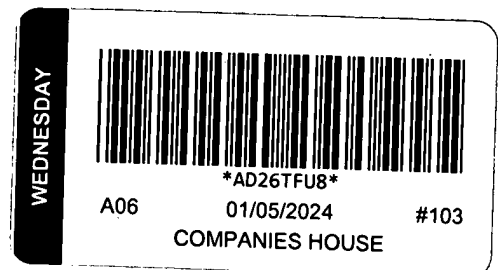


Registration number: 01890057

Costain Integrated Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2023



Costain Integrated Services Limited

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Costain Integrated Services Limited

Company Information

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

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2023

The directors present their report for the year ended 31 December 2023.

Principal activities

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.

Fair review of the business

The loss before tax for the year ended 31 December 2023 was £0.6m (2022: loss £1.5m).

Revenue was £4.8m (2022: £5.5m) and shareholders' funds decreased from £13.6m (2022) to £13.1m (2023).

Financial risk management

The Costain Group's centralised treasury function manages financial risk, principally arising from liquidity and funding risks and movements in foreign currency rates and interest rates, for all companies within the Group in accordance with policies agreed by the directors. 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.

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.

Workforce

- Board members took part in site visits and Q&A sessions with our people.
- We held two company-wide leadership impact days where our people stopped their usual activities and took part in discussions.
- We conducted our regular engagement survey.
- We launched our job architecture with line managers via webinars and piloted the career path framework with front-line managers.
- Rolled out a refreshed code of conduct and gifts and hospitality policy.
- We concluded our Samaritans 24/7 fundraising campaign in 2023 with a number of both company and employee-led events.
- Developing skills, capabilities and talent, such as the Empower, First-Time Line Managers, Emerging Leaders and Accelerate development programmes.
- The CEO met with 40 Costain graduates on completion of their programme.

Shareholders

- We consulted with our largest shareholders on the remuneration policy renewal.
- We stepped up our engagement with shareholders, including smaller retail shareholders, and the chair met with some of our largest investors in July.
- Our Annual General Meeting (AGM) took place in person in London. Questions could be asked before and during the meeting.
- We issued other regular announcements and streamed webcasts to accompany results announcements.

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2023 (continued)

Clients

- We took our customers on site visits to flagship projects, helping to showcase our capabilities and the quality of work across our portfolio.
- We attended strategic customer events.
- We attended a number of events with industry associations.
- Strong CEO and CFO customer engagement.
- Our CFO attended a roundtable with Government on sector opportunities and challenges and actions to boost infrastructure investment and delivery.

Supply chain

- Appointment of new procurement and supply chain director in 2023.
- Supply chain managers provide a crucial link with suppliers, developing strong, enduring relationships to ensure the best solutions for our customers.
- We continue to seek opportunities to liaise with our supply chain at the earliest possible moment, providing and developing our customer solutions.
- We held another virtual intake to our supply chain academy, training SME businesses on a variety of topics including corporate responsibility, inclusive practices and carbon.
- We facilitated a series of strategic supplier engagement sessions focused on alignment of their organisation with Costain.

Communities and Environment

- The Board is updated at each meeting with a SHE and ESG report.
- Costain took part in the Manchester Pride parade, with colleagues and friends and family to demonstrate our commitment to an inclusive workforce.
- Costain has five senior leaders serving as regional board members or campaign leadership members for BITC, and the chief people and sustainability officer is a member of the Prince's Trust's Built Environment Leadership Group.

Further information on how the directors have had regard to the need to foster the Costain Group PLC's and company's business relationships with suppliers, customers and others, and the effect on the principal decisions taken by Costain Group PLC and the company during the financial year, are included within the consolidated group financial statements of Costain Group PLC, copies of which are publicly available.

Principal risks and uncertainties

The principal risks and uncertainties facing the ultimate parent company, Costain Group PLC, and Costain Integrated Services Limited, and their ability to achieve their strategic objectives are set out below. Additional information on these principal risks, including controls and key mitigations, can be found in the consolidated group financial statements of Costain Group PLC, copies of which are publicly available.

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2023 (continued)


Title	What is the Risk?
Safety, health and environment	We operate in natural, complex and hazardous environments. Failure to manage the inherent risk and hazards could result in illness, injury or loss of life. Failure to manage this risk could also affect our reputation and result in loss of business and financial penalties.
Securing work and responding to changes in customer spending	Our future growth and profitability is dependent on our ability to secure new work in our competitive marketplace. To be successful we need to maintain strong customer relationships and broaden our service offering by delivering innovative solutions across complex delivery, digital and consulting activities. Unforeseen changes to our core customers' investment priorities and spending plans could have a direct impact on both live contracts and our future pipeline.
Managing our contracts and economic factors	Our work is enabled by safe, secure and resilient operating systems. Disruption to these systems, for example as a result of an outage or a targeted cyber-attack, would impact our ability to continue our normal operational activities efficiently. Unauthorised disclosure of Costain, customer or third-party data could result in financial penalties, loss of competitive advantage or reputational damage.
Project set-up, mobilisation and delivery	Working with our customers, we manage some of the most complex and challenging infrastructure projects in the UK, and this relies on rigorous planning, risk management and execution in delivery. Failure to effectively plan, mobilise and manage these complex projects can result in delays, impacting our customers and our market reputation for delivery excellence.
Procurement and supply chain performance	A significant proportion of our work is delivered through our supply chain, and supplier selection and performance are therefore critical to our ability to fulfil our commitments to our customers. Issues with supplier resourcing, product quality or performance can adversely affect project delivery, contract performance and our reputation.
People: attracting, developing, and retaining talent	The successful implementation of our strategy is dependent on our ability to attract and retain the skills and experience required to deliver our portfolio of work, lead specialist teams and continue to grow our market share. In an increasingly tight skills market, we have continued to focus on improving our understanding of future skills needs and on improving the Costain offer. We also recognise that developing skills and experience is essential in delivering our current and future needs, building resilience and providing development opportunities for our people. Failure to invest in these matters would hamper our growth, reduce employee engagement and increase attrition, impacting costs and performance.
Financial resilience: maintaining a strong balance sheet and access to banking facilities	A strong balance sheet is a prerequisite for many of the opportunities we pursue and the contracts we deliver for our customers.
Information security: systems disruption and data protection	Our work is enabled by safe, secure and resilient operating systems. Disruption to these systems, for example as a result of an outage or a targeted cyber-attack, would impact our ability to continue our normal operational activities efficiently. Unauthorised disclosure of Costain, customer or third-party data could result in financial penalties, loss of competitive advantage or reputational damage.

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2023 (continued)

Climate change and sustainability	Protecting our planet is one of our strategic priorities. Failure to deliver on our Environmental, Social and Governance (ESG) targets, and in particular our net zero 2035 ambition, could damage our reputation in the eyes of our employees, customers and other stakeholders. Our operational activities and contract performance could also be impacted by future changes in climate, and an increase in the frequency of major weather events in the UK.
Delivering the benefits of our transformation programme	Our transformation programme involves changes to our organisation, processes and systems, which are critical to increasing profitability and resilience, and will provide a platform for growth. Failure to manage dependencies between concurrent workstreams, embed changes effectively and/or realise the required benefits could impact our ability to deliver our planned strategy, operating results, and shareholder value.

Approved by the Board on 29 April 2024 and signed by its order by:

DocuSigned by:

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N A Geoghegan
Company secretary

Costain Integrated Services Limited

Directors' Report for the Year Ended 31 December 2023

The directors present their report and the audited financial statements for the year ended 31 December 2023.

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:

A J Vaughan

S M White

W J Clements (resigned 31 March 2024)

The following director was appointed after the year end:

H M Willis (appointed 31 March 2024)

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 2023 (2022: £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 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.

Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2023, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The directors have concluded that after having received an undertaking from Costain Group PLC that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the company, it is appropriate to adopt the going concern basis in preparing these financial statements.

Costain Integrated Services Limited

Directors' Report for the Year Ended 31 December 2023 (continued)

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.

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 29 April 2024 and signed by its order by:

DocuSigned by:

.....
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N A 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 2023 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, including 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 2023; 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 2023 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 in respect of the financial statements, 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 legislation, anti-bribery and corruption legislation, environmental obligations 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:

- Discussion with management, internal audit and the Group's in-house legal advisers, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to contract accounting;
- Identifying and testing journal entries, in particular any journals entries posted with unusual account combinations or posted by senior management; and
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters.

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.

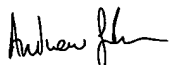
Other required reporting

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.



Andrew Johns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2024

Costain Integrated Services Limited**Income Statement**
for the year ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Revenue	4	4,814	5,531
Cost of sales		<u>(4,855)</u>	<u>(4,003)</u>
Gross (loss)/profit		(41)	1,528
Administrative expenses		<u>(1,033)</u>	<u>(3,150)</u>
Operating loss	5	<u>(1,074)</u>	<u>(1,622)</u>
Finance income	9	478	98
Finance costs	10	<u>-</u>	<u>(1)</u>
Net finance income		<u>478</u>	<u>97</u>
Loss before tax		(596)	(1,525)
Tax on loss	11	<u>133</u>	<u>286</u>
Loss for the financial year		<u><u>(463)</u></u>	<u><u>(1,239)</u></u>

The above results were derived from continuing operations.

Costain Integrated Services Limited

Statement of Comprehensive Income
for the year ended 31 December 2023

	2023 £ 000	2022 £ 000
Loss for the financial year	<u>(463)</u>	<u>(1,239)</u>
Total comprehensive expense for the year	<u>(463)</u>	<u>(1,239)</u>

Costain Integrated Services Limited
(Registration number: 01890057)
Statement of Financial Position
as at 31 December 2023

	Note	2023 £ 000	2022 £ 000
Fixed assets			
Investments	12	717	717
Current assets			
Trade and other receivables	13	13,575	13,716
Creditors - amounts falling due within one year	15	<u>(1,168)</u>	<u>(847)</u>
Net current assets		<u>12,407</u>	<u>12,869</u>
Net assets		<u><u>13,124</u></u>	<u><u>13,586</u></u>
Equity			
Called up share capital	16	13	13
Share premium account		13	13
Retained earnings		<u>13,098</u>	<u>13,561</u>
Total shareholders' funds		<u><u>13,124</u></u>	<u><u>13,586</u></u>

The financial statements on pages 11 to 26 were approved by the board of directors on 29 April 2024 and signed on its behalf by:

DocuSigned by:

Helen Willis

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H M Willis

Director

Costain Integrated Services Limited**Statement of Changes in Equity**
for the year ended 31 December 2023

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total shareholders' funds £ 000
At 1 January 2023	13	13	13,561	13,586
Loss for the financial year	-	-	(463)	(463)
Total comprehensive expense	-	-	(463)	(463)
At 31 December 2023	<u>13</u>	<u>13</u>	<u>13,098</u>	<u>13,124</u>

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total shareholders' funds £ 000
At 1 January 2022	13	13	14,800	14,825
Loss for the financial year	-	-	(1,239)	(1,239)
Total comprehensive expense	-	-	(1,239)	(1,239)
At 31 December 2022	<u>13</u>	<u>13</u>	<u>13,561</u>	<u>13,586</u>

The notes on pages 15 to 26 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

1 General information

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

The address of its registered office is:

Costain House
Vanwall Business Park
Maidenhead
Berkshire
SL6 4UB

These financial statements were authorised for issue by the board on 29 April 2024.

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 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.

Investments

Investments in group undertakings 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.

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.

Summary of disclosure exemptions

The notes on pages 15 to 26 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

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 15 to 26 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (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 2023, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The directors have concluded that after having received an undertaking from Costain Group PLC that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the company, 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 2023 have had a material effect on the financial statements. These include:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates - Amendments to IAS 8;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12; and
- International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12.

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 2023 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

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.

Finance income and costs

Interest receivable and payable on bank deposits and between group undertakings is credited or charged to 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 2023 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that 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.

Trade receivables

Trade receivables are amounts due from customers for 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.

Financial instruments

Initial recognition

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument. Financial assets are initially recognised at fair value.

Financial liabilities are initially recognised at fair value, representing the proceeds received net of directly attributable premiums, discounts and transaction costs.

Subsequent to initial measurement, financial assets and financial liabilities are measured at amortised cost.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Derecognition

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 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 receivables have been grouped based on shared credit risk characteristics and the days past due.

The loss rates will be adjusted to reflect current and forward-looking information and 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.

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.

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.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimate is revised of the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

There are no significant judgements and estimates made that would have a material effect in both current and future periods.

4 Revenue

All revenue is attributable to the principal activity of the business and arose within the UK.

5 Operating loss

Operating loss is stated after crediting:

	2023	2022
	£ 000	£ 000
Foreign exchange gains	-	(29)

6 Auditors' remuneration

The audit fee for the company was £34k (2022: £50k).

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 2023 (continued)

7 Staff costs

The aggregate payroll costs, paid to a fellow subsidiary in relation to seconded staff (including directors' remuneration) were as follows:

	2023 £ 000	2022 £ 000
Wages and salaries	6,439	7,431
Social security costs	740	889
Other pension costs	1,099	1,180
	<u>8,278</u>	<u>9,500</u>

The monthly average number of persons seconded to the company from a fellow group subsidiary (including directors) during the year, analysed by category was as follows:

	2023 No.	2022 No.
Professional	67	80
Administrative	21	25
	<u>88</u>	<u>105</u>

8 Directors' remuneration

During 2023 and 2022, the directors were all remunerated by other Group companies. It is not possible to allocate reliably a fair proportion of these costs as services are provided to multiple entities.

9 Finance income

	2023 £ 000	2022 £ 000
Interest income from group undertakings	<u>478</u>	<u>98</u>

10 Finance costs

	2023 £ 000	2022 £ 000
Other finance costs	<u>-</u>	<u>1</u>

The notes on pages 15 to 26 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

11 Tax on loss

Tax credited in the income statement

	2023 £ 000	2022 £ 000
Current taxation		
UK corporation tax	(146)	(299)
UK corporation tax adjustment to prior periods	<u>-</u>	<u>(2)</u>
	(146)	(301)
Deferred taxation		
Current year deferred tax	<u>13</u>	<u>15</u>
Tax credit in the income statement	<u>(133)</u>	<u>(286)</u>

The tax credit on loss before tax for the year is lower than the standard rate of corporation tax in the UK (2022: lower than the standard rate of corporation tax in the UK) of 23.5% (2022: 19.0%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Loss before tax	<u>(596)</u>	<u>(1,525)</u>
Corporation tax at standard rate 23.5% (2022: 19.0%)	(140)	(290)
Decrease in current tax from adjustment for prior periods	-	(2)
Increase from effect of expenses not deductible in determining taxable profit	6	2
Deferred tax charge relating to changes in tax rates or laws	<u>1</u>	<u>4</u>
Total tax credit	<u>(133)</u>	<u>(286)</u>

Deferred tax balances in these financial statements have been calculated at the UK corporation tax rate of 25.0%.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

11 Tax on loss (continued)

Deferred tax

Deferred tax assets

	2023 £ 000	2022 £ 000
Asset at the beginning of the year	81	96
Amount charged to the Income statement	(13)	(15)
Asset as end of year	<u>68</u>	<u>81</u>

Deferred tax movement during the year:

	At 1 January 2023 £ 000	Recognised in income £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	<u>81</u>	<u>(13)</u>	<u>68</u>
	<u>81</u>	<u>(13)</u>	<u>68</u>

Deferred tax movement during the prior year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	<u>96</u>	<u>(16)</u>	<u>81</u>
	<u>96</u>	<u>(16)</u>	<u>81</u>

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

12 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2023	<u>2,087</u>
At 31 December 2023	<u>2,087</u>
Accumulated impairment	
At 1 January 2023	<u>1,370</u>
At 31 December 2023	<u>1,370</u>
Carrying amount	
At 31 December 2023	<u><u>717</u></u>
At 31 December 2022	<u><u>717</u></u>

Details of the subsidiaries as at 31 December 2023 and 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office / principal place of business	Proportion of ownership interest and voting rights held	2023	2022
Brunswick Infrastructure Services Limited*	Dormant	(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*	Dormant	(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

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

The notes on pages 15 to 26 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

13 Trade and other receivables

	2023 £ 000	2022 £ 000
Trade receivables	1,119	1,107
Amounts owed by group undertakings	11,398	11,072
Contract assets	814	771
Other receivables	19	344
Prepayments	9	40
Income tax receivable	2	2
Group relief receivable	146	299
Deferred tax assets	68	81
	<u>13,575</u>	<u>13,716</u>

Amounts owed from group undertakings are unsecured, repayable on demand and accrue interest at the Bank of England Base rate less 0.25% or the Bank of England Base rate plus 2.75% depending on the counterparty. (2022: Bank of England Base rate less 0.25% or the Bank of England Base rate plus 2.75% depending on the counterparty).

14 Cash at bank and in hand

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 intercompany receivable/payable from/to Richard Costain Limited.

15 Creditors

Amounts falling due within one year

	2023 £ 000	2022 £ 000
Trade creditors	82	113
Accrued expenses	297	304
Amounts owed to group undertakings	771	429
Other creditors	18	-
	<u>1,168</u>	<u>846</u>

The notes on pages 15 to 26 form an integral part of these financial statements.

Costain Integrated Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

15 Creditors (continued)

Amounts owed to other group undertakings are unsecured, repayable on demand and accrue interest at the Bank of England base rate plus 2.75% (2022: Bank of England base rate plus 2.75%).

16 Called up share capital

Allotted, called up and fully paid shares

	2023		2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>

17 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 2023, these liabilities amounted to £Nil (2022: £Nil).

18 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.