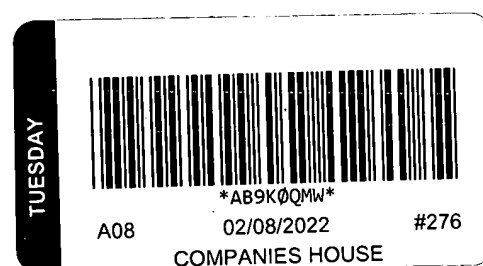


Registration number: 01890057

Costain Integrated Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



Costain Integrated Services Limited

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Costain Integrated Services Limited

Company Information

Directors	A J Vaughan
	S M White
	W J Clements
Company secretary	N Geoghegan
Registered office	Costain House
	Vanwall Business Park
	Maidenhead
	Berkshire
	SL6 4UB
Independent auditors	PricewaterhouseCoopers LLP
	1 Embankment Place
	London
	WC2N 6RH

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is the provision of professional services for the delivery of complex engineering and construction programmes. The services offered include commercial and claims management, quantity surveying, programme and project management, planning, health & safety management, environmental review and information systems review. The Company is part of the Costain Group PLC.

Fair review of the business

The loss before tax for the year ended 31 December 2021 was £1,959,142 (2020: profit £192,738) and the company had net assets of £14,825,353 (2020: £16,392,648).

Our order book and prospects for 2022 remains positive; this is testimony to our people, our reputation and our valued client base. We remain impressed with the talent, professionalism and dedication of our staff who are delivering innovative and effective solutions to our clients' complex infrastructure challenges. With smart thinking we are improving people's lives.

The main focus of the company is to provide Value, Innovation and Excellence in all aspects of our work to clients and through the talent, energy and determination of our team we will be recognised and trusted for the value we bring our clients. We continue to invest in the training and development of our people and the directors would like to thank all our employees for their ongoing commitment and contribution.

COVID-19

We have continued to operate effectively throughout 2021, despite the challenges to our business operations from the pandemic. We continue to listen to the views of our people regarding our COVID-19 safety measures, which we kept in place on all our sites and offices throughout the year. This approach has enabled us to maintain effective operations in all parts of our business, as well as prioritise the safety of our people.

Safeguarding our workforce and supporting our stakeholders

Doing the right thing by our people, our clients, society and protecting our business have guided our decision-making during COVID-19. Our Executive COVID-19 task force was formed to direct our response, supported by our COVID-19 steering group. These have been pivotal in leading our successful response to the pandemic and in enabling us to continue to deliver services for critical national infrastructure programmes. These continue to operate.

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Engaging with our stakeholders

The paragraphs below show how the directors have performed their duty under Section 172 Companies Act 2006 to have regard to various stakeholder factors. The Costain Group tries to have consistent policies in effect across its operating subsidiaries as and where relevant.

Employees

- To stay connected with our colleagues during the pandemic, we have used face-to-face, virtual and hybrid methods. Board members took part in several site visits.
- We held two safety, health and environment leadership impact days where our people stopped their usual activities and took part in discussions related to the day's themes.
- We launched a series of live Transportation division quarterly briefings for all employees.
- We refreshed our new joiner induction programme and annual code of conduct compliance training for all employees.

Shareholders

- For the first time, our Annual General Meeting (AGM) was broadcast live. Questions could be asked before the meeting.
- We issued other regular announcements and streamed webcasts to accompany results announcements.
- We wrote to our largest shareholders describing the Directors' Remuneration Report in the 2020 annual report and the basis of the 2021 LTIP grants to executive directors.
- We had a refreshed focus on shareholder engagement, with the assistance of our brokers. The chair, CEO and CFO met with shareholders on a number of occasions.

Clients

- We conducted client satisfaction surveys to help monitor our performance.
- The Board received presentations from the divisional managing directors on major clients.
- We attended strategic client events such as the opening of the HS2 logistics hub and the A19.
- Visits to clients were undertaken by members of the leadership team with strong CEO and CFO client engagement.
- We held our annual leadership day and safety, health and environment (SHE) behavioural management conferences.
- We hosted an online conference, our 'Race to Zero: The Power of Collaboration', attended by clients from across our business.

Supply chain

- Our supply chain managers provide a crucial link with our 3,000+ suppliers, conducting supplier performance reviews with our strategic partners.
- We held our biennial supply chain conference virtually in 2021.
- We held another virtual intake to our supply chain academy, training 84 SME businesses on a variety of topics such as safety, commercial, carbon and social value.
- We facilitated a series of virtual supplier roundtables focused on our wellbeing, innovation, inclusion, safety and environmental (WiiSE) strategy and responsible business commitments.

Communities and Environment

- As COVID-19 restrictions eased, our community engagement teams, where appropriate, began to meet with local communities in person.
- We continued to use the digital tools we have developed over the past few years to inform, and engage with, our communities.
- Through our position as a Business in the Community (BITC) member, we have worked with the charity to discuss matters such as climate change, wellbeing and skills and employment.

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Principal risks and uncertainties

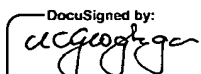
The principal risks and uncertainties facing the ultimate parent company, Costain Group PLC, and its ability to achieve its strategic objectives are set out below and these are also relevant to Costain Integrated Services Limited.

Title	What is the Risk?
Failure to prevent a major accident, hazard, or incident.	Costain operates in natural, complex and hazardous environments. Failure to manage the inherent risk and hazards, including pandemics, may result in illness, loss of life or significant damage to the environment. Failure to manage this risk could result in reputational damage, loss of business and financial penalties.
Failure to increase the profitability and margin performance of the Group	The effective implementation of our strategy is critical to the Group's ability to increase profitability and margin performance of the Group and effectively align our services to meet the changing needs of our clients. Failure to manage this risk could have an adverse effect on our business, operating results, and shareholder value.
Failure to maintain a strong balance sheet.	A strong balance sheet is a fundamental requirement to qualify for and support the contract sizes and duration required by our clients. Failure to manage this risk could affect our ability to achieve our business goals and our resilience to withstand economic downturns.
Failure to secure new work.	Failure to enter into contracts that are aligned with our risk appetite or deliver projects to the agreed time, budget and quality could result in financial loss, regulatory and contractual breaches and loss of reputation with our clients and investors.
Failure to attract and transform the skills, capabilities and competence of our resources	The successful implementation of our strategy is dependent on our ability to attract and retain talent, grow the capabilities of our employees and maintain a high-performing, ethical and inclusive culture where our team can be at their best.
Failure to deliver projects effectively.	Failure to enter into contracts that are aligned with our risk appetite or deliver projects to the agreed time, budget and quality could result in financial loss, regulatory and contractual breaches and loss of reputation with our clients and investors.
Failure to manage the legacy defined benefit pension scheme.	Failure to manage the legacy defined benefit pension scheme so that the liabilities are within a range appropriate to our capital base and do not adversely impact our balance sheet.
Failure to ensure that our technology is robust, our systems are secure and our data protected.	Our ability to enable safe, secure, and resilient business operations (including finding, winning, and delivering work supported by efficient corporate services) is dependent on the delivery of our core IT strategy. The delivery of this strategy is also key to our ability to safely and securely acquire, host, use, and dispose of Costain, client, and third-party data.
Failure to anticipate and respond to changes in client circumstances.	We have seen changes in the business operations and investment priorities of our core clients and clients challenged by ever evolving policy, funding, operational and regulatory changes. Failure to anticipate the changes that are affecting our clients and respond effectively, could restrict our ability to grow margins and increase market share.
Failure of climate change resilience	The risk that we lack the resilience to survive and thrive amid the impacts of climate change on a local, national and international level.

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Approved by the Board on 7 July 2022 and signed by its order by:

DocuSigned by:

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N Geoghegan
Company secretary

Costain Integrated Services Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

M D Hunter (resigned 18 March 2022)

M E Mayhew (resigned 31 December 2021)

A J Vaughan

The following directors were appointed after the year end:

S M White (appointed 4 January 2022)

W J Clements (appointed 18 March 2022)

Principal activity

The principal activity of the company is the provision of professional services for the delivery of complex engineering and construction programmes. The services offered include commercial and claims management, quantity surveying, programme and project management, planning, health & safety management, environmental review and information systems review.

Future developments

The directors do not expect any significant changes to the principal activities of the company in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: £nil).

Diversity

Apart from ensuring that an individual has the ability to carry out a particular role, the company does not discriminate in any way. The company endeavours to retain employees if they become disabled, making reasonable adjustments to their role and, if necessary, looking for redeployment opportunities within the company and Costain Group PLC. The company also ensures that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

Employee involvement

The Costain group provides information to its employees both of a general company nature and to encourage awareness of financial and economic factors, which affect the company in various ways. These include regular videos and updates from the Chief Executive and other senior managers, a Costain online news service, information via our electronic mail system, circulation of press releases, management briefings on company results, a report to employees on the annual financial statements of the Group and annual pension scheme reports. Participation and involvement are encouraged through regular management meetings with employees.

Environmental matters

We are mindful of the macro-economic backdrop and market conditions due to the pandemic, and wider economic and geopolitical challenges, and we continue to monitor and work to mitigate headwinds in commodity and energy costs, as well as challenges in the supply chain.

Costain Integrated Services Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Objectives and policies

The Company's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, cash flow risk and interest rate risk. The policies to mitigate the potential impact of these financial risks are set by the directors, who monitor their effectiveness on a monthly basis.

Where appropriate, credit checks are made prior to the acceptance of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Reviews of the debtors ledger are carried out with the finance teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the company's liquidity position. The rates of interest earned or paid on the Group's cash balances and loans are monitored by the Costain Group's central Treasury team and projections of future cash requirements are reviewed by the directors and the treasury team. Deposits and loans are made with reference to these facilities, in conjunction with projections of future cash requirements.

The Costain Group actively maintains an appropriate level of cash reserves that are available for operations and planned expansions of the Group as a whole. The Group ensures that sufficient cash reserves are made available to its subsidiary undertakings.

Additional information on the Group's financial risk management can be found in the consolidated group financial statements of Costain Group PLC copies of which are publicly available.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Costain Integrated Services Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Disclosure of information to the auditors


The directors confirm that, so far as they are aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the company's external auditors are unaware and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's external auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Reappointment of independent auditors

The independent auditors PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 7 July 2022 and signed by its order by:

DocuSigned by:

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N Geoghegan
Company secretary

Independent auditors' report to the members of Costain Integrated Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Costain Integrated Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and Safety, Data Protection laws and relevant construction legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential posting of inappropriate journal entries to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to contract accounting; and
- Identifying and testing journal entries, in particular any journals entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Andrew Johns', with a stylized flourish at the end.

Andrew Johns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 July 2022

Costain Integrated Services Limited

Income Statement
for the year ended 31 December

	Note	2021 £	2020 £
Revenue	4	10,393,633	13,074,024
Cost of sales		<u>(9,433,111)</u>	<u>(10,693,780)</u>
Gross profit		960,522	2,380,244
Administrative expenses		(2,986,189)	(1,891,198)
Other gains and losses	5	<u>(30,000)</u>	<u>(339,763)</u>
Operating (loss)/profit		<u>(2,055,667)</u>	<u>149,283</u>
Finance income	8	103,745	50,147
Finance costs	9	<u>(7,220)</u>	<u>(6,692)</u>
Net finance income		<u>96,525</u>	<u>43,455</u>
(Loss)/profit before tax		(1,959,142)	192,738
Taxation	10	<u>391,847</u>	<u>(152,378)</u>
(Loss)/profit for the financial year		<u><u>(1,567,295)</u></u>	<u><u>40,360</u></u>

The above results were derived from continuing operations.

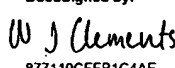
Costain Integrated Services Limited
Statement of Comprehensive Income
for the year ended 31 December

	2021 £	2020 £
(Loss)/profit for the financial year	<u>(1,567,295)</u>	<u>40,360</u>
Total comprehensive (expense)/income for the year	<u><u>(1,567,295)</u></u>	<u><u>40,360</u></u>

Costain Integrated Services Limited
(Registration number: 01890057)
Statement of Financial Position
as at 31 December

	Note	2021 £	2020 £
Fixed assets			
Investments	11	717,152	747,152
Current assets			
Trade and other receivables	12	15,375,890	17,245,442
Cash and cash equivalents	13	260,034	305,505
		15,635,924	17,550,947
Creditors - amounts falling due within one year	14	(1,527,723)	(1,905,451)
Net current assets		14,108,201	15,645,496
Net assets		14,825,353	16,392,648
Equity			
Called up share capital	15	12,903	12,903
Share premium account		12,715	12,715
Retained earnings		14,799,735	16,367,030
Total shareholders' funds		14,825,353	16,392,648

The financial statements on pages 13 to 30 were approved by the Board of directors on 7 July 2022 and signed on its behalf by:

DocuSigned by:

877110CFFB1C4AE...
W J Clements
Director

Costain Integrated Services Limited

Statement of Changes in Equity

for the year ended 31 December

	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 January 2021	12,903	12,715	16,367,030	16,392,648
Loss for the financial year	-	-	(1,567,295)	(1,567,295)
Total comprehensive expense	-	-	(1,567,295)	(1,567,295)
At 31 December 2021	<u>12,903</u>	<u>12,715</u>	<u>14,799,735</u>	<u>14,825,353</u>

	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 January 2020	12,903	12,715	16,326,670	16,352,288
Profit for the financial year	-	-	40,360	40,360
Total comprehensive income	-	-	40,360	40,360
At 31 December 2020	<u>12,903</u>	<u>12,715</u>	<u>16,367,030</u>	<u>16,392,648</u>

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated in the United Kingdom and domiciled in England.

The address of its registered office is:

Costain House
Vanwall Business Park
Maidenhead
Berkshire
SL6 4UB
United Kingdom

These financial statements were authorised for issue by the Board on 7 July 2022.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The company is a wholly-owned subsidiary of Costain Group PLC and is included in the consolidated financial statements of Costain Group PLC, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment which the company operates. The financial statements are presented in 'pounds sterling' (£), which is also the company's functional currency.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;
- (b) The requirements of IAS 1 to provide a Statement of Cash flows for the year;
- (c) The requirements of IAS 1 to provide a statement of compliance with IFRS;
- (d) The requirements of IAS 1 to disclose information on the management of capital;
- (e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;
- (f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;
- (h) The requirements of IFRS 7 to disclose financial instruments;
- (i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs;
- (j) IAS 7, 'Statement of Cash Flows';
- (k) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- (l) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- (m) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
- (n) 'The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.'

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the Group financial statements of Costain Group PLC.

The notes on pages 17 to 30 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis.

The ultimate parent company, Costain Group PLC, manages its United Kingdom cash balances using a centralised cash system and surplus cash held by the Company, outside of joint arrangements, is loaned at interest to a fellow subsidiary on a day-to-day basis. These loans are repaid or new loans advanced daily to satisfy any cash requirements.

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2021, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The directors have concluded that it is appropriate to adopt the going concern basis in preparing these financial statements.

New standards and changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2021 have had a material effect on the financial statements. These include:

- Covid-19-Related Rent Concessions - amendments to IFRS 16, and
- Interest Rate Benchmark Reform - Phase 2 - amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The company also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020,
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to IAS 12, and
- Covid-19-Related Rent Concessions beyond 30 June 2021.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Revenue recognition

Recognition

The Company recognises revenue when performance obligations have been satisfied and for the Company, this is when control over the service or product is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of value added tax. Where the consideration is variable, the amount recognised is highly probable not to suffer a significant reversal in future. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

Finance income and costs

Interest receivable and payable on bank deposits and between group undertakings is credited or charged to the profit and loss as incurred, using the effective interest method.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that of a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

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

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Investments

Fixed asset investments are stated at historical cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Impairments are reversed in line with improvements in the recoverable amount of the investment.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for intercompany balances. To measure the expected credit losses, intercompany balances have been grouped based on shared credit risk characteristics and the days past due.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial instruments

Initial recognition

Financial assets

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Where borrowings are the hedged item in an effective fair value hedge relationship, the carrying value is adjusted to reflect the fair value movements associated with the hedged risk.

Derecognition

Financial assets

A financial asset is derecognised only when the contractual rights to the cash flows from that asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities are derecognised only when the obligations are discharged, cancelled or expire.

Impairment of financial assets

Impairment of financial assets is based on an expected credit loss model applying the simplified approach permitted under IFRS 9. The company calculates an allowance for credit losses based on the nature of the customer, experience of collecting receivables from similar customers and modelling default scenarios and applying probabilities of such scenarios.

To measure the expected credit losses, trade debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The contract assets relate to unbilled work in progress and have substantially the same credit risk characteristics as the trade debtors for the same types of contracts. The Group has concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

The loss rates will be adjusted to reflect current and forward-looking information on macroeconomic factors that might affect the ability of the customers to settle the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Defined contribution pension obligation

The company participates, on a defined contributions basis, in several pension schemes for the benefit of its own and seconded employees. The assets of the schemes are held separately from those of the company in independently administered funds.

The cost of pensions, in respect of the pension schemes in which the company participates, is charged to the profit and loss account and is equal to the contributions payable in the accounting period.

Dividend income

Dividend income is recognised when the right to receive payment is established and is included in administrative expenses.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

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

The most critical accounting policy and significant area of estimation arises from the accounting for long-term contracts under IFRS 15 'Revenue from Contracts with Customers'.

An element of the company's activities are undertaken via long-term contracts and IFRS 15 requires the identification and separation of individual, distinct performance obligations, which are then accounted individually. The most common type of contracts undertaken by the company with multiple performance obligations are framework contracts. In most cases, the obligations are satisfied over time and estimates are made of the total contract costs and revenues. In many cases, these obligations span more than one financial period. Both cost and revenue forecasts may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved. Cost forecasts take into account the expectations of work to be undertaken on the contract. Revenue forecasts take into account compensation events, variations and claims and assessments of the impact of pain/gain arrangements to the extent that the amounts the company expects to recover or incur can be reliably estimated and are highly probable not to reverse based on most likely outcome.

Management bases its estimates of costs and revenues and its assessment of the expected outcome of each long-term contractual obligation on the latest available information, this includes detailed contract valuations, progress on discussions over compensation events, variations and claims with customers, progress against the latest programme for completing the works, forecasts of the costs to complete and, in certain limited cases, assessments of recoveries from insurers. Revenue is recognised to the extent that amounts forecast from compensation events, variations and claims are agreed or considered highly probable to be agreed. The estimates of the contract position and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates both positive and negative is then reflected in the financial statements.

Management believes it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year could require material adjustment. Given the pervasive impact of judgements and estimates on revenue, cost of sales and related balance sheet amounts, it is difficult to quantify the impact of taking alternative assessments on each of the judgements above.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

4 Revenue

The whole of the revenue is attributable to the principal activity of the business.

	Year to 31 December 2021	Year to 31 December 2020
	£	£
UK	10,393,633	13,074,024

The company did not receive dividends from subsidiaries during 2021 (2020: £Nil).

5 Other losses

The analysis of the company's other losses for the year is as follows:

	Year to 31 December 2021	Year to 31 December 2020
	£	£
Impairment of fixed asset investment	<u>(30,000)</u>	<u>(339,763)</u>

For changes in investments see note 11

6 Auditors' remuneration

The audit fee for the company was £50,000 (2020: £50,000).

There are no fees paid to PricewaterhouseCoopers LLP for other services other than the statutory audit of the company.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Staff costs

The aggregate payroll costs of seconded employees were as follows:

	Year to 31 December 2021 £	Year to 31 December 2020 £
Wages and salaries	5,881,765	5,914,397
Social security costs	674,800	675,034
Other pension costs	799,769	614,746
	<u>7,356,334</u>	<u>7,204,177</u>

The average number of persons primarily seconded to the company during the year, analysed by category was as follows:

	Year to 31 December 2021 No.	Year to 31 December 2020 No.
Professional	69	72
Administrative	22	22
	<u>91</u>	<u>94</u>

8 Finance income

	Year to 31 December 2021 £	Year to 31 December 2020 £
Interest income from group undertakings	103,745	50,147

9 Finance costs

	Year to 31 December 2021 £	Year to 31 December 2020 £
Other finance costs	7,220	6,692

The notes on pages 17 to 30 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Taxation

Tax charged in the income statement

	Year to 31 December 2021 £	Year to 31 December 2020 £
Current taxation		
UK corporation tax	(378,593)	91,149
UK corporation tax adjustment to prior periods	(4,574)	54,775
	(383,167)	145,924
Deferred taxation		
Current year deferred tax	(8,680)	6,454
Tax (credit)/expense in the income statement	(391,847)	152,378

The tax charge on (loss)/profit for the year is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	Year to 31 December 2021 £	Year to 31 December 2020 £
(Loss)/profit before tax	(1,959,142)	192,738
Corporation tax at standard rate	(372,237)	36,620
(Decrease)/increase in current tax from adjustment for prior periods	(4,574)	54,775
Increase from effect of expenses not deductible in determining taxable profit	8,110	72,067
Deferred tax credit relating to changes in tax rates or laws	(23,146)	(11,084)
Total tax (credit)/charge	(391,847)	152,378

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This rate was substantively enacted on 24th May 2021 and therefore is reflected in these financial statements. Deferred tax balances in these financial statements have been calculated at the rate of 25% or at 19% where the asset will unwind prior to April 2023.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

10 Taxation (continued)

Deferred tax

Deferred tax assets

	2021	2020
	£	£
Asset at the beginning of the year	87,761	94,215
Amount credited/(charged) to the profit and loss account	8,680	(6,454)
Asset as end of year (note 12)	<u>96,441</u>	<u>87,761</u>

11 Investments

Subsidiaries

£

Cost or valuation

At 1 January 2021

2,086,915

At 31 December 2021

2,086,915

Accumulated impairment

At 1 January 2021

1,339,763

Impairment charge

30,000

At 31 December 2021

1,369,763

Carrying amount

At 31 December 2021

717,152

At 31 December 2020

747,152

During 2021, the company provided £5,500 against the investment in Calvert and Russell Limited and £24,500 against the investment in Construction Study Centre Limited.

During 2020, the company provided £282,696 against the investment in Calvert and Russell Limited and £57,067 against the investment in Construction Study Centre Limited.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Investments (continued)

Details of the subsidiaries as at 31 December 2021 and 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office / principal place of business	Proportion of ownership interest and voting rights held	
			2021	2020
Brunswick Infrastructure Services Limited*	Project, quantity surveying and commercial management services	(1)	100%	100%
Calvert & Russell Limited*	Professional services for the construction industry	(1)	100%	100%
Construction Study Centre Limited*	Promotion of seminars and training courses	(1)	100%	100%
JBCC Rhead PTE Limited*	Not trading	(2)	100%	100%

* indicates direct investment of the company.

Key to registered office / principal place of business

(1) Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB, England.

(2) Peninsula Plaza #27-01, 111 North Bridge Road, 179098, Singapore.

12 Trade and other receivables

	31 December 2021 £	31 December 2020 £
Trade receivables	1,211,966	3,043,763
Amounts owed by group undertakings	11,319,238	11,769,443
Contract assets	2,289,800	2,097,054
Prepayments	79,852	247,421
Group relief receivable	378,593	-
Deferred tax assets	96,441	87,761
	<u>15,375,890</u>	<u>17,245,442</u>

Amounts receivable from other group undertakings is unsecured, repayable on demand but accrues interest at rates between 0.0%-2.5% (2020: 0.0%-2.5%).

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Cash and cash equivalents

	31 December 2021	31 December 2020
	£	£
Cash at bank	<u>260,034</u>	<u>305,505</u>

The Company's bankers have the right to set off the company's principal bank balances when in credit against any overdraft borrowings by, a fellow subsidiary of the Costain group, Richard Costain Limited. In addition, one of the arrangements requires that certain cash balances, whether in credit or debit, are swept to/from Richard Costain Limited on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management. The company's cash balance is replaced with an inter-company receivable/payable from/to Richard Costain Limited.

14 Creditors

Amounts falling due within one year

	31 December 2021	31 December 2020
	£	£
Trade creditors	204,156	840,920
Accrued expenses	696,068	294,450
Amounts owed to group undertakings	543,539	508,013
Group relief payable	-	153,484
Other creditors	85,839	110,463
UK corporation tax	<u>(1,879)</u>	<u>(1,879)</u>
	<u>1,527,723</u>	<u>1,905,451</u>

Amounts payable to other group undertakings is unsecured, repayable on demand and does not accrue interest (2020: does not accrue interest).

15 Called up share capital

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020
	No.	£	No.
			£
Ordinary shares of £1 each	<u>12,903</u>	<u>12,903</u>	<u>12,903</u>
			<u>12,903</u>

The notes on pages 17 to 30 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

16 Contingent liabilities

The company has entered into cross guarantees together with the ultimate parent company and certain fellow Group undertakings for borrowing facilities made available to the Group. At 31 December 2021, these liabilities amounted to £40,000,000 (2020: £48,000,000).

These are also contingent liabilities in respect of guarantees of performance bonds and other undertakings entered into in the ordinary course of business by fellow Group undertakings.

17 Parent and ultimate parent undertaking

The company's immediate parent is Costain Limited.

The ultimate parent is Costain Group PLC.

The parent of the largest and smallest group producing publicly available financial statements in which these financial statements are consolidated is Costain Group PLC. These financial statements are available upon request from Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB.

The ultimate controlling party is Costain Group PLC.