

# **ISG Construction Limited**

Report and Financial Statements

Year ended

31 December 2021

Company Number 00450103



# ISG Construction Ltd

## Report and financial statements for year ended 31 December 2021

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#### Directors

Z Price  
T G Smith  
J E James  
J Lion  
C H Tapson  
S Bolton

#### Secretary

N Heard

#### Registered Office and Principal place of Business

Aldgate House  
33 Aldgate High Street  
London  
EC3N 1AG

#### Registered company number

00450103

#### Legal form

Private company limited by shares

#### Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

#### Country and Date of Incorporation

United Kingdom 26 February 1948

# ISG Construction Limited

## Strategic Report

### for the year ended 31 December 2021

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The Directors present their Strategic Report together with the audited Financial Statements of ISG Construction Limited (the 'Company') for the year ended 31 December 2021.

#### **Business and Financial Review of the period**

##### *Review of the business*

The UK Construction business achieved revenue of £692.6m (2020: £696.2m), Underlying EBITDA of £4.4m (2020: £1.9m) and ended the year with a forward order book of £530.5m (2020: £498.9m).

Our Construction business saw its profit margin increase significantly in 2021, thanks to the success of a focus on larger projects and working with long-term strategic clients. In addition to a strong financial year, we recorded a further increase in our customer satisfaction score, secured a host of significant project wins, and saw our projects recognised across the industry.

Despite the ongoing disruptions and uncertainty caused by COVID-19, work continued at pace on major schemes across the UK including the Sky Labs project, London, UK, which is targeting a BREEAM 'Excellent' environmental performance rating and is due to complete in spring 2022. The £122m Interchange project in Cardiff, UK, for Rightacres is also progressing well.

2021 also saw some significant new project wins including the revamp of Millennium Bridge House in Central London, UK, and the modernisation of the National Cycling Centre in Manchester, UK. The latter was procured through the North West Construction Hub framework, and is just one example of how our strategy of targeting public sector frameworks continues to deliver. Other examples include our appointment on the University of Wolverhampton's National Brownfield Institute scheme in Wolverhampton, UK, through the Pagabo Major Works framework, and our success in securing over £80m of work through the Department for Education's construction framework, along with re-appointment to the latest iteration of the framework across increased lots. We were also appointed to the UK government's Ministry of Justice (MOJ) £1bn New Prisons Programme, which will see us collaborating with three other contractors to develop a delivery methodology that prioritises Modern Methods of Construction (MMC).

Our new office in Cardiff, which opened in October 2021, is setting the standards for any future new ISG space. Designed with features such as a living wall, zonal controls heating and biophilic planting promoting greater efficiency, flexible working practices and well-being, the new office supports our move to an operating model based around centres of excellence in the north and south of the UK.

#### **Looking ahead**

We move into 2022 in a strong position with £530.5m of work already secured and a great platform from which to build in relation to public sector frameworks. We will also continue to target larger scale projects, using a relationship-based model and anticipate this as a potential growth revenue stream in the future.

The restructure of the ISG business, which will see Zoe Price, former Chief Operating Officer for the Construction business, taking on a wider UK-focused role, will provide opportunities for greater collaboration and sharing of resources across our overarching workstreams.

A key area of focus for us in 2022 will be to ensure environmental and social considerations are ingrained within our project delivery model and that we are leading the way in sustainable construction. As part of this we will be working closely with our suppliers to further develop our Platform approach for Design for Manufacture, Assembly and Disassembly (P-DfMA+D) and growing our plans around MMC.

#### *Balance sheet*

The balance sheet on page 17 shows the financial position as at 31 December 2021. The increase in the net assets of the Company of £21.2m to £28.2m resulted from the profit for the year. The Company continues to receive support from ISG Limited, providing a guarantee to the Company's bankers in respect of the Company's working capital facility. The Company's cash balance as at 31 December 2021 was £11.1m (2020: £6.6m).

#### **Principal risks and uncertainties**

The ability to identify, evaluate, monitor and, where appropriate, mitigate risk within the Company is fundamental to the continued success of the business. A key objective of the Board of Directors and its senior management team is to safeguard and where possible increase the value of the Company and its assets.

It is the responsibility of the Company's Board of Directors to set risk appetite levels to be adopted within each area of the business and to ensure that effective and relevant risk frameworks and internal controls are in place. This is supported by policies from the ISG Limited Group, which have been designed to support risk mitigation. It is the responsibility of the Board of Directors to ensure that the Group policies are adhered to. The Company's reporting structure ensures that the appetite and management of risk is determined within levels acceptable and agreed to by the Company's Board of Directors. The impact of significant risks and relevant mitigation activities is regularly monitored by the Board of Directors.

# ISG Construction Limited

## Strategic Report for the year ended 31 December 2021 (continued)

It should be noted that the Company's risk management procedures can only help to mitigate certain risks, rather than eliminate them entirely. Some of the risks identified will also be, to a greater or lesser extent, beyond the Company's influence or control.

Following the outbreak of war in Ukraine, we have carried out a review of our supply chain and client base. We have identified no significant exposure to Ukraine or Russia through our operations but will continue to monitor escalating energy prices and the potential further impact on supply chain costs generally. Details of the working group established to monitor the impact of the war in Ukraine is included in the ISG Limited 2021 Annual report.

A summary of the principal risks and uncertainties that have been identified by the Board of Directors which could impact on the Company's performance is shown in the table below, together with details of the mitigation actions that are being taken. Reference to Group below refers to the ISG Limited Group. These identified risks and uncertainties are specific to the Company and exclude overarching risk that will impact most businesses e.g. macro-economic, political, financial market and climate change risks.

Risks and Impact	Mitigation
<p><b>Supply chain, procurement and labour practices</b></p> <p>Subcontractors and suppliers may not be able to meet their material and service provision obligations due to reasons such as overstretching their capacity, going into receivership, or mismanagement of their supply chain.</p> <p>Subcontractors and suppliers may contravene legislation through a lack of understanding of the risks, and competence in their own procurement practices, putting ISG at risk of non-compliance with legislation and local codes of practice.</p> <p>Risk of prosecution and financial penalties, and potential impact on reputation.</p>	<p>We have various checks and balances in place to ensure the Group is not dependent on or exposed to anyone, or a small number of, subcontractors or other suppliers.</p> <p>The financial stability of each subcontractor is monitored daily through Dun &amp; Bradstreet, with automated emails triggered by fluctuations in report scores, late filings and legal proceedings. In addition, appropriate retentions are held. Parent company guarantees, third-party bonds, and / or other appropriate security is required from subcontractors or suppliers.</p> <p>We also carry out a thorough pre-qualification process before appointing new subcontractors or suppliers. This involves financial checks and a full competency assessment. We also regularly monitor their performance through KPI reviews completed at site level both by operational and commercial teams. This is supported by robust management procedures and training for our employees and suppliers.</p> <p>ISG has corporate policies in place to address key issues such as The Modern Slavery Act 2015, The Bribery Act 2010, and prohibiting the use of products from species prohibited under CITES or from illegal sources. Our supply chain must commit to all of these in writing before the order is raised.</p> <p>In the UK, existing and potential new subcontractors are required to sign up to our anti-slavery and human trafficking supply chain commitment (the Supply Chain Commitment) as part of the subcontractor approval process. We will be aligning our continental Europe supply chain to the same standard during 2022.</p> <p>Relevant employees are required to undertake mandatory e-learning modules on Modern Slavery and Anti-Bribery. We also provide awareness training for our site workforce on relevant topics through site inductions, bespoke workshops where appropriate, and awareness materials displayed on site.</p> <p>Our site induction processes include 'right to work' checks.</p>
<p><b>Recruitment, development, and retention of employees</b></p> <p>A high-calibre workforce is crucial to delivering the Group's strategy and in ensuring the delivery of a high-quality service.</p> <p>Growth of the business through increased revenue, exceeding talent availability to service our projects, could put our quality of service and product at risk, impacting customer experience.</p> <p>Competitors may try to poach key employees from within the Group who are difficult to replace.</p> <p>A loss of key employees may cause staffing issues, which may adversely impact on both project delivery and wider growth opportunities.</p> <p>A lack of externally available, suitably effective training courses to meet the skills and development needs of employees and the supply chain could result in a knowledge gap, and impact the quality of our service and product.</p>	<p>Resource planning ensures that we can build the pipeline of talent we need to meet business requirements.</p> <p>A robust talent acquisition process with line managers trained to make the best hiring decisions and onboarding processes ensure new starters are integrated into the business effectively.</p> <p>Our PDR process provides the opportunity for regular performance discussions, identifies areas for personal development, and allows for a conversation about career aspirations.</p> <p>ISG's in-house learning and development vehicle, SmartSpace, allows employees to access learning that ensures we develop the capabilities we need, while also supporting personal growth and development.</p> <p>A global annual employee survey is carried out, which allows us to develop action plans to drive improvements in employee engagement.</p> <p>The remuneration of employees is firmly linked to performance, and where bonus plans are part of the total remuneration offering, they are linked to the achievement of business goals.</p>

# ISG Construction Limited

## Strategic Report for the year ended 31 December 2021 (continued)

<p><b>Project delivery and quality of service / product</b> The ability of the Group to continue winning contracts at appropriate profit margins and with acceptable terms and conditions, in markets that are competitive.</p> <p>Failure to manage or deliver a key project in accordance with the agreed contract, to an appropriate standard and within the timescales agreed. This may lead to disputes and have an adverse impact on both the profitability of the Group and its reputation.</p> <p>Overstretching of the Group's supply chain as both markets and sectors grow, which could lead to subcontractor failure.</p>	<p>The Group has a controlled approach to contract bidding and selection (within clearly defined delegated authority levels and agreed sector focus). This ensures that work undertaken matches the capability and resources available, that contractual terms are acceptable, and that clear responsibility for scrutiny and approval is given to the appropriate level of management.</p> <p>Contracts that are in progress are controlled and managed through the Group's operating structure. Regular and detailed reviews take place within each business unit and centrally to monitor forecast revenues, costs to complete the project and cashflows.</p> <p>Appropriate Group risk registers are maintained. Enhanced management and supervision are necessary for projects that are deemed to be higher risk.</p> <p>Regular reviews are also undertaken of each business unit's results, together with monthly / quarterly operational and budgeting / forecasting reviews.</p> <p>The Group operates a project audit team that reports into the Risk Committee to help ensure that projects are delivered to cost and timetable.</p> <p>During 2021 ISG's Advanced Audit and Assurance (AAA) process was further developed in relation to site-related activities; designed to measure project delivery and quality of service / product. This process will continue with even greater emphasis in 2022.</p>
<p><b>Health, safety and well-being of stakeholders</b> A failure to manage the Group's health and safety risks could result in serious harm to employees, subcontractors, the public or the environment. The Group could be exposed to significant potential liabilities and reputational damage. There may be a breach of local regulatory requirements.</p>	<p>In the UK and several other countries in which the Group currently operates, its processes and procedures comply with the requirements of OHSAS 18001. Efforts are being made to gradually introduce these standards in all parts of the business.</p> <p>The safety of the Group's employees, supply chain, and members of the public, is of paramount importance.</p> <p>A comprehensive policy and framework is in place (to include regular site visits, the recording of accidents, near miss and hazard reporting).</p> <p>The Accident Incident Rate (AIR) is monitored closely in all business units within the Group. The Stat Board also reviews these Group AIR statistics at the start of each monthly Board meeting, to consider trends within the business and discuss specific issues or concerns.</p> <p>Best practice is shared within the Group via a health and safety forum, which operates under a zero-tolerance approach to unsafe practices.</p> <p>Health and safety leaders are appointed within each business unit. A health and safety committee also meets regularly, which is made up of representatives from across the business.</p> <p>Regulatory requirements in relation to health and safety, and any changes to these, are regularly monitored by the group health and safety director.</p>
<p><b>Pollution control and environmental management</b> A failure in our environmental management could potentially result in a pollution incident, or adversely affect biodiversity, causing environmental harm and resulting in potential liability and reputational damage.</p> <p>Management of incidents may also impact on time and costs associated with investigation, remediation and loss of working hours / impact on programme.</p>	<p>The Group is committed to fulfilling its environmental compliance obligations and to take every reasonable measure to conduct its business activities in a safe and responsible manner. The Group aims to minimise negative impact and, where possible, provide positive enhancements to the environment in line with our 'net gain' sustainability strategy.</p> <p>Our environmental management systems are developed and maintained in line with the best practice recommendations of ISO 14001:2015, and all applicable environmental legislation and regulations.</p> <p>ISG is committed to protecting and, where possible, enhancing the environment. We have in place management procedures, guidance and training to support the effective planning and execution of our operations while minimising and mitigating environmental risks. This also includes robust incident reporting and investigation procedures, with trend analysis, informing any appropriate updates and changes to our management systems.</p> <p>We submit to audit by third-party certification bodies, and our clients where requested, demonstrating our responsible approach to environmental management and commitment to continual improvement.</p>
<p><b>Overreliance on key customers</b></p>	<p>ISG monitors the levels of work with each customer and actively seeks a balanced portfolio of work both within public and private sectors, across geographies and industry sectors.</p> <p>The nature of our projects can result in high trading levels with single customers in a specific financial year, however, when reviewed on a longer-term basis, a more balanced level of work is seen across the customer portfolio.</p>

# ISG Construction Limited

## Strategic Report for the year ended 31 December 2021 (*continued*)

<p><b>Legal, regulatory and reporting compliance</b></p> <p>The Group is required to ensure compliance with ever-changing and increasing legal, regulatory and reporting requirements, in the United Kingdom (UK), European Union (EU) and other countries in which it operates. This includes (but is not limited to) matters such as health and safety, the environment, accounting and taxation, human resources, anti-bribery, modern slavery and the General Data Protection Regulation (GDPR).</p> <p>Part of the Group's growth strategy requires entry in new countries and markets, where there may be different and / or additional legal, regulatory and compliance frameworks. A failure to comply with such requirements could lead to large financial penalties and / or reputational damage.</p>	<p>A regular review of the Group's key policies is carried out at Board level to ensure they remain relevant for the business and in line with legal and regulatory requirements.</p> <p>The Group uses external advisors / consultants, where deemed necessary, to advise on policy and the various compliance responsibilities that need to be adhered to.</p> <p>We have a group-wide 'Code of ethics and business conduct', which provides a clear set of standards for all areas of the Group to follow, in terms of the laws and principles governing our behaviour and decision-making processes, both now and in the future. At the heart of the Code is the basic principle that the Group should always follow the laws of the countries in which it operates.</p> <p>Beyond the law, the Group must always be guided by its values and ensure that it does the right thing for its stakeholders, which includes employees, customers, suppliers, shareholders and the wider community.</p>
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### Stakeholder engagement

Section 172 (s.172) of the Companies Act 2006 requires Directors to act in a way that promotes the success of the Company for the benefit of stakeholders whose interests feature in the 'success of the Company'. The legislation requires our Directors to have regard (among other matters) to:

- the likely consequences of any decision in the long term;
- the interests of our employees;
- the need to foster relationships with suppliers, customers and others;
- the impact of our operations on communities and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly, as between members of the Company.

We provide an overview of the actions undertaken by the Directors to demonstrate the Company's compliance with s.172 of the Act. We have defined our stakeholder groups and their interests as follows:

- **Customers:** In addition to absolute certainty of delivery, our customers seek specialist expertise, agile service and business insights, to thrive and remain competitive in their markets.
- **Employees:** Our people are looking for a work environment that keeps them healthy and safe; and enables them to grow personally and professionally.
- **Supply chain:** Our supply chain seeks to build strong partnerships with us that enable their own sustainable growth. They want us to work collaboratively and respectfully with them and establish mutual understanding and shared expectations.
- **Communities:** The communities where we work have a vested interest in the quality of the spaces we deliver and the way in which we deliver them. They benefit from engagement, communication and the creation of opportunities.
- **Industry:** The construction industry has evolved slowly over the past few decades and is ripe for innovation. It seeks strong, strategic and values-driven leadership that will help to position it as a positive and effective force for the future.
- **Investors:** The Company is part of the ISG Group under ISG Limited. As part of this group we work with our parent and fellow subsidiaries to implement our vision to achieve long-term growth of the Company and Group.
- **Financial institutions:** Banks, bondsmen and credit insurers seek to understand the Company's performance and outlook so that they can provide financial services to our business and supply chain.

Our value outcomes are aligned closely with the needs of our stakeholders, and so it's crucial that they play a key role in informing our decisions and strategy. For this reason, we regularly connect with our stakeholders to get a greater insight into their needs and concerns. This information helps us to gain a better understanding of the immediate and long-term impact of our decisions on their interests and underpins good governance across our business.

Over the course of the year, the Directors have received updates from senior leaders on how we have engaged with these stakeholders, the feedback we have received, and the impact of that feedback on the Company's policies, processes, and procedures. This information has also informed decision-making by the Directors, which has in turn affected the direction and strategy of the business. The table on the following pages summarises key interactions, outcomes of engagement, and effects of engagement on Directors decision for each stakeholder group. The ISG Limited Annual Report 2021 contains additional disclosures that users may find informative. The ISG Limited Annual Report 2021 can be obtained as described in note 25. 'Group' refers to the ISG Limited group of entities

# ISG Construction Limited

## Strategic Report for the year ended 31 December 2021 (continued)

Engagement interactions	Outcomes from engagement	Effects of engagement on Board decisions
<b>Customers</b>		
<ul style="list-style-type: none"> <li>• Introduction of a project kick-off review as a mandatory part of the customer journey with ISG – a key step in understanding and delivering on the customer's expectations.</li> <li>• Engagement survey with 200 key consultants regarding the effects of the pandemic on customers and their sectors.</li> <li>• Internal survey with 170 employees across all levels to review the understanding, effectiveness and influence of the Customer Experience (CX) programme.</li> <li>• Launch of a group wide Live CX reporting dashboard.</li> <li>• Bespoke CX engagement plans for key customers and public sector frameworks.</li> </ul>	<ul style="list-style-type: none"> <li>• Training and development of new group-wide CX champions to increase CX engagement across the key stages of our projects.</li> <li>• Further development of CX dashboards to include corrective actions, key trends around performance and future visibility of CX engagement.</li> <li>• Group-wide CX workshop forum to continue embedding a customer-centric approach.</li> <li>• Customer-specific lessons learned and improvement workshops.</li> <li>• A Net Promoter Score (NPS) of +84 (2020: +73).</li> <li>• A consistent customer satisfaction rating of 89%.</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in the creation of an online CX management dashboard, giving all teams group-wide 24/7 access to CX data and trends, to identify improvement and training requirements.</li> <li>• Directing guidance to our health and safety, supply chain and quality teams on implementing approach as per customer expectations.</li> <li>• Directing changes in our CX programme with further engagement from Stat Board members to attend reviews.</li> <li>• Supporting customers with the net zero carbon commitments in the build design.</li> <li>• Supporting customers with community and social value initiatives throughout their construction programmes.</li> </ul>
<b>Employees</b>		
<ul style="list-style-type: none"> <li>• Annual employee engagement survey, as well as pulse checks.</li> <li>• Robust internal communications including CEO emails, MD newsletters, online news hub, employee intranet, manager briefing packs, regular business unit yearly updates and end-of-year communications events.</li> <li>• Ongoing internal communications programme to support employees around COVID-19 including regular CEO updates and dedicated online hub.</li> <li>• Annual employee awards event – the Global Value Awards.</li> <li>• Bi-annual Global Leadership Conference (GLC) for senior leaders across the business (approximately 50 people).</li> <li>• Annual Performance Development Review (PDR) process and mid-year check-ins for all employees.</li> <li>• Targeted communications with employees regarding changes in regulations and opportunities within the business.</li> <li>• Corporate and local charity partner activity, and ongoing volunteering, community and charitable engagement initiatives.</li> <li>• Focus on mental well-being and helping to raise awareness through webinars, resources and training, as well as giving something back through volunteer, community and fundraising activities.</li> </ul>	<ul style="list-style-type: none"> <li>• High-level data insights session held with Stat Board, and after with the GLC, to gain business leader awareness and commitment.</li> <li>• Action plans developed at Group level and locally from the survey insights.</li> <li>• HSQE campaigns focused on issues raised, development of training and changes in policy and procedure.</li> <li>• Involving employees in giving back to our local and global communities, and providing opportunities for skills development where possible, including resilience training, and training to become mental health first aiders.</li> <li>• Record levels of involvement and fundraising in our main global charity fundraising event – Move for Charity.</li> <li>• Involving employees in shaping and delivering the outcomes needed to improve operational excellence.</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in the culture and tone of the business driven from the top.</li> <li>• Development of our health and well-being strategy and initiatives to drive positive change.</li> <li>• Investment in our people, technology and internal communications.</li> <li>• Development and delivery of a comprehensive learning and development curriculum through ISG's training hub, to allow our people to fulfil their potential.</li> <li>• Extension of partnership with ISG's UK charity partner, Mental Health UK, for a further two years, exemplifying ISG's commitment to changing the conversation around mental health and supporting our people's mental health and resilience.</li> <li>• Development of employees across business units and geographies, providing opportunities for development and promotion.</li> <li>• Informing the appointment and direction of community and charitable partnerships that align with business priorities, employee interests and community needs.</li> </ul>
<b>Supply chain</b>		
<ul style="list-style-type: none"> <li>• Supply chain pre-qualification and ongoing management process.</li> <li>• Regular meetings between ISG's supply chain team, senior management and supply chain partners to discuss performance, review potential opportunities and upskill through ISG's core enabling departments.</li> <li>• Close engagement with supply chain partners, enabling us to track and monitor global risks within the</li> </ul>	<ul style="list-style-type: none"> <li>• Approved supply chain that meets local statutory compliance, and is assessed financially, monitored, and evaluated by the HSQE team in the UK. Outside the UK further compliance assessment is utilised.</li> <li>• Improved compliance, driving increased spend through fewer companies, and mitigating risks associated with poor performance, quality and financial stability.</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in industry-leading source-to-pay solution to be delivered throughout 2021/22.</li> <li>• Increased investment in research and development (R&amp;D) to support Platform approach for Design for Manufacture, Assembly and Disassembly (P-DfMA+D) construction methods in future projects.</li> <li>• Better understanding of challenges faced by our supply chain in</li> </ul>

# ISG Construction Limited

## Strategic Report for the year ended 31 December 2021 (continued)

<p>supply chain caused by COVID-19 and additional supply disruptions.</p> <ul style="list-style-type: none"> <li>Implementation of supply chain partners into continental Europe, redefining the service level agreements and implementation of a relationship charter.</li> <li>Ongoing engagement with project teams from pre-construction to post-completion.</li> <li>Targeted topical communications regarding market updates and changes in regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Upskilling supply chain partners in modern slavery, right to work, net gain, cyber security, health and safety, and quality.</li> <li>Awareness within site and commercial teams of potential supply risks caused by COVID-19, with reports shared and distributed through internal communications.</li> <li>Central information hub for regional teams, showing supplier and manufacturer closures, and live COVID-19 updates.</li> <li>Supporting business growth in new territories by investigating supply chain opportunities across new sectors.</li> <li>Tender and preconstruction meetings supporting collaboration and innovative solutions to come forward.</li> <li>Construction and post-construction meetings supporting lessons learned and performance improvement.</li> <li>Sharing ISG's strategy, plans and expectations with our supply chain through regular communications.</li> </ul>	<p>delivery, and therefore supporting collaborative conversations and updated framework partnerships.</p> <ul style="list-style-type: none"> <li>Future investment in supply chain due diligence, redefining our strategic partners, implementing a relationship charter, and aligning to ISG's core values.</li> <li>Increased understanding of risks associated with material supply disruption and increased lead times.</li> </ul>
<b>Communities</b>		
<ul style="list-style-type: none"> <li>Consultations with local authorities, and commercial and residential stakeholders, through planning and during construction.</li> <li>Discussions with key community stakeholders in the development of social value plans.</li> <li>Engagement and support of educational establishments, charities and community organisations.</li> <li>Engagement with new local supply chains and employment and training providers.</li> </ul>	<ul style="list-style-type: none"> <li>Forming project programmes and construction methods to minimise impacts on neighbours, and facilitation of ongoing communication.</li> <li>Identifying community needs e.g. targeted investment, employment, training, engagement etc.</li> <li>Supporting the development of our early careers talent pipeline and that of our supply chain.</li> <li>Delivering social value to local communities by using local suppliers and upskilling and employing local people.</li> <li>Sharing our knowledge and expertise on net zero carbon with communities.</li> <li>Involving our people in creating value through volunteering, mentoring, charitable giving, pro bono and gifts in kind.</li> </ul>	<ul style="list-style-type: none"> <li>Development and alignment of our early careers and social value strategies.</li> <li>Investment in human and material resources and tools to deliver, record and report social value.</li> </ul>
<b>Industry bodies</b>		
<ul style="list-style-type: none"> <li>Participation in industry forums and working groups, including Paul Cossell's appointment as the Build UK Chairman.</li> <li>Membership of 45 different organisations that range from covering supply chain, to health and safety, to professional standards and bodies. These include the British Safety Council, Build UK, CHAS (CAS), the Chartered Institution of Building Services Engineers (CIBSE) and the Considerate Constructors Scheme (founder member).</li> <li>Consultation with legal advisors and industry professionals.</li> <li>Attendance at industry conferences and marketing events.</li> <li>Conducting interviews with industry media.</li> </ul>	<ul style="list-style-type: none"> <li>Continued sharing of best practice on the COVID-19 response across the industry.</li> <li>Tackling industry issues, such as achieving net zero carbon and the circular economy.</li> <li>Reviewing and developing our management systems.</li> <li>Growing our own knowledge of industry issues and how to solve them, and developing our understanding of technologies, and how to adopt them for mutual benefit.</li> <li>Sharing knowledge and thought leadership with our industry colleagues.</li> </ul>	<ul style="list-style-type: none"> <li>Continued focus on innovation through investment in Building Information Modelling (BIM), P-DfMA+D and new mobile technologies.</li> <li>Continued development and implementation of a high-rise residential building (HRRB) management process with a designated committee, including a suitably qualified independent fire engineer.</li> <li>Commitment to setting targets and agreeing implementation strategies to reduce our emissions to a net zero carbon position by 2030.</li> </ul>



# ISG Construction Limited

## Strategic Report for the year ended 31 December 2021 (continued)

Financial institutions		
<ul style="list-style-type: none"><li>Regular meetings with banks, bondsmen and insurers by ISG's CFO and the Treasury team.</li><li>Informal conversations with each institution during the year, covering a range of topics.</li><li>Annual meetings with banks, bondsmen and insurers to present strategy and forward-looking plans in addition to monthly performance reporting.</li></ul>	<ul style="list-style-type: none"><li>Opportunities to discuss the industry landscape and market environment.</li><li>Banks, bondsmen and insurers able to broaden their understanding of ISG's performance and operations.</li><li>Continued support from the institutions.</li></ul>	<ul style="list-style-type: none"><li>Decision to increase ISG's capacity of the performance bond lines, supporting sustainable growth of the business.</li></ul>
Investors		
<ul style="list-style-type: none"><li>Regular communication with ISG's ultimate controlling party, William Harrison (Chairman) and the Cathexis Group.</li><li>Bi-annual strategy discussions.</li><li>Monthly trading updates.</li></ul>	<ul style="list-style-type: none"><li>Involvement in all key commercial and strategic decisions of the Group.</li></ul>	<ul style="list-style-type: none"><li>Board decisions are aligned with investor expectations and risk profile.</li></ul>

### Streamlined Energy & Carbon Reporting

The Company's energy and carbon disclosures are included in the disclosure of the ISG Limited group in The ISG Limited Annual Report 2021.

### Approval

This Strategic Report was approved by order of the Board on 1 June 2022.

  
Zoe Price  
Director

# ISG Construction Limited

## Directors' Report for the year ended 31 December 2021

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2021.

### Directors

The Directors of the Company during the period were:

Z Price

S J McGee (Resigned 30<sup>th</sup> April 2022)

T G Smith

J E James

J Lion

C H Tapson (Appointed 1 July 2021)

R S Martin (Resigned 31 December 2021)

S Bolton (Appointed 30 April 2022)

### Directors' Indemnity insurance

The Directors have the benefit of an indemnity from the Company in respect of liabilities incurred as a result of their office. This indemnity is provided under the Company's Articles of Association and satisfies the indemnity provisions of the Companies Act 2006.

The Company has taken out an insurance policy in respect of those liabilities for which the Directors may not be indemnified. Neither the indemnity nor the insurance provides cover in the event that a director is proved to have acted dishonestly or fraudulently.

### Principal Activities

The principal activity of the Company is that of a main contractor in the construction industry. The Directors do not expect that there will be any significant changes to the principal activity of the Company in the foreseeable future.

### Review of Business and Likely Future Developments in the Business of the Company

Information on the review of the business and likely future developments in the business of the Company has been included in the Strategic Report on page 3.

### Existence of branches of the company outside of the United Kingdom

The Company has no branches outside of the United Kingdom.

### Financial Risk Management Objectives and Policies (including Information on exposure to price risk, credit risk, liquidity risk and cash flow risk)

#### Price risk

Price risk is the risk that changes in the market, such as foreign exchange rates and interest rates, will affect the Company's pricing and hence income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Foreign exchange risk

Foreign exchange risk is reviewed on a regular basis by the ISG Group Treasury Department and the Group Board and if considered necessary a strategy to minimise any potential risk will be discussed and implemented. Significant foreign exchange movements are also reviewed by the Group Board and the process of reviewing different options is undertaken on a quarterly basis.

#### Interest rate risk

Currently the effect of interest rate changes on net interest income and expense is immaterial to the Company.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies such as Standard and Poor's, Moody's and Fitch. No material credit exposure is permitted to a financial institution with a rating lower than BBB- or equivalent. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

#### Liquidity and cash flow risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring bank covenant compliance, forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. An ISG Group Company can also request financing from ISG Group.

# ISG Construction Limited

## Directors' Report for the year ended 31 December 2021 (*continued*)

A daily cash flow forecast for the next four weeks is prepared on a weekly basis and a twelve-month forecast is produced monthly. These forecasts are reviewed at company and Group level. Additionally, there is a detailed review of the assumptions underpinning these forecasts by Group Finance. Minimum cleared cash levels have been imposed on each subsidiary company and actual balances are monitored against the minimum levels on a daily basis. In addition, the top and bottom ten cash contracts by company are reviewed at company and Group level on a monthly basis. Further details relevant to the Company's liquidity position and its status as a going concern are included within the Strategic Report, and also with the significance of the potential impact of COVID-19 to the Company, see note 1.

Information on the financial risks of the company has been included in the Strategic Report under 'Principal risks and uncertainties' on pages 3 to 6.

### **Dividends**

The Company did not pay a dividend during the period (2020: £nil).

### **Donations**

No political donations were made during the period (2020: £nil). Charitable donations of £28,500 were made during the period (2020: £10,000).

### **Going Concern**

Information on the business environment in which the Company operates, including the factors that are likely to impact the future prospects of the Company, are included within various sections of the Strategic Report, and the risks and opportunities section. The financial position of the Company, its cash flows, liquidity position and debt facilities are described in the financial review. In addition, the financial statements set out the Company's objectives, policies and processes for managing its capital, financial risks, financial instruments and hedging activities, as well as its exposure to credit risk and liquidity risk.

The Directors have prepared cash flow forecasts for the Company for a period in excess of twelve months from the date of approval of these financial statements. These forecasts are based on the Company's existing forward order book and workload together with assumptions in respect of new business. They reflect an assessment of current and future market conditions and risks and uncertainties in the business, their impact on the Company's trading performance, and the actions taken by management in response to current market conditions. The forecasts completed on this basis demonstrate that the Company will be able to operate with its available resources. In addition, management has considered various mitigating actions that could be taken if future market conditions deteriorate beyond their current assessment.

Based on the exercise described above, the Directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements of the Company.

### **Employment Policy**

#### *Employment of disabled persons*

At ISG, we are fully committed to equality in the workplace and engage, promote and train staff on the basis of their capabilities, qualifications and experience without discrimination of any kind. This is underpinned by the policies and practices embedded within the Company. All employees receive equal opportunity to progress within the Company ensuring we have access to the widest talent pool. We make reasonable adjustments to the business premises and working arrangements for disabled applicants and employees, including employees who become disabled during their employment.

#### *Employee Involvement*

At ISG, employee engagement is very important to us and we actively seek the views and opinions of our staff through our global employee engagement survey. Staff participation is encouraged at many levels, such as choosing our UK Charity Partner or recognising colleagues for our global values awards. Our Company intranet provides a wider platform to share information throughout the business and we have in place multiple communication channels which allows us to ensure information flows freely throughout the organisation. We also encourage employees to support both their local and our global community and we endeavour to do this by promoting apprenticeships with our supply chain partners and within our own operations, engaging with schools, colleges and universities to promote and support, learning and employability, targeting hard to reach groups to promote social inclusivity and targeting under-represented groups to enhance diversity in the industry. To support the above aims we offer volunteering opportunities and matched charity funding to permanent employees.

### **Environmental reporting**

The Board is committed to ensuring that the Company continues to fulfil its environmental compliance obligations and to take every reasonable measure to conduct its business activities in a safe and responsible manner. The Company aims to minimise negative impact and, where possible provide positive enhancements to the environment. Further details can be found in Strategic Report.

### **Director's Responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

# ISG Construction Limited

## Directors' Report for the year ended 31 December 2021 (*continued*)

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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), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") 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;
- 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 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.

### Auditor's Approval

All of the Directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Company's auditor is unaware.

### Approval

This Directors' report was approved by order of the Board on 1 June 2022.



**Nicholas Heard**  
Company Secretary

# ISG Construction Limited

## Independent Auditor's Report

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### INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ISG CONSTRUCTION LIMITED

#### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ISG Construction Limited ("the company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the 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 Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

#### 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.

#### Independence

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.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

# ISG Construction Limited

## Independent Auditor's Report (*continued*)

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### Other Companies Act 2006 reporting

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

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

In 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 or the Directors' report.

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

- adequate accounting records have not been kept, 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 Statement of Directors' Responsibilities, 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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006. The procedures carried out included:

- discussion with management, internal audit and the Company's in-house legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- consideration of management's controls designed to prevent and detect irregularities;
- review of the financial statement disclosures to underlying supporting documentation;
- assessment of matters reported on the Company's whistleblowing helpline and the results of management's investigation of such matters;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting and impairment of goodwill and intangible assets; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

# ISG Construction Limited

## Independent Auditor's Report (continued)

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Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:

Geraint Jones

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Geraint Jones (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

1 June 2022

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

# ISG Construction Limited

## Income Statement for the year ended 31 December 2021

	Note	Year to 31 December 2021 £'000	Year to 31 December 2020 £'000
Revenue	3	692,555	696,165
Cost of Sales		(660,763)	(670,725)
<b>Gross profit</b>		<b>31,792</b>	<b>25,440</b>
Administrative expenses		(28,080)	(24,415)
Other operating income	8	29	1,991
<b>Profit from operations before exceptional administrative expenses</b>		<b>3,741</b>	<b>3,016</b>
Exceptional administrative expenses	4	-	(2,626)
<b>Profit from operations</b>	4-8	<b>3,741</b>	<b>390</b>
Interest receivable and similar income	9	1,873	1,873
Interest payable and similar charges	10	(151)	(201)
<b>Profit on ordinary activities before taxation</b>		<b>5,463</b>	<b>2,062</b>
Taxation on profit on ordinary activities	11	1,595	(635)
<b>Profit for the financial period</b>		<b>7,058</b>	<b>1,427</b>
<b>Total comprehensive income for the period</b>		<b>7,058</b>	<b>1,427</b>

All amounts relate to continuing activities.

There were no recognised gains or losses in the current period or the preceding year other than as stated above. Consequently, no separate statement of other comprehensive income is presented.

The notes on pages 19 to 33 form part of these financial statements.



# ISG Construction Limited

## Balance Sheet at 31 December 2021

Company number 00450103

	Note	31 December 2021 £'000	31 December 2020 £'000
<b>Non-current assets</b>			
Tangible assets	12	2,665	3,121
Investments	13	-	-
Deferred tax assets	14	4,238	2,621
Debtors due after more than one year	15	22,312	20,476
		<u>29,215</u>	<u>26,218</u>
<b>Current assets</b>			
Debtors due within one year	15	166,441	174,462
Cash at bank and in hand		11,088	6,555
		<u>177,529</u>	<u>181,017</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	16	(156,071)	(165,771)
Lease liabilities	17	(732)	(711)
		<u>(156,803)</u>	<u>(166,482)</u>
<b>Net current assets</b>		<u>20,726</u>	<u>14,535</u>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after one year	16	(18,734)	(16,061)
Lease liabilities	17	(2,982)	(3,525)
		<u>(21,716)</u>	<u>(19,586)</u>
<b>Net assets</b>		<u>28,225</u>	<u>21,167</u>
<b>Capital and reserves</b>			
Share capital	18	91,000	91,000
Retained earnings	19	(62,775)	(69,833)
		<u>28,225</u>	<u>21,167</u>
<b>Shareholders' funds</b>		<u>28,225</u>	<u>21,167</u>

The financial statements were approved and authorised for issue by the Board of Directors on 1 June 2022 and were signed on its behalf by:



Jessica Lion  
Director

The notes on pages 19 to 33 form part of these financial statements.

# ISG Construction Limited

## Statement of Changes in Equity for the year ended 31 December 2021

	Share capital £'000	Retained earnings £'000	Total £'000
<b>As at 1 January 2020</b>	91,000	(71,260)	19,740
Profit for the year	-	1,427	1,427
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2020</b>	91,000	(69,833)	21,167
Profit for the year	-	7,058	7,058
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2021</b>	<b>91,000</b>	<b>(62,775)</b>	<b>28,225</b>
	<hr/>	<hr/>	<hr/>

The notes on pages 19 to 33 form part of these financial statements.

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021

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### 1 Accounting policies

#### *Basis of preparation*

These financial statements have been prepared in accordance with Financial Reporting Standard 100 (FRS100) Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The principle accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements have been prepared on a historical cost basis. The presentation currency used is sterling and amounts have been presented in round thousands.

#### *Disclosure exemptions adopted*

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by UK-adopted international accounting standards;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- certain disclosures required under IFRS 15 Revenue from Contracts with Customers including details of changes in contract assets and liabilities and details of incomplete performance obligations;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by ISG Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of ISG Limited. These financial statements do not include certain disclosures in respect of:

- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- impairment of assets

The financial statements of ISG Limited can be obtained as described in note 22.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **Going concern**

The financial statements have been prepared on a going concern basis. The Directors have prepared cash flow forecasts for the Company for a period in excess of twelve months from the date of approval of these financial statements. These forecasts are based on the Company's existing forward order book and workload together with assumptions in respect of new business, as well as including assessments of current and future market conditions and other risks and uncertainties in the business. The forecasts completed on this basis demonstrate the Company will be able to operate within its current resources. In addition, the Directors have also considered various mitigation actions that may be taken in the event that future market conditions deteriorate. These mitigating steps include cash management within management's control to improve working capital, reduction or deferral strategies for operating and capital expenditure. With these factors considered the Directors believe that the Company is well placed to manage the current business risks.

#### **Revenue Recognition**

Revenue represents the fair value of consideration received or receivable for goods and services provided to external customers, net of trade discounts and excluding value added tax and similar sales-based taxes. The Company recognises revenue based on when customers obtain control of goods or services. Contracts are typically accounted for as a single performance obligation; even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract given that each is highly interdependent on the other.

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 1 Accounting policies (continued)

#### *Long-term contracts*

Revenue from long-term contracts (including construction contracts) includes the amount initially agreed in the contract, plus any variations in contract work to the extent that it is highly probable that the variation will result in revenue that can be reliably measured (usually when instructions have been received from the client), plus any claim recoveries to the extent that negotiations have reached an advanced stage such that it is highly probable that the customer will accept the claim and the amount can be reliably measured. Management does not expect a financing component to exist. Revenue relates to the creation or enhancement of construction assets, which the customer controls, as the asset is created.

The Company has chosen to use an output method to measure progress for contracts where revenue is recognised over time. The revenue recognised reflects the value of the contract at the reporting date, with reference to a survey of work performed. Normally the survey is conducted by a third party and a valuation certificate received. Internal valuations are also used. The value of work carried out during the period includes amounts which have not been invoiced at the period end. This method, the output method, has been deemed the most appropriate method of contract progression.

Where the outcome of the contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred, where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. Contract costs include costs that relate directly to the specific contracts and costs that are attributable to contract activity in general and can be allocated to the contract.

Full provision is made for all known or expected losses on individual contracts immediately, once such losses are foreseen.

The gross amount due from customers for contract work is shown as a receivable. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability. Amounts recoverable on construction contracts are stated at cost plus the profit attributable to that contract, less any impairment losses. Progress payments for contracts are deducted from amounts recoverable. Payments in advance on contracts represent amounts received in excess of revenue recognised on contracts.

#### *Other services*

Revenue from maintenance contracts is recognised by reference to the stage of completion, as measured by reference to services performed to date as a percentage of total services to be performed. This is in line with the total value of the contract and the programme of works agreed before commencing with customers. Revenue from consulting works is measured on a time plus agreed expenses not exceeding the agreed total value with customers.

#### *Royalties*

Royalty costs are recognised on an accruals basis in accordance with the substance of the relevant underlying agreements.

#### **Government Grant Income**

Government grant income is considered compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity and is recognised in profit or loss of the period in which it becomes receivable. During 2021 the Company has taken advantage of the Government Coronavirus Job Retention Scheme, which are not repayable, and reported these amounts as a credit under Other operating income in Income statement for the year. Amounts received as grant income is disclosed in Note 8.

#### **Retirement benefits**

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate.

#### **Investments in subsidiaries**

Investments in subsidiaries are carried at cost less any provision for losses arising on impairment.

#### **Tangible assets**

Tangible assets are stated at historical cost net of any accumulated depreciation and any recognised impairment loss. Cost includes expenditure associated with bringing the asset into use.

Depreciation is provided to write off the costs of assets to its residual value in equal annual instalments over the estimated useful economic lives of those assets. The estimated useful lives are as follows:

Leasehold improvements	-	Straight line over the life of the lease
IT and Office equipment	-	10-33% per annum straight line

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 1 Accounting policies (continued)

#### Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset only when the contractual rights to the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. A financial liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

The principal financial assets and liabilities of the Company are as follows:

#### (a) Trade and other receivables

Trade and other receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost, less any impairment.

In relation to trade receivables, a provision for expected credit losses is made based on an assessment of credit risk and aging. The carrying amount of the receivables is reduced through use of an allowance provision account. The expense recognised on creating the provision is recognised within administrative expenses in the income statement. Impaired debts are derecognised when they are assessed as uncollectible.

If collection is expected in more than one year, receivables are classified as non-current assets and are adjusted for the time value of money.

#### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term highly-liquid investments that are readily convertible (with a maturity of three months or less) to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

#### (c) Trade payables

Trade payables are not interest bearing and are recognised at fair value and subsequently measured at amortised cost.

#### (d) Borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### Impairment of financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. During the reported periods the Company only had assets in the amortised cost category.

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (*continued*)

### 1 Accounting policies (*continued*)

#### **Amortised cost**

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

#### **Provisions**

The Company has recognised provisions for liabilities of uncertain timing or amount. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

#### **Taxation**

The Company's tax charge is the sum of the total current and deferred tax charges. Current tax is the tax payable on the taxable profits for the period and any adjustment in respect of prior periods.

Where available the Company will make claims for repayable tax credits for qualifying research and development expenditure in the UK under the Finance Act 2013 ("RDEC") for the current and future years in accordance with the relevant HM Revenue and Customs regulations. The credit is calculated as a percentage of the qualifying R&D expenditure at a current rate of 13%. The credit is recorded as income within profit before tax (as part of cost of sales), netted against the relevant research and development expenditure.

Deferred tax liabilities are recognised in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial and reporting purposes and the amounts used for taxation purposes. The recognition of deferred tax assets is based upon whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the tax assets in the future. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled. Deferred tax assets and liabilities are offset to the extent they arise from the same tax jurisdiction.

#### **Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity.

#### **Dividends payable**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 1 Accounting policies (continued)

#### Leases

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to use the asset; or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured where there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 2 Critical accounting estimates and judgements

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions about the carrying amount of assets and liabilities, the amount of income and expenditure recognised in the period and the disclosure of contingent liabilities. Actual results may differ from these estimates and assumptions. The Company based its assumptions and estimates on parameters available when the financial statements were prepared.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

#### Going Concern

The Company's decision to continue to use the going concern basis for the preparation of the financial statements is supported by profit budgets and cashflow forecasts. Management's assumptions are used as the basis for these budgets and forecasts. Estimation has been used within the budgets and forecasts around the timing and amount of profit recognition and cash in and outflows. See the accounting policies (note 1) for an understanding of the considerations for these forecasts.

#### Revenue and profit/margin recognition

The Company revenue recognition and long-term construction and service contracts' policies are set out in Note 1 above. These policies are central to the way in which the Company values the work it has carried out at each reporting date and the estimation of the percentage completion of the contract. These policies require forecasts to be made of the outcome of long-term construction and service contracts, and require assessments and assumptions to be made on the recovery and agreement of pre-contract costs, variations in work scopes, claim recoveries, expected contract costs to complete and the progress on contract programmes. These forecasts require a degree of estimation.

The estimation of final contract value may include assessment of the recovery of variations or claims which are not yet agreed with the customer. These are assessed against the requirements of IFRS 15 and revenue for variations or claims is recognised when it is highly probable to be agreed which involves judgements around the Company entitlement to revenue. Any amount of revenue recognised is restricted to the amounts that the Company considers is highly probable of not being subject to significant reversal and adjustments are made for any expected contractual delay deductions. On a number of contracts, work is completed on a cost-plus basis, so the element of revenue and profit margin uncertainty is reduced for these contracts.

The Company has appropriate control procedures in place to ensure revenue and cost estimates are calculated on an appropriate basis for each contract. In many cases revenue assessments are validated by third-party surveyors on behalf of customers who certify the value of work performed. There remains an element of estimation uncertainty over the agreement of final accounts in relation to both revenue and costs but this is reduced by the experience of the management teams in place and the internal review processes relating to individual contracts.

#### Recoverability of Trade debtors

The age, nature and recoverability of all debtors and amounts recoverable on long term contracts are reviewed regularly by management and provisions made where appropriate.

#### Recognition of Deferred tax asset

The recognition of deferred tax assets is based upon whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the tax assets in the future. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled. Deferred tax assets and liabilities are offset to the extent they arise from the same tax jurisdiction.

### 3 Revenue

	2021	2020
	£'000	£'000
Revenue arises from:		
Provision of construction services	692,555	696,165

All revenue is generated in the United Kingdom.



# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 4 Profit from operations

	2021 £'000	2020 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Staff costs (note 6)	66,641	62,491
Depreciation of tangible assets (note 12)	710	810
Research and development expenditure credit	(933)	(521)
Short-term lease expense	51	471
Other operating income (note 8)	(29)	(1,991)
Exceptional administrative expenses	-	2,626
	<u>          </u>	<u>          </u>

### 5 Auditor remuneration

	2021 £'000	2020 £'000
Audit fees – for the audit of the company	164	161
	<u>          </u>	<u>          </u>

Fees paid to the Company's auditor, BDO LLP, and its associates for services other than the statutory audit of the company are not disclosed in the Company's accounts since the consolidated accounts of ISG Limited are required to disclose non-audit fees on a consolidated basis.

### 6 Employees

	2021 £'000	2020 £'000
Wages and salaries	57,403	51,854
Social security costs	6,620	6,196
Staff pension contributions	2,145	1,943
Severance payments	473	2,498
	<u>          </u>	<u>          </u>
	66,641	62,491
	<u>          </u>	<u>          </u>

A defined contribution pension scheme is operated by the Company on behalf of the employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge, recognised in the profit and loss account, represents contributions payable by the company to the fund amounting to £2,145k (2020: £1,943k).

Average monthly number of persons (including directors) employed by the Company in the period:

	2021 Number	2020 Number
Construction	726	716
Administrative	113	112
	<u>          </u>	<u>          </u>
	839	828
	<u>          </u>	<u>          </u>

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 7 Directors' emoluments

	2021 £'000	2020 £'000
Short-term employee benefits	1,670	1,788
Pension contributions	83	69
	<u>1,753</u>	<u>1,857</u>

During the period seven Directors received contributions under a defined contribution scheme (2020: seven). In 2021, all Directors were employed by the Company. In 2020, three Directors were employed by ISG Central Services Limited and their remuneration was charged to and disclosed in the financial statement of that company.

Amounts payable to the highest paid director were as follows:

	2021 £'000	2020 £'000
Short-term employee benefits	293	380
Pension contributions	17	14
	<u>310</u>	<u>394</u>

### 8 Other operating income

	2021 £'000	2020 £'000
Income from government grants	29	1,991
	<u>29</u>	<u>1,991</u>

### 9 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable from group undertakings	1,873	1,873
	<u>1,873</u>	<u>1,873</u>

### 10 Interest payable and similar charges

	2021 £'000	2020 £'000
Interest payable to group undertakings	19	50
Interest expense on lease liabilities	132	151
	<u>151</u>	<u>201</u>

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 11 Tax expense

	2021 £'000	2020 £'000
<b>Total current tax expense</b>		
Current UK tax on profit for the period	31	-
Overseas tax on profit for the period	-	39
Adjustment in relation to prior periods	(9)	455
<b>Total deferred tax expense</b>		
Deferred tax expense (note 14)	(1,049)	141
Adjustment in relation to prior periods (note 14)	(74)	276
Change in tax rate	(494)	(276)
<b>Total tax (credit) /charge</b>	<b>(1,595)</b>	<b>635</b>

The current tax charge for the period to 31 December 2021 is calculated at a rate of 19.00% (2020: 19.00%) payable by corporate entities in the United Kingdom on taxable profits under law in that jurisdiction.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profit for the period are as follows:

	2021 £'000	2020 £'000
Profit before income taxes	5,463	2,062
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19.00% (2020: 19.00%)	1,038	392
Adjustment to prior period tax provision	(9)	455
Adjustment to prior period deferred tax provision	(74)	276
Research and development	-	18
Effect of overseas tax rate	-	39
Expenses not deductible for tax purposes	10	43
Income not taxable for tax purposes	(25)	-
Change in tax rate	(494)	(276)
Utilisation of tax losses	-	(312)
Recognition of tax losses	(2,041)	-
<b>Total tax (credit)/charge</b>	<b>(1,595)</b>	<b>635</b>

#### Changes to corporation tax rates

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply (based on currently enacted law) for the period when the asset is realised, or the liability is settled. From 1 April 2023, the UK Corporation Tax rate has been legislated to increase to 25%. This increase in rate had been enacted by the balance sheet date so has been reflected in the measurement of the Company's closing UK deferred tax assets/liabilities. Accordingly, the temporary differences have been calculated at rates between 19% and 25% (2020: 19%), depending on when the asset/liability will unwind.

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 12 Tangible assets

	Leasehold Improvements £'000	IT & Office Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>				
Balance at 1 January 2021	4,987	2,505	176	7,668
Additions	198	-	56	254
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	5,185	2,505	232	7,922
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>				
Balance at 1 January 2021	2,033	2,451	63	4,547
Depreciation charge for the period	618	38	54	710
Depreciation on disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	2,651	2,489	117	5,257
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>2,534</b>	<b>16</b>	<b>115</b>	<b>2,665</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	2,954	54	113	3,121
	<hr/>	<hr/>	<hr/>	<hr/>

#### Right-of-use assets

Included within tangible assets are right-of-use assets, which consist of assets arising from operating lease arrangements accounted for under IFRS 16, finance lease agreements and hire purchase agreements:

	Leasehold Improvements £'000	Motor Vehicles £'000	Total £'000
<b>Carrying value at 1 January 2021</b>	2,273	113	2,386
Additions	198	56	254
Depreciation charge for the period	(440)	(54)	(494)
	<hr/>	<hr/>	<hr/>
<b>Carrying value at 31 December 2021</b>	<b>2,031</b>	<b>115</b>	<b>2,146</b>
	<hr/>	<hr/>	<hr/>

Short-term lease expense, Low value lease expense and Expense relating to variable lease payments not included in the measurement of lease liabilities are disclosed in note 4. Interest expense on lease liabilities are detailed in note 10. Lease liabilities are disclosed in note 17.

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

<b>13</b>	<b>Investment in subsidiary undertakings</b>	<b>£'000</b>
	<b>Cost</b>	
	At 1 January 2021 and 31 December 2021	1,633
		<hr/>
	<b>Accumulated impairment</b>	
	At 1 January 2021 and 31 December 2021	(1,633)
		<hr/>
	<b>Net carrying amount</b>	
	At 1 January 2021 and 31 December 2021	-
		<hr/> <hr/>

### Subsidiary undertakings

The principal undertakings in which the company's interest at the period end is 20% or more is as follows:

<b>Name</b>	<b>Country of Incorporation and registered address</b>	<b>Proportion of Voting rights and ordinary share capital held</b>	<b>Nature of business</b>
ISG Building Contracting LLC	Warehouse no 07, Al Quoz Third, Plot No 413-0, Dubai, United Arab Emirates	49% 147 AED 1,000	Construction Services
ISG Jackson Limited	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	100% 1,600,000 £1 shares	Construction Services
ISG Northern Limited	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	100% 1 ordinary share of £1	Construction Services

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 14 Deferred tax

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered. Details of the deferred tax liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	£'000	
At 1 January 2021		2,621
Current year charge (note 11)		1,049
Adjustment in relation to prior period (note 11)		74
Change in tax rate		494
At 31 December 2021		<u>4,238</u>

  

	31 December 2021 £'000	31 December 2020 £'000
Tax losses	3,700	2,052
Accelerated capital allowances	190	209
Short term timing differences	-	8
IFRS 16 deferred tax assets/liabilities	348	352
	<u>4,238</u>	<u>2,621</u>

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply (based on currently enacted law) for the period when the asset is realised, or the liability is settled. From 1 April 2023, the UK Corporation Tax rate has been legislated to increase to 25%. This increase in rate had been enacted by the balance sheet date so has been reflected in the measurement of the Company's closing UK deferred tax assets/liabilities. Accordingly, the temporary differences have been calculated at rates between 19% and 25% (2020: 19%), depending on when the asset/liability will unwind.

There is an unrecognised deferred tax asset of £8.9m (2020: £8.9m) in respect of tax losses. There is insufficient evidence of the availability of sufficient taxable profits in the foreseeable future to support the recognition of a deferred tax asset on these losses

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 15 Debtors

	31 December 2021 £'000	31 December 2020 £'000
<b>Debtors due within one year:</b>		
Trade debtors	44,640	49,775
Amounts recoverable on contracts	33,563	32,407
Amounts owed by group undertakings	86,348	89,938
Corporation tax recoverable	1,383	854
Other debtors	305	107
Prepayments and accrued income	202	1,381
	<u>166,441</u>	<u>174,462</u>
<b>Debtors due after more than one year:</b>		
Trade debtors	<u>22,312</u>	<u>20,476</u>

Amounts owed by group undertakings are repayable on demand.

Retentions held by customers for contract work amounted to £34.6m (2020: £32.9m).

### 16 Creditors

	31 December 2021 £'000	31 December 2020 £'000
<b>Creditors: amounts falling due within one year</b>		
Trade creditors	25,713	45,601
Amounts owed to group undertakings	20,040	5,616
Contract accruals	81,344	102,890
Other taxation & social security	2,608	3,001
VAT payable	21,865	924
Other creditors	2,862	2,193
Amounts due to construction contract customers	1,639	5,546
	<u>156,071</u>	<u>165,771</u>
<b>Creditors: due after more than one year</b>		
Trade creditors	<u>18,734</u>	<u>16,061</u>

# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 17 Lease liabilities

	31 December 2021 £'000	31 December 2020 £'000
<b>Lease liability maturity analysis – contractual undiscounted cash flows</b>		
Due within one year	907	836
Due within two to five years	3,196	3,233
Due after five years	178	785
Total undiscounted lease liabilities at 31 December	<u>4,281</u>	<u>4,854</u>
<b>Lease liabilities included in the balance sheet</b>		
Current	732	711
Non-current	2,982	3,525
	<u>3,714</u>	<u>4,236</u>

Other details relating to these leases are disclosed in the financial statements as follows: Short-term lease expense, Low value lease expense and Expense relating to variable lease payments not included in the measurement of lease liabilities are disclosed in note 4. Interest expense on lease liabilities are detailed in note 10. Right-of-use assets are disclosed in note 12.

### 18 Share capital

Authorised	31 December 2021 Number	31 December 2021 £'000	31 December 2020 Number	31 December 2020 £'000
Ordinary shares of £1 each	91,000,000	91,000	91,000,000	91,000
<b>Allotted, called up and fully paid</b>	<b>31 December 2021 Number</b>	<b>31 December 2021 £'000</b>	<b>31 December 2020 Number</b>	<b>31 December 2020 £'000</b>
Ordinary shares of £1 each	91,000,000	91,000	91,000,000	91,000

### 19 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Nominal value of share capital subscribed for.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

### 20 Capital and other commitments

There are no capital or other commitments to be disclosed that are not provided in these financial statements.



# ISG Construction Limited

## Notes to the Financial Statements for the year ended 31 December 2021 (*continued*)

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### 21 Contingent liabilities

There are Group cross guarantees from the company with certain affiliates for all monies due to certain of the Group's banks and surety lenders. No monies were outstanding as at 31 December 2021. In the normal course of business there are contingent liabilities including the provision of bonds in respect of completed and uncompleted contracts. Bonds are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the bond agreement. The total amount of such bank and surety bonds in issue at 31 December 2021 was £57.0m (2020: £81.8m).

### 22 Ultimate parent company and control

The immediate parent company is ISG Construction Holdings Ltd, a company incorporated and registered in the UK. The Company's ultimate parent company is Cathexis Holdings LP, a company incorporated and registered in the United States.

The largest group of undertakings for which group accounts are drawn up and of which the company is a member is the group headed by Cathexis Holdings LP. The smallest such group is the Group headed by ISG Limited, a company incorporated and registered in the United Kingdom. Copies of the Group financial statements of ISG Limited are available from Companies House. The ultimate controlling party is W B Harrison by virtue of his beneficial interests in the ultimate parent company.