ISG South Limited

Report and Financial Statements

Year ended

31 December 2020

Company Number 07276092

ISG South Limited

Report and Financial Statements
for the year ended 31 December 2020

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Directors
S J McGee
Z Price
J Lion

Secretary
N Heard

Registered office and principal place of business
Aldgate House
33 Aldgate High Street
London
EC3N 1AG

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 2020

The Directors present their report together with the Financial Statements of ISG South Limited (the 'Company') for the year ended 31 December 2020.

Directors
The Directors of the Company throughout the period were:
S J McGee (Appointed on 10 February 2021)
Z Price (Appointed on 10 February 2021)
J Lion (Appointed on 10 February 2021)
P M Cossell (Resigned on 10 February 2021)
M Stockton (Resigned on 1 February 2021)
J Lowe (Resigned on 10 February 2021)

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

Audit exemption
For the year ended 31 December 2020, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

COVID-19
Following the declaration by the World Health Organisation (WHO) of COVID-19 as a global pandemic and the restrictions implemented by governments around the world during the first quarter of 2020, there has, naturally, been an impact to the operations of the ISG Limited group and Company in 2020.

With COVID-19 came the need to rapidly change how we worked. Our IT infrastructure, technology and support model meant office-based employees were able to quickly shift to home-working with minimal disruption. At the same time, our site teams were working hard to ensure sites were operating safely and effectively. With less people allowed on site, collaboration software and virtual technologies were used to keep stakeholders updated and projects on track.

In response to the forecasted impact of the pandemic, in March 2020 the Directors introduced a series of measures designed to protect the financial health of the Company. These were tough decisions to make but have meant that the Company as part of the ISG Limited group has mitigated some of the impact of the pandemic and ended the financial year with no external debt and prepared to support the expected growth of the ISG Limited group in 2021.

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. This is not expected to change going forward.

The reported profit before taxation for the period was £0.2m (2019: loss of £1.6m).

Dividends
The Company did not pay a dividend during the period (2019: £nil).

Donations
No political or charitable donations were made during the period (2019: £nil)

Financial Risk Management Objectives and Policies (including Information on exposure to market 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.

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.

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.

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 Directors' Report. A specific section has been added to the Directors' Report, which discusses the impacts to the Company in relation to the risks created by the COVID-19 pandemic.

As part of the ISG Limited group, 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. 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.

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.

Brexit
The UK left the European Union on 31 January 2020, however we continued to operate under EU regulations during the transition period which ended on 31 December 2020. During this transition period the Company, as part of the ISG Group, monitored the negotiations and planned for potential outcomes. A full assessment of the potential risks posed by a 'no deal' outcome was undertaken with subject matter experts across the business and changes were made to our operating practices as required to mitigate this worst case scenario. With a last-minute deal being struck much of the potential disruption was mitigated. Brexit related issues continue to be monitored by the Company.

Further detail on the group wide preparations for Brexit are disclosed in the ISG Limited Annual Report 2020 which can be obtained as described in note 9.

Approval
This Directors' Report was approved by order of the Board on 22 June 2021.

N. Heard

Nicholas Heard
Company Secretary

ISG South Limited

Income Statement
for the year ended 31 December 2020

	Note	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Revenue		**-**	-
Cost of sales		**199**	(1,945)
Gross Profit/(Loss)		**199**	(1,945)
Administrative expenses		**-**	-
Profit/(Loss) on ordinary activities before taxation		**199**	(1,945)
Taxation on profit/(loss) on ordinary activities	5	**(54)**	370
Total comprehensive income/(expense) for the period		**145**	(1,575)

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 accompanying notes on pages 9 to 15 are an integral part of these financial statements.

ISG South Limited

Balance Sheet
as at 31 December 2020

Company Number 07276092

	Note	2020	2019
		£'000	£'000
Current assets			
Debtors due within one year	6	**675**	395
Cash and cash equivalents		**64**	2
		739	397
Creditors: amounts falling due within one year	7	**(2,430)**	(2,233)
Net current liabilities		**(1,691)**	(1,836)
Net liabilities		**(1,691)**	(1,836)
Capital and reserves			
Share capital	8	**1,000**	1,000
Capital reserve	8	**1,093**	1,093
Retained earnings		**(3,784)**	(3,929)
Shareholders' deficit		**(1,691)**	(1,836)

The accompanying notes on pages 9 to 15 are an integral part of these financial statements.

For the period ended 31 December 2020 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 22 June 2021 and were signed on its behalf by:

J. Lion

Jessica Lion
Director

ISG South Limited

Statement of Changes in Equity
for the year ending 31 December 2020

	Share Capital £'000	Capital Reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019	1,000	1,093	(2,354)	(261)
Loss for the year	-	-	(1,575)	(1,575)
At 31 December 2019	1,000	1,093	(3,929)	(1,836)
Profit for the year	-	-	145	145
At 31 December 2020	**1,000**	**1,093**	**(3,784)**	**(1,691)**

The accompanying notes on pages 9 to 15 are an integral part of these financial statements.

1 Accounting policies

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements (FRS 100) and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 Pounds 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;
- 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 9.

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
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.

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.

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.

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

1 Accounting policies *(continued)*

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.

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.

1 Accounting policies *(continued)*

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.

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.

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.

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.

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.

2 Critical accounting estimates and judgements *(continued)*

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.

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 Limited 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 (2019:£nil).

5 Taxation

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Current tax		
Current tax charge/(credit) on profits for the year	**54**	(370)
Adjustment for prior periods	**-**	-
Total current tax expense/(credit)	**54**	(370)

The current tax for the period to 31 December 2020 is calculated at a rate of 19.00% (2019: 19.00%) payable by corporate entities in the United Kingdom on taxable profits under law in that jurisdiction.

5 Taxation *(continued)*

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:

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Profit/(loss) before income taxes	**199**	(1,945)
Expected tax charge/(credit) based on the standard rate of United Kingdom corporation tax at the domestic rate of 19.00% (2019: 19.00%)	**38**	(370)
Expenses not deductible for tax purposes	**16**	-
Total tax expense/(credit)	**54**	(370)

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 2020. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 therefore remained at 19 percent, rather than the previously enacted reduction to 17 percent. In line with this change, the deferred tax balances have been re-measured to 19 percent.

There is no unrecognised deferred tax asset in respect of tax losses (2019: £nil), which has not been recognised in these accounts as there is insufficient evidence of the availability of sufficient taxable profits in the foreseeable future.

6 Debtors due within one year

	2020 £'000	2019 £'000
Due from customers for contract work	**318**	-
Corporation tax receivable	**357**	395
	675	395

7 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	**3**	3
Amounts owed to group undertakings	**2,427**	286
Accruals and deferred income	**-**	1,944
	2,430	2,233

Amounts owed to group undertakings are repayable on demand.

8 Share capital

	Authorised			
	2020 Number	**2020 £'000**	2019 Number	2019 £'000
Ordinary shares of £1 each	**1,000,001**	**1,000**	1,000,001	1,000

	Allotted, called up and fully paid			
	2020 Number	**2020 £'000**	2019 Number	2019 £'000
Ordinary shares of £1 each	**1,000,001**	**1,000**	1,000,001	1,000

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

9 Ultimate parent company and control

The immediate parent undertaking is ISG Construction Holdings Ltd, a company incorporated and registered in the United Kingdom. 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 with registered address of Aldgate House, 33 Aldgate High Street, London, United Kingdom, EC3N 1AG. Copies of the group financial statements of and 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.