

ISG South Limited

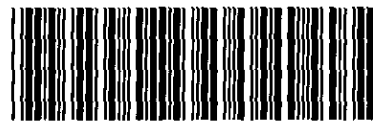
Report and Financial Statements

Year ended

31 December 2018

Company Number 07276092

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ISG South Limited

Report and Financial Statements for the year ended 31 December 2018

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Directors

P M Cossell
J J Lowe
P Stephen-Martin
M Stockton

Secretary

N Heard

Registered office and principal place of business

Aldgate House
33 Aldgate High Street
London
EC3N 1 AG

Registered company number

07276092

Legal form

Private company limited by shares

Country and date of incorporation

United Kingdom, 7 June 2010

ISG South Limited

Directors Report for the year ended 31 December 2018

The directors present their report together with the financial statements for the year ended 31 December 2018.

Directors

The directors of the company throughout the period were:

P M Cossell
J J Lowe
P Stephen - Martin
M Stockton

Principal activities

The principal activity of the Company is that of a main contractor in the construction industry.

Review of the business

No new contracts have been entered into during the period. Consequently, the only activity in the period is that of closing out of existing contracts.

The decrease in the net assets of the Company of £0.1m to £(0.3)m net liability results from the loss of the year of £0.1m. The Company continues to receive support from ISG plc, providing a guarantee to the Company's bankers in respect of the Company's working capital facility.

Principal Risks and uncertainties

Due to the nature of the Company, the Company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

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 and 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. In addition, management has considered various mitigating actions that could be taken in the event that future market conditions deteriorate beyond their current assessment. Such measures include further improvements in working capital within management's control, further reductions in costs and capital expenditure and use of the Group's undrawn credit facilities.

On the basis of the exercise described above, the directors have a reasonable expectation that the Company have 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.

Dividends

The Company did not pay a dividend during the period (2017: £nil).

Political donations

No political or charitable donations were made during the period (2017: £nil).

ISG South Limited

Report of the directors for the year ended 31 December 2018 (*continued*)

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.

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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;
- 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.

Approval

This directors' report was approved by order of the Board on 1 May 2019.



Company Secretary

N Heard

ISG South Limited

Income Statement for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover		-	-
Cost of sales		(221)	(378)
Gross Loss		<u>(221)</u>	<u>(378)</u>
Administrative expenses		-	-
Loss on ordinary activities before taxation		<u>(221)</u>	<u>(378)</u>
Taxation on Loss on ordinary activities	5	<u>107</u>	<u>(82)</u>
Loss on ordinary activities and comprehensive income after taxation and Loss for the financial period		<u>(114)</u>	<u>(460)</u>

The notes on pages 8 to 15 form part of these financial statements.

ISG South Limited

Balance Sheet at 31 December 2018

Company Number 07276092

	Note	31 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Deferred tax		-	1
		<u>-</u>	<u>1</u>
Current assets			
Debtors due within one year	6	25	20
Creditors: amounts falling due within one year	7	(286)	(168)
		<u>(286)</u>	<u>(168)</u>
Net current liabilities		(261)	(148)
		<u>(261)</u>	<u>(148)</u>
Net liabilities		(261)	(147)
		<u>(261)</u>	<u>(147)</u>
Capital and reserves			
Share capital	8	1,000	1,000
Retained earnings		(2,354)	(2,240)
Capital reserve		1,093	1,093
		<u>1,093</u>	<u>1,093</u>
Shareholders' deficit		(261)	(147)
		<u>(261)</u>	<u>(147)</u>

The accompanying notes on pages 8 to 15 are an integral part of these financial statements.

For the period ended 31 December 2018 the Company was entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies. Members have not required the Company to obtain an audit in accordance with under s476(1) of the Companies Act 2006.

The directors acknowledge their responsibility for:

- ensuring the Company keeps accounting records which comply with s386, and
- preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of its financial year, and of its profit and loss for the financial year in accordance with s394, and which otherwise comply with the requirements of the Companies Act relating to financial statements, so far as applicable to the Company.

The financial statements were approved and authorised for issue by the Board of Directors on 1 May 2019 and were signed on its behalf by:

Director


M Stockton

ISG South Limited

Statement of Changes in Equity for the year ending 31 December 2018

	Share Capital	Capital Reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 January 2017	-	-	(1,780)	(1,780)
Loss for the year	-	-	(460)	(460)
Issue of share capital (Note 8)	1,000	-	-	1,000
Capital Contribution (Note 8)	-	1,093	-	1,093
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	1,000	1,093	(2,240)	(147)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the year	-	-	(114)	(114)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	1,000	1,093	(2,354)	(261)
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 8 to 15 form part of these financial statements.

ISG South Limited

Notes forming part of the financial statements for the year ended 31 December 2018

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 EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- 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 plc.

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 plc. 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 plc can be obtained as described in note 9 .

The Company has adopted two new accounting standards during the year:

IFRS9: Financial Instruments has replaced *IAS39 Financial Instruments: Recognition and Measurement*. Management have reviewed the requirements of IFRS 9 and no material impairment provisions were recognised as a result of the adoption of IFRS 9 and the impact of this change was not material.

IFRS15: Revenue from Contracts with Customers has replaced *IAS18: Revenue* and *IAS11: Construction Contracts*.

Management have reviewed the requirements of IFRS15 and identified two areas which may require different accounting: bid costs are to be recognised as incurred in the profit and loss account and revenue due to the warranty performance will be allocated and recognised over the warranty period. However on adoption no material changes were required to revenue accounting and as such no restatement was required.

ISG South Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Going concern

As discussed in the Directors Report and after making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors adopt the going concern basis in preparing the financial statements.

Financial assets

The Company classifies its financial assets into categories based on the accounting treatment, either as fair value through profit and loss or amortised cost, depending on the purpose for which the asset was acquired. During the reported periods the Company only had assets in the amortised cost category.

The company's accounting policy is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg 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 cost of sales in the consolidated 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.

The company's financial assets measured at amortised cost are trade and other receivables.

ISG South Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other financial liabilities

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.
- Loans from group companies are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method. The difference between the fair value of the loan on initial recognition and the amount of the proceeds is credited directly to equity as a capital contribution.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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.

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.

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.

ISG South Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

Profit from operations

Profit from operations comprises the results of the Company before interest receivable and similar income, interest payable and similar charges, corporation tax and deferred tax.

Revenue

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 Group recognises revenue on an accruals basis, where the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the Group.

Where a contract with a customer contains multiple performance obligations the revenue for each is accounted for separately, applying the policies below to each obligation.

Long term contracts

Revenue from long term contracts includes the amount initially agreed in the contract plus any variations in contract work to the extent that it is probable that the variation will result in revenue that can be reliably measured (usually when instructions have been received from the client) plus any claims recoveries to the extent that negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be reliably measured.

Margin on long term contracts is recognised by reference to the stage of completion and the final estimated margin, provided that the final outcome can be assessed with reasonable certainty. The stage of completion is measured with reference to the proportion of the value of the contract at the reporting date against the total estimated value of the contract, as measured by a survey of the work performed. 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.

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.

ISG South Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

2 Critical accounting estimates and judgements

The preparation of financial statements 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. The Company based its assumptions and estimates on parameters available when the consolidated 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.

Revenue and profit recognition

The Company's revenue recognition and long-term construction 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 contracts and require assessments and judgements 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. The company has appropriate control procedures in place to ensure estimates are calculated on a consistent basis. These assessments are validated by third party surveyors on behalf of customers who certify the value of work performed.

Recoverability of debts

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

3 Employees

The Company does not employ any staff. Personnel engaged on projects being executed by the Company are employed by other entities within the ISG plc group and the costs associated with those staff are recharged to the Company, which are reflected within cost of sales.

4 Directors' remuneration

Remuneration costs of the directors are borne by fellow group companies. The amount allocated to this company is £nil because this is the amount receivable by the directors in respect of qualifying services to this Company (2017: £nil)

ISG South Limited

Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

5 Tax expense

	2018 £'000	2017 £'000
Total current tax expense		
Current tax on profits for the year	42	-
Adjustment for prior periods	65	(83)
	<hr/>	<hr/>
Total tax credit/(charge)	107	(82)
	<hr/>	<hr/>

The current tax credit/(charge) for the period to 31 December 2018 is calculated at a rate of 19.00% (2017: 19.25%) 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 profits for the year are as follows:

	2018 £'000	2017 £'000
Loss before income taxes	(221)	(378)
	<hr/>	<hr/>
Expected tax credit based on the standard rate of United Kingdom corporation tax at the domestic rate of 19.00% (2017: 19.25%)	42	73
Income not taxable	-	3
Adjustment to prior year tax provision	65	(89)
Current year losses carried forward not utilised	-	(69)
	<hr/>	<hr/>
Total tax credit/(charge)	107	(82)
	<hr/>	<hr/>

Changes to corporation tax rates

Deferred tax that is expected to reverse in future periods has been calculated using rates that were substantively enacted at 31 December 2018. No changes to the corporation tax rate were enacted during the year.

There is an unrecognised deferred tax asset of £348k (2017: £348k) in respect of tax losses, which has not been recognised in these accounts as there is insufficient evidence of the availability of sufficient taxable profits in the foreseeable future.

ISG South Limited

Notes forming part of the financial statements for the year ended 31 December 2018(continued)

6 Debtors

	2018 £'000	2017 £'000
Debtors due within one year:		
Other debtors	-	20
Corporation tax	25	-
	<u>25</u>	<u>20</u>

7 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank overdraft	161	40
Trade creditors	4	4
Amounts owed to group undertakings	121	41
Corporation tax	-	83
	<u>286</u>	<u>168</u>

8 Share capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
<i>Authorised</i>				
Ordinary shares of £1 each	<u>1,000,001</u>	<u>1,000</u>	<u>1,000,001</u>	<u>1,000</u>
	2018 Number	2018 £'000	2017 Number	2017 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>1,000,001</u>	<u>1,000</u>	<u>1,000,001</u>	<u>1,000</u>

During 2017 the Company issued 1,000,000 £1 shares. Ownership changed from ISG Construction Ltd to ISG Construction Holdings Ltd during that year.

The capital reserve represents a capital contribution of £1,093k made during 2017.

ISG South Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

9 Ultimate parent company and control

The immediate parent undertaking 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 plc, a company incorporated and registered in the United Kingdom.

Copies of the group financial statements of and ISG Plc are available from Companies House.

The ultimate controlling party is W B Harrison by virtue of his beneficial interests in the ultimate parent company.