31 December 2017 £000
Raw materials and consumables	111	92
Sand and gravel	443	452
	<hr/> 554	<hr/> 544

There is no stock held within the parent company

Notes (continued)

16 Debtors

	31 December 2018		31 December 2017	
	Group £000	Company £000	Group £000	Company £000
<i>Due within one year</i>				
Trade debtors	6,030	-	9,349	-
Amounts recoverable on contracts	2,032	-	4,777	-
Amount owed by Group undertakings	27,579	12,375	39,074	10,720
Other debtors	3,116	4	874	4
<i>Due in more than one year</i>				
Amounts recoverable on contracts	105	-	210	-
	<u>38,862</u>	<u>12,379</u>	<u>54,284</u>	<u>10,724</u>

Included in the above amount owed by group undertakings is a balance due from Boskalis Finance B.V. of £27,500,000 (2017: £27,000,000). This deposit renews annually on 1 April unless either party provides notice to terminate. The interest applicable is based on 3-month GBP-Libor minus a margin of 0.50%. In situations where the 3-month Libor is lower than 0.50%, the spread will be reduced to the level of the 3-month Libor but will never be reduced beyond zero.

17 Creditors: amount falling due within one year

	31 December 2018		31 December 2017	
	Group £000	Company £000	Group £000	Company £000
Trade creditors	1,017	8	643	21
Amounts owed to Group undertakings	5,672	14,111	19,305	10,410
Corporation tax	647	363	1,878	1,667
Accruals and deferred income	12,106	14	13,283	59
Other taxation and social security	446	-	1,153	-
	<u>19,888</u>	<u>14,496</u>	<u>36,262</u>	<u>12,157</u>

Notes (continued)

18 Provisions for liabilities and charges - Group

	Contract losses £000	Deferred tax £000	Total £000
Provision at 1 December 2018	267	-	267
Credit to the profit and loss account	(267)	-	(267)
Charged to the profit and loss account	66	9	75
	<hr/>	<hr/>	<hr/>
Provision at 31 December 2018	66	9	75
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There are no provisions held within the parent company.

19 Deferred tax

Deferred tax is to be measured at average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. It was announced in the November 2015 budget that the UK corporation tax rate will reduce to 17% by 2020.

A deferred tax liability of £9,000 (year ended 31 December 2017: £25,000 asset) is held within provisions.

At 31 December 2018 the Group had an additional deferred tax asset of £194,000 (31 December 2017: £168,000) relating to timing differences between accumulated depreciation and capital allowances. The group also has deferred tax assets of £463,000 (31 December 2017: £525,000) in relation to prior year losses and £181,000 (31 December 2017: £272,000) in relation to restrictions on additional contributions to the defined benefit pension scheme during the year. These deferred tax assets have not been recognised due to doubt over timing of the eventual crystallisation.

20 Called up share capital

	31 December 2018	31 December 2017
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
3,600,000 Ordinary shares of £1 each	3,600	3,600
	<hr/> <hr/>	<hr/> <hr/>

21 Contingent liabilities – Group and Company

The Group has entered into a composite accounting agreement with the Group's principal bankers to provide a net overdraft facility of £500,000. The overdraft is secured by unlimited cross guarantees executed by the Group, and by a guarantee from Boskalis Westminster Dredging BV for £870,000. At 31 December 2018 the net borrowings by the UK Group under this arrangement amounted to £Nil (31 December 2017: £Nil).

During the year the Group has taken advantage of the subsidiary audit exemption and the parent company has provided a parental guarantee.

Notes (continued)

22 Commitments - Group

The Group's future minimum commitments under non-cancellable operating leases are as follows:

	31 December 2018			31 December 2017		
	£000	£000	£000	£000	£000	£000
	Land and buildings	Vessels	Plant and equipment	Land and buildings	Vessels	Plant and equipment
Operating leases which expire within:						
One year	-	805	124	49	796	149
Two to five years	-	1,308	53	-	2,156	117
	<u>-</u>	<u>2,113</u>	<u>177</u>	<u>49</u>	<u>2,952</u>	<u>266</u>

The Group is party to a charter agreement with Sosban CV, an associate of the ultimate parent company. The commitments under this contract are set out above. The parent company holds no commitments.

23 Financial instruments - Group

	31 December 2018 £000	31 December 2017 £000
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Trade and other debtors	35,765	53,410
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors and other creditors	4,024	19,948

24 Ultimate parent company and parent undertaking of larger Group of which the Group is a member

The Group is a subsidiary undertaking of Royal Boskalis Westminster N.V., which is incorporated in The Netherlands.

The largest Group in which the results of the Group are consolidated is Royal Boskalis Westminster N.V. The consolidated accounts of this Group are available to the public and may be obtained from Rosmolenweg 20, PO Box 43, 3350 AA Papendrecht, The Netherlands.

Notes (continued)

25 Related party transactions

During the year, the Group entered into a number of transactions with fellow subsidiary companies of Royal Boskalis Westminster N.V. The payable and receivable balances on these transactions are held centrally with Boskalis Finance B.V. The total value of sales for the year was £9,767,923 (2017: £8,172,725). The total value of purchases for the year ended 31 December 2018 was £33,092,174 (2017: £41,458,984). As at 31 December 2018, the Group was owed £25,972,000 (31 December 2017: £23,050,000).

During the year, Boskalis Westminster Limited entered into a number of transactions with its joint venture company, Pevensey Coastal Defence Limited. The total value of sales to Pevensey Coastal Defence Limited during the year ended 31 December 2018 was £474,617 (2017: £739,998). The total value of purchases from Pevensey Coastal Defence Limited during the year to 31 December 2018 was £4,200 (2017: £Nil). During the year to 31 December 2018 Boskalis Westminster Limited also received a dividend of £184,115 (2017: £307,000). At 31 December 2018 Boskalis Westminster Limited was owed £10,960 from Pevensey Coastal Defence Limited (31 December 2017: £Nil).

The group also entered into a number of transactions with its associate company, VBA Limited. The total value of sales to VBA Limited during the year ended 31 December 2018 was £Nil (2017: £36,275). The total value of purchases from VBA Limited during the year to 31 December 2018 was £Nil (2017: £Nil). During the year to 31 December 2018 Boskalis Westminster Limited also received a dividend of £21,809 (2017: £42,000). At 31 December 2018 the Company was owed £Nil from VBA Limited (31 December 2017: £Nil).

26 Pension schemes – Group and Company

Boskalis Westminster Group Retirement Benefits Scheme (UK)

The Group operates a defined benefit pension scheme covering some of the Group's salaried employees providing benefits based on final pensionable salary. The defined benefit pension scheme closed for future accrual on 1 April 2012 and all active members were enrolled in a defined contribution pension scheme.

Contributions are determined by a qualified actuary and the most recent valuation was at 31 August 2016. The valuation was updated for FRS102 purposes to 31 December 2018 by a qualified independent actuary. The Group contributed £1,285,000 towards the scheme and expects to contribute £205,000 towards the scheme in 2019. With effect from 18 March 2019 the Trustees entered into an arrangement with Rothesay Life Plc to buy out the scheme during the financial year ended 31 December 2019, with an expected cost of £700,000.

The principal assumptions used in this valuation were:

	2018	2017	2016
Discount rate	2.40%	2.40%	2.65%
Inflation assumption – RPI	3.40%	3.40%	3.55%
Inflation assumption – CPI	2.60%	2.60%	2.75%
Pension increase – RPI max 7.5% pa	3.40%	3.40%	3.55%
Pension increase – RPI max 5.0% pa	3.35%	3.35%	3.48%
Pension increase – RPI max 3.0% pa	2.75%	2.75%	2.80%
Pension increase – CPI max 3.0% pa	2.60%	2.60%	2.75%
Expected return on assets	2.40%	2.40%	2.65%
Mortality assumptions	110% S2NA with CMI2015 1.5%	110% S2NA with CMI2015 1.5%	110% S2NA with CMI2015 1.5%
Pension exchange for cash at retirement	15.0%	15.0%	15.0%
Life expectancy at 65 of males aged 65	22.1	22.1	22.0
Life expectancy at 65 of males aged 45	24.2	24.2	24.1

Notes (continued)

26 Pension schemes (continued)

The fair value of the scheme's assets:

	31 December	Value at	31 December
	2018	31 December	2016
	£000	£000	£000
Equities	11,801	14,959	14,291
Gilts	39,574	39,152	36,320
Bonds	22,399	21,365	18,572
Cash	357	799	321
Insured assets	6,772	7,290	-
Total market value of assets	80,903	83,565	69,504
Present value of scheme liabilities	(64,093)	(69,715)	(59,991)
Surplus in the scheme	16,810	13,850	9,513
Non-recoverable surplus	(16,810)	(13,850)	(9,513)
Impact of non-recoverable surplus	-	-	-

The movement in the present value of retirement benefit liabilities is as follows:

	31 December 2018	31 December 2017
	£000	£000
At beginning of year	69,715	59,991
Movement in year:		
Interest cost	1,626	1,636
Past service costs	155	-
Benefits paid (net of expenses)	(3,944)	(3,410)
Actuarial (loss) / gain due to change in assumptions	(3,654)	1,733
Change due to settlement and curtailment costs	-	10,396
Actuarial gain due to experience on liabilities	195	(631)
	(5,622)	9,724
Value of liabilities at the end of the year	64,093	69,715

Notes (continued)

26 Pension schemes (continued)

The movement in the market value of the plan assets is as follows:

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
At beginning of year		83,565		69,504
Movement in year:				
Actuarial gain	(1,348)		2,436	
Expected return on pension scheme assets	1,967		1,925	
Change due to settlement and curtailment costs	-		9,992	
Contributions paid by the employer	1,141		3,487	
Benefits paid (net of expenses)	(3,944)		(3,410)	
Administration costs	(478)		(369)	
		(2,662)		14,061
At end of year		80,903		83,565

The analysis of other pension costs charged in arriving at operating profit is detailed in note 5. The analysis of the amount credited to other finance income is detailed in note 7.

Analysis of the amount recognised in the Statement of Comprehensive Income

	31 December 2018 £000	31 December 2017 £000
Actual return less expected return on pension scheme asset	1,348	(2,436)
Experience gains on scheme arising on the scheme liabilities	195	(631)
Changes in assumptions underlying the present value of the scheme liabilities	3,654	1,733
Changes in settlement and curtailment costs	-	10,396
Effect of limit on recognisable surplus	(4,056)	(5,575)
Actuarial loss recognised in Statement of Comprehensive Income	1,141	3,487

Notes (continued)

26 Pension schemes (continued)

History of experience gains and losses:

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Difference between expected return and actual return on scheme assets:					
Amount	(1,967)	(2,436)	(7,552)	1,110	(4,635)
Percentage of year end scheme assets	2%	3%	11%	2%	7%
Experience (gains) and losses on scheme liabilities:					
Amount	195	(631)	(994)	(813)	(467)
Percentage of year end present value of scheme liabilities	-%	1%	2%	2%	1%
Total amount recognised in Statement of total recognised gains and losses:					
Amount	(1,141)	(3,487)	(1,230)	(1,232)	(1,230)
Percentage of year end present value of scheme liabilities	1%	5%	2%	2%	2%

Boskalis Westminster Limited Cash Retirement Benefits Scheme

A defined benefit cash retirement pension scheme is provided for eligible employees of the UK Group. All members are current or previous employees of Boskalis Westminster Limited. Contributions are determined by a qualified actuary and the most recent valuation was in 6 April 2015 which showed that the actuarial value of the scheme's assets was £128,000. The related actuary's statement concluded that at the effective date of valuation the value of the assets of the scheme were 142% of the scheme's liabilities.

Due to the size and nature of the scheme, annual valuations are not considered necessary. Any changes in assumptions or other movement are not likely to generate a material change to the scheme surplus. The scheme is currently in surplus by £38,000 (2017: £38,000).

The company was also a participating employer of the Old Section of the Merchant Navy Officers Pension Fund (MNOFF).

During 2014, the Trustee has concluded a buy-out covering £1.3billion of members' pension benefits, and with no outstanding liabilities, the MNOFF Old Section was wound up in August 2014. No contributions were paid to the scheme over the year (2017: £nil).

Notes (continued)

27 Notes to the statement of cash flows

Reconciliation of profit to net cash flow from operating activities

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Group profit for the year	2,531	10,072
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Depreciation and impairment of Tangible fixed assets	210	232
Additions of Tangible fixed assets upon acquisition	(66)	-
Share of operating profit in joint venture	(216)	(254)
Share of operating profit in associate	50	(257)
Revaluation of foreign subsidiary	36	(93)
(Loss) / Profit on disposal of Tangible fixed assets	(1)	(23)
Net finance costs	29	53
Movement in debtors	15,422	(14,784)
Movement in stocks	(10)	(164)
Movement in creditors	(15,713)	15,830
Movement in provisions	(192)	(62)
Pension contributions in excess of pension charge	(1,141)	(3,487)
Taxation		
Corp tax paid	(661)	(1,505)
Net cash inflow from operating activities	<u>278</u>	<u>5,558</u>