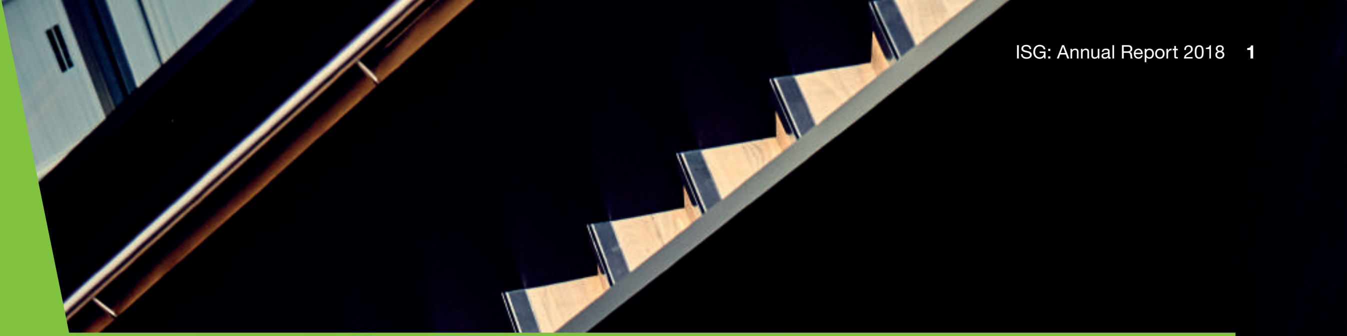
Annual Report 2018

Building on strong foundations
Integrated thinking for a sustainable future



Our vision is to become the world's most dynamic construction services company, delivering places that help people and businesses thrive.

Performance at a glance

For three decades, ISG has been providing construction solutions to some of the world's most successful and enduring businesses, cities and institutions.

Across our extensive international office network, our work encompasses fit out, construction, engineering services and development, delivered by local people and supply chains.

Financial performance

£2.2bn
revenue
(2017: £1.7bn)

£38.5m
underlying profit before tax
(2017: £28.2m)

£77.4m
net cash position – at year end
(2017: £63.9m)

£1.4bn
forward order book – at year end
(2017: £1.3bn)

Our business

4 service lines

- Fit out
- Construction
- Engineering services
- Development

5 sectors

- Offices
- Technology, science and health
- Retail
- Hospitality, leisure and living
- Education and public sector

ISG employs over 2,800 people

Temperate House, Kew, London, UK

FOR THE 12 MONTHS ENDED 31 DECEMBER 2018

Sustainable business performance

+35
Net Promoter Score (NPS)
(2017: +20)

8.5/10
average customer satisfaction score
(2017: 8.1/10)

1.9t/ £100,000
construction waste production (UK)
(2017: 2.3t/£100,000)

96.9%
construction and demolition waste diverted from landfill (UK)
(2017: 96.1%)

- **5,687 tCO_2e scope 1, 2 and 3 GHG emissions - 3-year rolling average**
  (2017: 6,392 tCO_2e)
- **39% reduction of GHG emissions against 2015 baseline**
  (2017: 26%)

- **6.5% senior population from under-represented groups**
  (2017: not measured)
- **66% employee engagement score**
  (2017: 70%)
- **79% employees proud to work for ISG**
  (2017: 85%)

- **1.62 Accident Incident Rate (AIR)**
  (2017: 1.32)
- **2 reportable environmental incidents**
  (2017: 0)

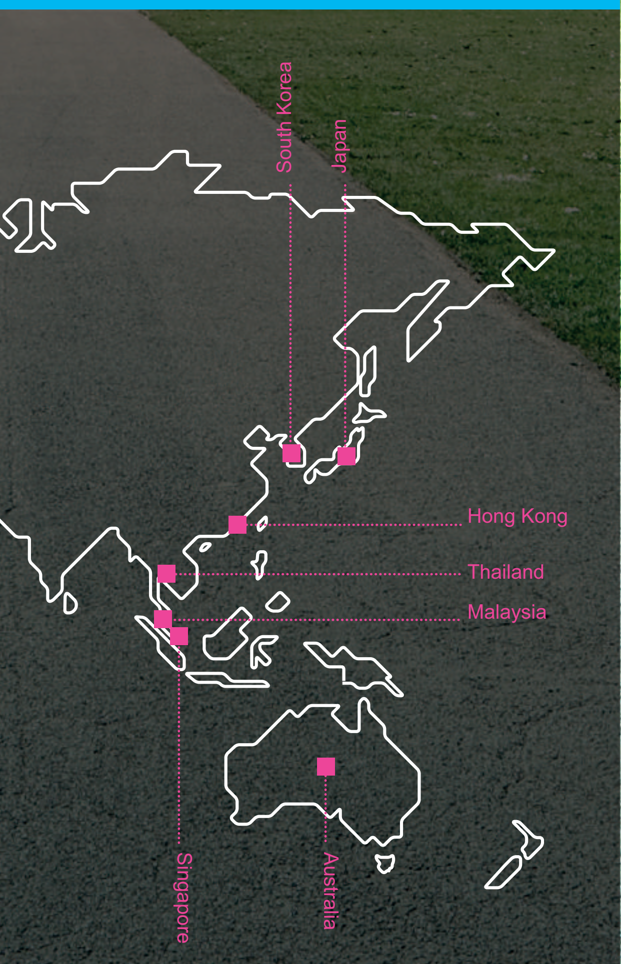
- **56% revenue from repeat customers**
  (2017: 49%)
- **50.2% spend with strategic supply chain (UK wide)**
  (2017: 55% UK Fit Out and Engineering Services only)

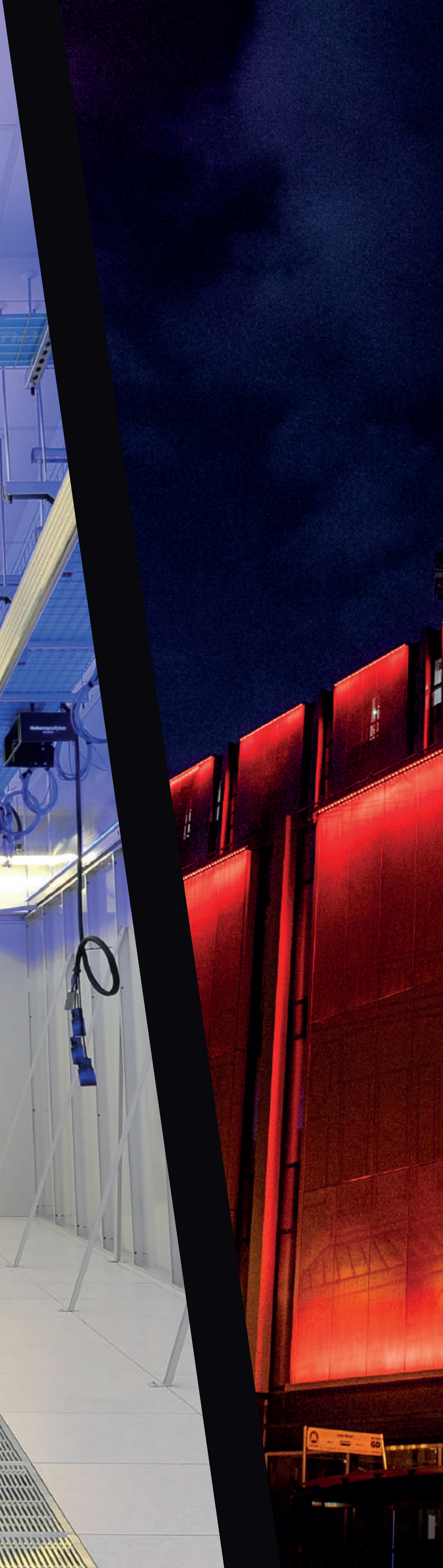
- **52.2% projects (by revenue) completed to industry-recognised environmental assessment certification standards**
  (2017: 53.9%)

- **£229,533 fundraising and corporate donations**
  (2017: £143,422)
- **£ 118,704 pro bono support and gift in kind**
  (2017: £87,000)

- **3,890 apprentice weeks (UK)**
  (2017: 1,263)
- **6,419 students engaged (UK)**
  (2017: 5,032)

- **39.6/50 average Considerate Constructors Scheme score (UK)**
  (2017: 38.9/50)



Strategic report

In this report, we review our performance for the 12 months to 31 December 2018, explaining our financial results and our achievements against our 2021 Sustainable Business Strategy. We also introduce our new integrated strategy 'All 4 by 24', and explain how we will create value for ISG, our industry, and our world.

This strategic report was approved by the ISG plc Statutory Board and signed on its behalf by:

Paul Cossell (CEO)
29 March 2019

Lime Street Regeneration, Liverpool, UK

ICON Outlet, The O2, London, UK

2018 Global Value Award finalists

Message from our CEO

Paul Cossell
Chief Executive Officer

Over the past year, we have taken significant steps towards achieving our vision to become the world's most dynamic construction services company, delivering places that help people and businesses thrive.

I am delighted to report revenue of £2.2bn and underlying profit before tax of £38.5m, marking 2018 as another record-breaking year for ISG.

Set against the wider sector backdrop of high-profile corporate failure and reversing financial performance for many UK-based main contractors, ISG's record results demonstrate the efficacy of our technology and specialism-led approach, that places our customers and people at the heart of our long-term strategic vision.

Our strong performance over the past year is a result of key influences, including:

- Winning some of our biggest projects across our core sectors including offices, technology, science and health, and education.
- For the first time, delivering significant projects in the logistics and distribution sector for clients including a major internet-based retailer.
- Securing 56% of our 2018 revenue from repeat customers, including national retail and public sector frameworks in the UK, and from projects delivered internationally for key customers, across sectors, meeting their global needs.
- Achieving an outstanding improvement in our Net Promoter Score to +35, reflecting our customers' trust in our service delivery.
- Continuing to drive resource efficiency, reducing our environmental impacts, with a 17.4% reduction of construction waste from our UK business operations.
- Reducing our greenhouse gas emissions by 39%, on a three-year rolling average from our 2015 baseline.

We continue to invest in technology, and our Building Information Modelling (BIM) Level 2 offering has achieved a BSI Kitemark accreditation, demonstrating our creative and innovative solutions to construction challenges, and supporting customer experience through enhancing the functionality, operability and efficiency of spaces.

We are committed to creating social value, supporting and upskilling the communities where we work. I am proud of the achievements of our school engagement programme WOWEX, and I am excited about the UK roll-out of our Level 3 Applied Diploma in Professional Construction Practice (PCP), launched at the Houses of Parliament in 2018.

I am also proud of our continued leadership in safeguarding the health, safety and well-being of our people, our customers and our communities. This is demonstrated by our industry-leading Accident Incident Rate (AIR) of 1.62, and our performance is reflected both in the awards we have achieved internationally, and our drive to develop and use technology to support safer, healthier and more inclusive work environments.

As we enter 2019, our move to integrated reporting is an important part of our journey to drive integrated thinking and secure ISG's long-term position as leaders in the construction services industry. This is ISG's first integrated report, produced in line with the recommendations of the International Integrated Reporting Council (IIRC).

While we celebrate our accomplishments over the past years, we know there is still more to do. Our new business strategy, 'All 4 by 24', focuses on driving continual improvement, and supporting our effort to create value for our business, our industry, and our world.

To achieve this, we are focused on:

- Offering an unbeatable employment experience, by recognising the valuable contributions of our employees, their vital role in achieving all of our corporate goals, and our continued investment in training, development and succession planning, to recruit, retain and develop the best talent in our sector.
- Providing the best customer experience in our industry, by embedding a customer-focused culture that drives continual improvement, and supports our customers before, during and after project delivery.
- Achieving optimal operational efficiency, to secure profit through a resource-efficient culture, and sharing the benefits of this experience with our customers and supply chains.
- Driving revolutionary change in our industry to secure its sustainable future, reducing our emissions and our impacts on climate change through tech-led innovation, and working with our peers through collaborations such as the London Business Climate Leaders initiative.

Paul Cossell
Chief Executive Officer
29 March 2019

About ISG

ISG is a dynamic global construction services company specialising in fit out, construction, engineering services and development. We produce built environments with exceptional delivery dynamic, supported by strong customer relationships that are underpinned by mutual trust, collaboration, and open communication.

We employ over 2,800 people across 24 countries and four global hubs: Europe, the Middle East, Asia and the Americas.

Today's ever-changing world demands more than a safe pair of hands. Our proven track record of sound processes and robust delivery methods, blended with our fast-paced and agile culture, ensures we deliver places that are as responsive and resilient as their occupants, meeting our customers' present and future needs.

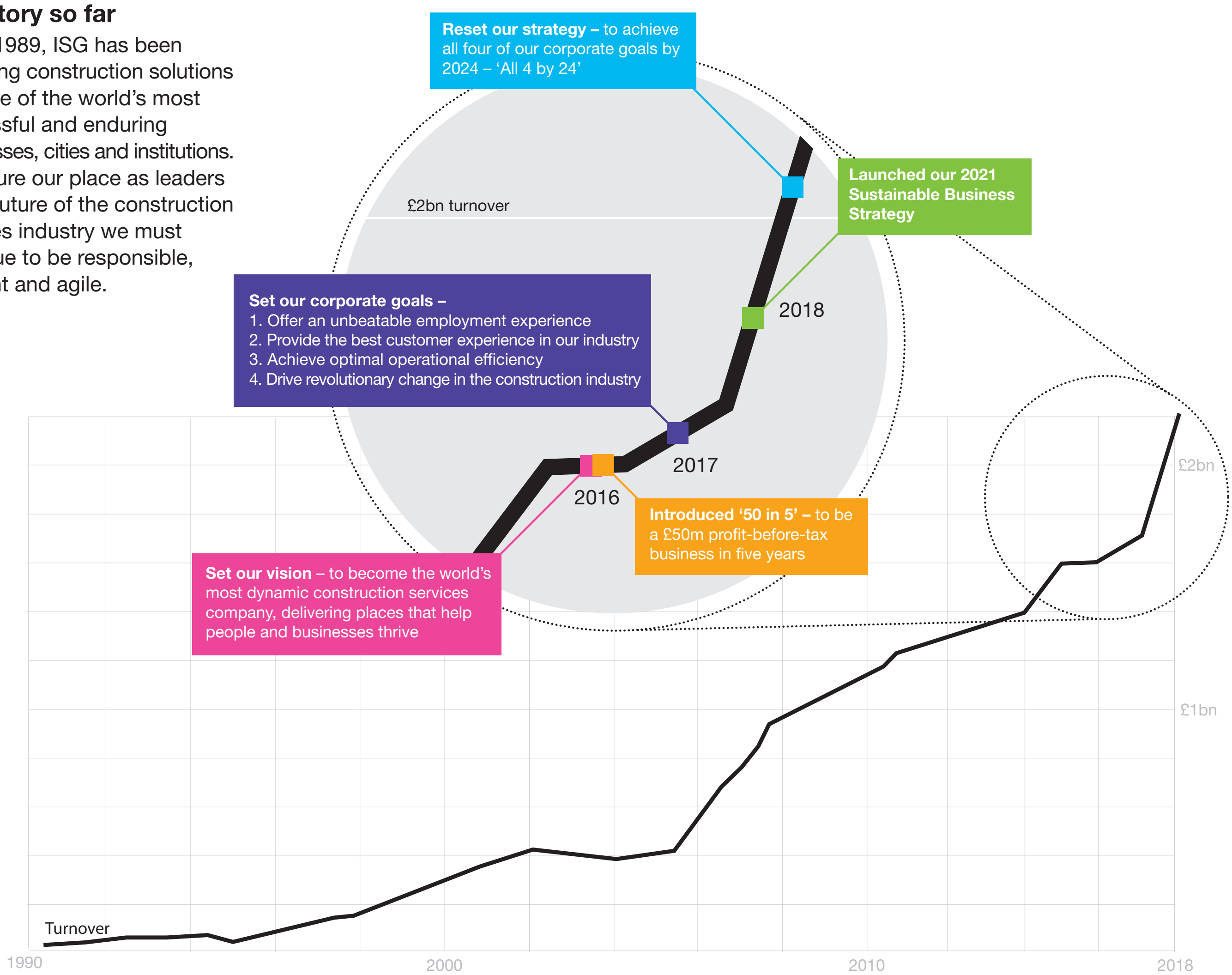
We are committed to promoting the sustainability agenda through our own business operations, and supporting our customers to achieve their sustainable business goals.

We want to create a place for people to thrive in our business, deliver performance we can be proud of, support communities who are better for knowing us, and ensure environments are both protected and enhanced.

Our core values to 'dream smart', 'speak frankly', 'always care' and 'never stop learning' are the guiding principles that determine our actions and behaviours. Rooted in our culture, they are key to our service delivery for customers across geographies and industry sectors including offices; technology, science and health; retail; hospitality, leisure and living; and education and public sector.

The story so far

Since 1989, ISG has been providing construction solutions to some of the world's most successful and enduring businesses, cities and institutions. To secure our place as leaders in the future of the construction services industry we must continue to be responsible, efficient and agile.




Yan Toh Heen restaurant, InterContinental Hong Kong hotel, Hong Kong

Organisational overview and external environment

Servicing multinational and blue-chip clients, across sectors and geographies, we are conscious of ensuring consistency in the quality of our product and service, meeting our customers' needs whenever, and wherever they are.

Our specialist teams provide fit out, construction, engineering and development services to customers across a number of core sectors: offices; technology, science and health; retail; hospitality, leisure and living; and education and public sector.

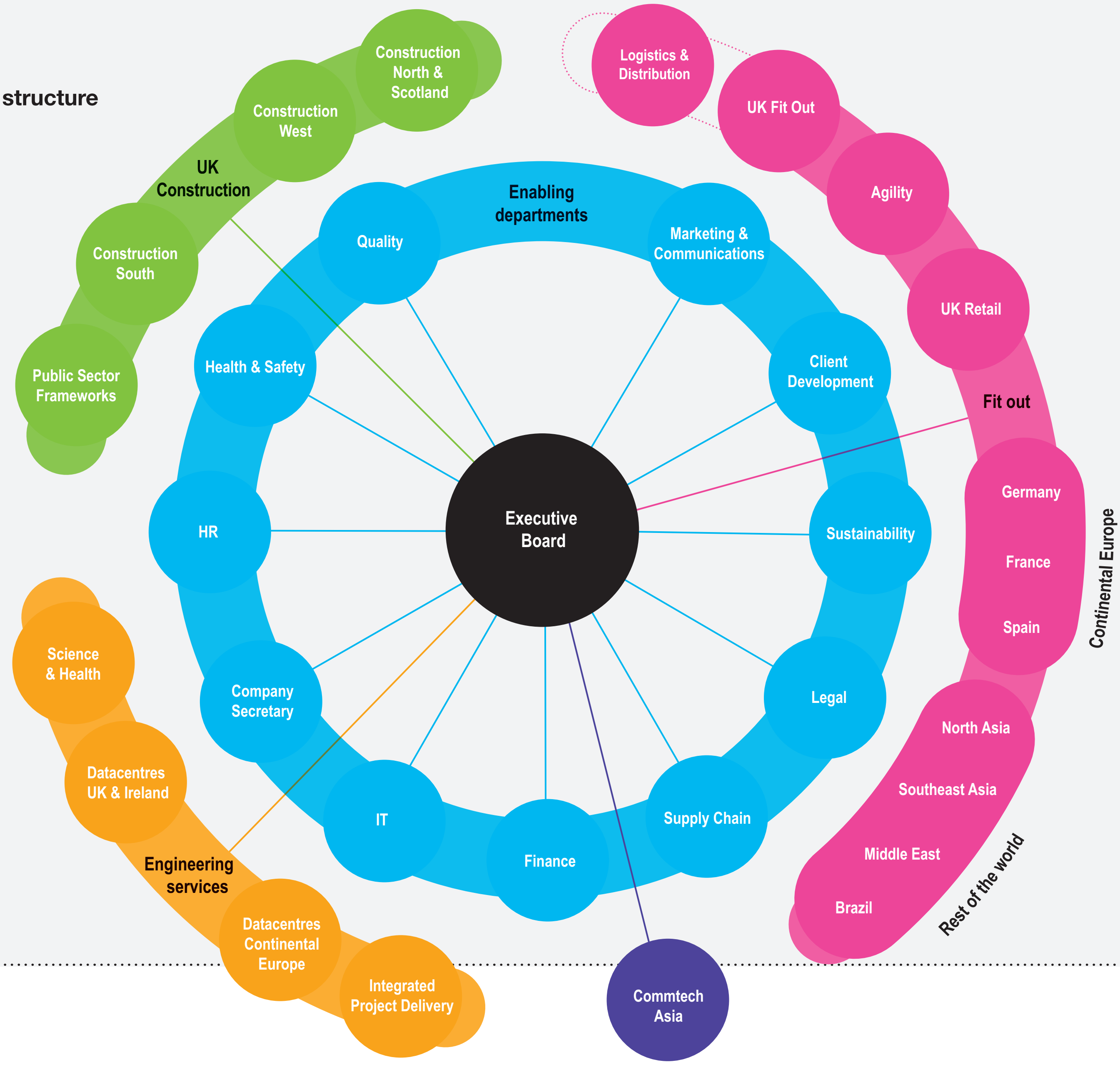
Our robust approach to design and procurement management maintains the highest standards to secure supply chains, de-risking and safeguarding programmes to deliver spaces on time and on budget, while helping our customers' businesses and people to thrive.

Through our review and management of risks and opportunities, we keep abreast of industry, environmental, socio-economic and political factors that may impact our business and our ability to service our customers.

Climate change is a growing concern, with direct and indirect effects impacting customer investment decisions and supply chain resilience alike. This highlights potential pressures around resource availability and consumption, building design and performance to withstand extreme weather conditions, and the need to develop and use technology to predict and meet the future needs of the spaces we create and the people who occupy them.

Our core values are the guiding principles that determine our actions and behaviours:

Our structure



Always care

We take pride in the quality of our work and demonstrate respect and care for the well-being, health and safety of our clients, our people, and our world.

Never stop learning

We encourage and reward great ideas. We constantly strive to improve by seeking new knowledge and skills.

Executive board

Paul Cossell

Chief Executive Officer

Paul Cossell is chief executive officer of ISG and has been with the firm for over 20 years. With over 25 years' experience in the industry across corporate real estate, new build, refurbishment and fit out projects, Paul joined ISG as a senior financial manager in 1996 and was appointed managing director for ISG's highly successful commercial office fit out and engineering services business in the UK, in 2010.

Paul led the transformation of ISG's UK commercial office fit out business to become the market leader in London and was the driving force behind ISG's entry into the international datacentre construction market, where ISG has delivered over £1.5bn of projects over the past five years. Building upon this expertise in highly engineered environments, Paul has grown the business to become one of the most respected technology, science and health sector specialists in the UK and continental Europe, and in 2016, Paul was announced as ISG's CEO.

Since that time, he has led the organisation to three consecutive years of record revenue and profit. He is also focused on a group-wide strategic improvement programme to blend ISG's proven delivery capabilities with a technology-led, fast-paced and agile culture, creating places that help people and businesses thrive.

Mark Stockton

Chief Financial Officer

As chief financial officer, Mark Stockton holds Statutory Board responsibility for finance, IT, supply chain and legal, and focuses on driving consistency, efficiency and effectiveness into our corporate services across the world. Prior to his appointment as CFO, Mark was the finance director for ISG's successful UK Fit Out, Engineering Services UK and Engineering Services Continental Europe businesses, with over 600 employees and £700m annual turnover.

Mark is a chartered accountant and recognised as an expert in financial strategy and risk mitigation. Prior to joining ISG in 2010, Mark gained over 20 years' experience in financial leadership roles in the pharmaceutical, medical diagnostics and telecoms sectors, where he provided critical challenge and insight to drive profit growth, and develop and deliver strategic priorities and plans.

Richard Hubbard

Chief Marketing Officer

Richard joined ISG in 2010 as group marketing director, bringing over 20 years of experience in marketing and business development leadership roles across a variety of sectors including education, accountancy and consultancy, where he worked for a diverse range of organisations including the University of Cambridge, ACCA and AECOM.

Richard has Statutory Board responsibility for brand, marketing, communications, business development, winning work and sustainability across ISG's global business. Richard also oversees cultural and innovation programmes and initiatives. In his time at ISG, he has helped the business win awards including the coveted Queen's Award for International Trade and two CMA Construction Marketing Awards for best contractor campaigns.

Jane Falconer

Chief Human Resources Officer

As chief human resources officer, Jane is instrumental in leading our goal of offering an unbeatable employment experience, recruiting and developing the best talent in our sector.

Jane joined ISG in 2017, bringing with her over 20 years of HR experience working for companies including UTi Worldwide, Laing O'Rourke, and Diageo. Jane has a track record of shaping, transforming and delivering HR strategies that improve and enhance businesses, and a wealth of experience of directing successful employee engagement programmes that provide tangible outcomes. Jane drives our continued focus on investing in our people, attracting the highest-calibre people to drive our business forward, and developing and delivering a dynamic and cohesive people strategy to ensure the business remains firmly on track to achieve its ambitions.

Matt Blowers

Chief Operating Officer
Fit Out

Chief operating officer for our fit out business, Matt Blowers is responsible for the strategy and delivery of our UK and continental European fit out businesses, with projects ranging from £100,000 to over £200m. Matt has been with ISG for over 20 years', joining as an assistant construction manager.

On the back of numerous industry accolades, such as nomination for the CIOB (Chartered Institute of Building) Construction Manager of the Year Award for BP's 20 Canada Square project in London, UK, and winning record-breaking appointments, Matt was promoted to chief operating officer for fit out in January 2019. Under Matt's tenure, ISG has maintained its industry-leading position as the number one fit out contractor for offices in central London, and will continue to drive ISG's global market-leading fit out capability.

Gordon Kew

Chief Operating Officer
UK Construction

Gordon joined ISG in 2019, taking on the role of chief operating officer for UK Construction. Gordon has over 30 years of experience in the construction industry, holding various planning, project leadership, regional and managing director roles in the UK and Australia.

Gordon has Statutory Board responsibility for health and safety, and quality, and leads ISG's UK Construction business. Gordon's experience has seen him improve organisational efficiency and lead projects in excess of 100m across multiple sectors, and he has a track record of driving business transformation.

Paul Weaver

Chief Operating Officer
Engineering Services

Paul Weaver is responsible for the strategy and delivery of ISG's Engineering Services business, and continues to spearhead ISG's core focus on achieving optimal operational efficiency. Paul has worked at ISG for over 10 years across a variety of senior commercial and operational roles. An experienced professional, prior to joining ISG, Paul provided consultancy services to various clients and contractors, requiring extensive experience in commercial and operational management, dispute resolution and forensic investigation, specifically in the building and civil engineering project arena. Paul is a chartered quantity surveyor by background and has over 35 years of experience in sectors such as building, pharmaceutical and education, and numerous other major projects involving JCT, GC/Works, ICE and EEC Forms of Contract.

Non-Executive Directors

William Harrison

Chairman

Josh Friedman

Non-Executive Director

Jonathan Moy

Non-Executive Director


2018 performance

This annual report represents the integration of our annual financial report and accounts, and our annual sustainability report.

In this section, we review ISG's performance in 2018 against the key performance measures of our 2021 Sustainable Business Strategy, along with our business review, and our financial review, in line with our financial reporting obligations.

Central Square, Cardiff, UK

Business review

The Group achieved revenue of over £2.2bn, underlying profit before tax of £38.5m and had a forward order book over £1.4bn at the end of the period. This was broken down by business unit as follows:

£'m		UK Fit Out	UK Construction	Engineering Services	UK Retail and Realys	Asia, continental Europe and Middle East	ISG Group
Revenue	2018	**609.1**	**520.2**	**469.0**	**321.9**	**317.4**	**2,237.6**
	2017	395.9	480.1	292.6	263.0	277.2	1,708.8
Underlying profit/(loss) before tax	2018	**10.5**	**5.7**	**11.7**	**5.7**	**4.9**	**38.5**
	2017	6.5	6.8	7.0	4.5	3.4	28.2
Forward order book	2018	**232.1**	**486.3**	**429.4**	**99.1**	**163.1**	**1,410.0**
	2017	311.6	397.1	309.6	98.6	145.8	1,262.7

Global financial company, London, UK

UK Fit Out

The UK Fit Out business achieved £609m revenue for the period (2017: £396m), underlying profit before tax of £10.5m (2017: £6.5m) and had a forward order book of £232m at the end of the period (2017: £312m).

2018 has been a record year for our UK Fit Out business, with revenue in the period increasing significantly and continuing success in the delivery of projects and winning new work as we move into 2019.

During the year the business has focused its attention on efficiency with a programme of activities to reduce margin erosion which, along with significant revenue growth, has been key to the achievement of the record profit of £10.5m in 2018.

Key projects that have been delivered in 2018 include schemes for Westminster City Council, a major investment bank, a major law firm and continued work on the largest fit out project ISG has delivered in London. The Agility business, set up in 2016 to support our clients delivering solutions in the <50,000 sq ft market, has continued to grow, contributing revenue of over £80m in the period, with growth in the ratio of repeat business testament to the delivery performance of the Agility team.

Despite uncertainty around Brexit, the London fit out market remains strong, and we head into 2019 with a strong forward order book.

£609m
revenue
(2017: £396m)

Hogan Lovells, London, UK

Regus, London, UK

UK Construction

The UK Construction business achieved £520m revenue for the period (2017: £480m), underlying profit before tax of £5.7m (2017: £6.8m)* and had a forward order book of £486m at the end of the period (2017: £397m).

The business comprises three regions: southern, western, and northern England and Scotland.

The southern region fell short of the revenue target for the year, with delays to decisions on key schemes meaning projects expected to commence in the second half of 2018 are now expected to begin generating revenue in early 2019. However, with these key project wins coming later in 2018, the region is well placed to see improvements to financial results in 2019, with a forward order book of over £159m.

Despite revenue being lower than target, the successful delivery of existing projects means that the southern region was able to meet gross margin targets.

Key project wins during the year include a new five-storey further education college in London, the retail development of the former Waterloo International Eurostar Terminal, and the new headquarters in Watford for a leading high street retailer.

The western region completed the year with a record forward order book, continuing to strengthen customer relationships with key clients, including property developers. During the year the region has secured a high number of public sector wins across MOJ, Pagabo, DfE, SCF and SEWSCAP frameworks. Project highlights include the successful completion, both on time and on budget, of a £65m corporate headquarters and a £40m nine-storey office block in Cardiff, along with the handover of the third of a series of four leisure centres in Birmingham. The region's forward order book of over £125m, at the year end, provides a strong basis for 2019.

For the northern England and Scotland region, 2018 was a year of growth with increasing revenues, profit, cash and a forward order book exceeding £200m at the end of the year, positioning the business for further growth in 2019. To support the planned growth, the leadership capability has been further strengthened with key appointments during the year.

The key market offering is in the sectors of offices, hospitality and leisure, and education and public sector, in the core cities of Manchester, Liverpool, Leeds, Sheffield, Glasgow and Edinburgh, where we have delivered a number of successful projects during the year. We also diversified into the living sector and are on site on four major residential and student accommodation projects in Manchester, Liverpool, Sheffield and Leeds. Other highlights include securing a place on the North West Construction Hub High Value Framework, a further award for a phase of warehouses for a repeat client in Scotland, and maintaining a healthy pipeline, being well placed on several significant preferred bidder opportunities.

A major focus for UK Construction continues to be success through repeat business and frameworks in its key markets.

This strategy provides confidence for further performance improvements in 2019, through high-quality opportunities, and increasing project sizes.

£520m
revenue
(2017: £480m)

UK National Cycling Centre, Manchester, UK

Leeds Arts University, Leeds, UK

The White Chapel Building, London, UK

* During 2018, the UK Construction business recognised £0.7m of royalty costs relating to 2017. Except for this amount, the underlying profit before tax would have been 2018: £6.4m and 2017: £6.1m.

Imperial College London, London, UK

New chemistry building, University of Oxford, Oxford, UK

Engineering Services

The Engineering Services business achieved £469m (2017: £293m) revenue for the period, underlying profit before tax of £11.7m (2017: £7.0m) and had a forward order book of £429m at the end of the period (2017: £310m).

Through 2018, the Engineering Services business continued to enhance its standing in delivering highly engineered built environments across sectors including technology, science and health, and education, in the UK, Ireland and continental Europe.

During the year the UK business completed schemes for two of the Russell Group universities and other pharmaceutical research institutions. Moving into 2019 there continues to be a strong pipeline of opportunities driven primarily by the Russell Group universities as they continue to improve and expand their facilities. In the private healthcare sector, prestigious schemes were completed for a major German healthcare provider, and another repeat healthcare client. Further projects were secured for the first hospital in the UK of a US healthcare provider, and a second project for a specialist laboratory services provider.

The European datacentre construction market continued to grow rapidly in 2018, driven by global, hyperscale technology companies and the surge of multi-platform cloud applications. The increasing demand for cloud services has led these tech giants to not only build their own hyperscale datacentres, but also lease space from co-location datacentre companies across Europe. ISG secured a multimillion pound order order for the second phase of a datacentre campus in Belgium for a world-leading technology company, and has a strong pipeline of opportunities with this repeat client.

The business has also commenced the delivery of a hyperscale datacentre in the Netherlands. In 2018, we continued to work with some of the world's largest co-location datacentre providers, delivering datacentres in the Nordics, UK and Ireland.

£469m
revenue
(2017: £293m)

The Engineering Services business expects further improvement to business performance in 2019, continuing to build its reputation for delivering high-quality projects across the technology, science and health, and education and public sectors. The business is well placed to secure further projects in the UK and across Europe.

Manchester Arndale, UK

UK Retail

The UK Retail business achieved £322m (2017: £263m) revenue for the period, underlying profit before tax of £5.7m (2017: £4.5m) and had a forward order book of £99m at the end of the period (2017: £99m).

We have retained our position as the leading retail fit out company across the UK. Work for long-standing frameworks with four major UK banks and other financial institutions continued during the year. Overall, this sector remains positive with volumes continuing under our frameworks, albeit with a change in mix of work, with increased support function and office-related projects.

During the year we have witnessed significant growth in our activity with distribution centres for online retailers, either directly or via developers. Work was ongoing on three significant projects during 2018, contributing over £130m in revenue for the business in the year; one of these projects continues into 2019.

Framework agreements continue with key customers in the food retail sector including with several major brands. Food retailers are investing in a competitive market with continued emphasis on refurbishment rather than new stores.

UK Retail continues to house the Realys consultancy business. A key customer for Realys has decided to adopt an in-house solution, bringing its existing contract with us to an end. As a result, we anticipate that the Realys business will scale back during 2019.

We believe the company is in a good position to continue its growth strategy. Further prospective retail customers are being targeted, and the forward order book for the business remains at a healthy level for delivery in 2019.

£322m
revenue
(2017: £263m)

Asia, continental Europe and Middle East

Our businesses across the rest of the world achieved £317m (2017: £277m) revenue for the period, underlying profit before tax of £4.9m (2017: £3.4m) and had a forward order book of £163m at the end of the period (2017: £146m).

Asia

Overall, Asia has had a relatively flat year with positive results in Hong Kong offset by volume challenges in other markets.

The key sector of office fit out continues to perform strongly, where we have delivered for global brands across finance, technology, oil and gas, manufacturing and pharmaceutical companies.

In Singapore, we are currently delivering fit out schemes for a global investment company and a world-class retail store for a global technology company. Our Malaysia business is expanding our footprint beyond the city of Kuala Lumpur, with the delivery a new headquarters for a British technology company in Johor Bahru. In line with our growth strategy, our Hong Kong business has further expanded our offering by undertaking a major engineering and construction scheme for a world-class biological research facility for a leading university in Hong Kong.

Commtech Asia, our specialist business dedicated to the commissioning and testing of building services, has experienced another exceptionally strong year through its technology-led consultancy offer, with repeat business coming from major international clients in the technology and financial services sectors across Asia, including an extension of our reach into the Republic of China (Taiwan) and Thailand. In addition, we have continued to develop Commtech Asia's mechanical, electrical and plumbing project management arm for integrated resorts in the hospitality sector.

£317m
revenue
(2017: £277m)

Arcadis, Hong Kong

Hongkong Land, Singapore

Continental Europe

In Germany we had a very successful year, with two major projects delivered for two key strategic clients, and we commenced work on a fulfilment centre for a large online retailer, originally a UK client. Once delivered, this could trigger further opportunities for our businesses in continental Europe, as we build capability for further similar projects in the region.

The pipeline is looking very promising and the forward order book is strong, with a more diverse portfolio of customers. A new legal entity in Luxembourg was established in 2018 to support and further develop our business in this country.

2018 was a challenging year for ISG in France, as revenues performed less than expected, and we remain with a relatively small market share. The leadership structure has been adapted to ensure a greater operational capability and provide the resource to deliver more technically challenging, larger and more rewarding projects. It has also been a year of refocusing the business on our known and trusted international customer base, which assisted in securing our largest-ever win in France for a global online retailer. The year ended with a greater than anticipated forward order book, and the expectation that 2019 will be a year of growth and increased profitability.

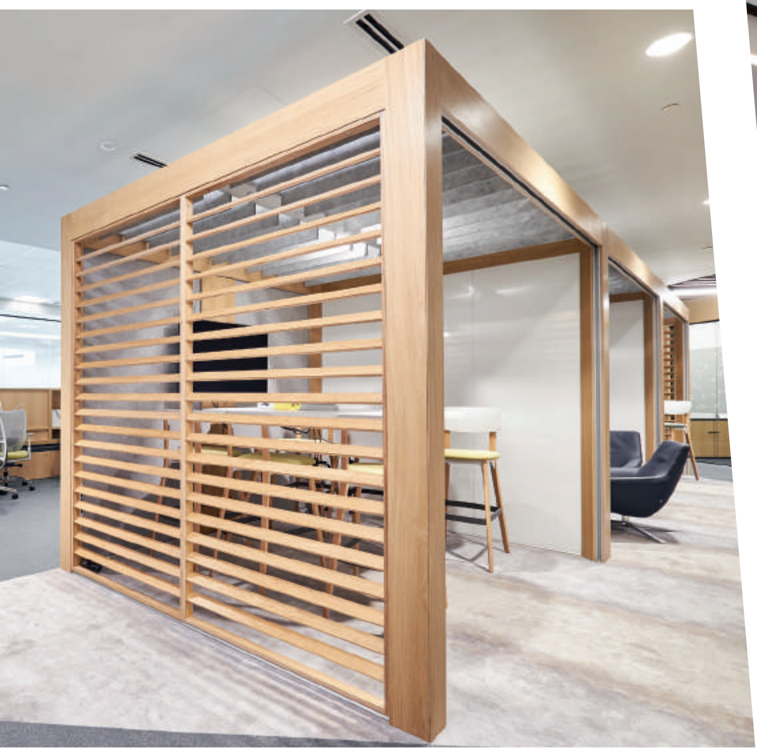
In Spain, although the results were below expectations, we still report a good performance. During 2018 the business has worked with a diverse group of clients and achieved a 10% volume increase over the prior year. 2018 has also been a year of transition, with the alignment of our businesses in Spain under the ISG brand, creating consistency for our customers and sending a clear message to the market for the future.

Looking across continental Europe, the business goes into 2019 with a healthy forward order book and a framework agreement with a local investor for the next 24 months, and we expect performance will significantly improve in the coming year.

Middle East

The Middle East had a successful, profitable year with a further growth in volume.

This was driven by large office fit out projects for UAE government entities and global technology brands, some of which are going into the region for the first time. Looking ahead, the business has high-quality opportunities in its pipeline, especially in the corporate office and hospitality sectors.



Accountability Authority, Abu Dhabi, UAE

Global technology company, Munich, Germany

Financial review

THE FINANCIAL HIGHLIGHTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2018 ARE AS FOLLOWS:

£2.2bn **revenue** (2017: £1.7bn)	£38.5m **underlying profit before tax** (2017: £28.2m)	£27.4m **statutory profit before tax** (2017: £9.1m)	£1.4bn **forward order book – at year end** (2017: £1.3bn)
£15m **increase in liquidity funding (£nil drawn at year end)** (2017: £30m liquidity fund, £10m drawn)		£77.4m **net cash position – at year end** (2017: £63.9m)	

Cash flow and treasury

The Group's gross cash as of 31 December 2018 was £103m, with net cash of £77m. The average net cash balance during the year was £106m. The Group continues to explore its options to strengthen its balance sheet and maintain sufficient liquidity levels with funds raised through traditional bank debt sources.

In March 2017 a £30m uncommitted liquidity facility was arranged with BNP Paribas Commercial Finance Ltd for an initial period of two years. In December 2018 this facility was increased to £45m and the term was extended to March 2020. This facility is secured against the Group's UK-based assets, including a pledge of certain UK and Belgium-based accounts receivable. There are no financial covenants, but available funds may be restricted based on operational parameters including debtor days and debtor concentration limits. There were no drawings on this facility at 31 December 2018 (2017: £10m)

In December 2018 the Group declared and paid an interim dividend of £25m to its immediate parent. This amount was immediately loaned back to the Group resulting in no net cash impact to the Group. The £25m loan has an eight-year term and bears an interest rate of 3.07%. No final dividend has been declared.

Net cash inflow from operating activities amounted to £49.7m (2017: £6.5m). Operating profit before interest and tax, after depreciation (£1.9m (2017: £1.8m)) and amortisation (£11.8m (2017: £14.4m)) was £27.6m (2017: £9.4m) in the period. The movement in working capital during the period was an inflow of £21.5m (2017: outflow £21.8m) due to the cyclical nature of contract cash flows and the closing out of some projects with front-ended cash profiles. Net tax payments were £10.5m (2017: £2.4m) in the period, driven by the profits generated overseas, as well as payments on account in the UK. The net cash outflow from investing activities was £8.1m (2017: outflow £3.6m), being net capital expenditure of £7.9m (2017: £3.3m) as a result of investment in IT and leasehold improvements to some of our offices. The net cash outflow from financing activities was £12.9m (2017: £20.6m outflow), the major movements being the receipt of the £25m loan from the Group's immediate parent company, offset by the £25m dividend paid by the Group and the £10m repayment of the BNP Paribas Commercial Finance facility.

In addition, £1.4m of other bank borrowings were repaid and £1.5m paid to acquire the remaining shares of ISG Interior Iberia, to bring the Group holding to 100%.

The Group continues to have bonding facility lines with Euler Hermes, HCC International, Liberty Mutual, Aviva, QBE Insurance, BNP Paribas, Santander and The Royal Bank of Scotland plc. New bonding facilities have been arranged with Markel and Chubb in the UK, and ADCB in Dubai, to help meet the needs of the operations.

Foreign exchange

The Group manages its foreign currency exposures by taking out forward exchange contracts or other suitable hedging instruments as appropriate, and monitors its currency risk on a regular basis. During the period, we made a gain of £0.7m (2017: £0.1m loss) on foreign exchange. The effect of volatile short-term currency movements on profits is reduced because the Group accounts for foreign profits using average exchange rates.

Balance sheet

The consolidated balance sheet as at 31 December 2018 shows net assets of £98.6m (2017: £101.3m), including non-current assets of £234.1m (2017: £245.2m), non-current liabilities of £45m (2017: £17.8m) and net current liabilities of £90.5m (2017: £126.1m). The Group expects the trend of reducing net current liabilities to continue in 2019.

Overall

The Group has reported record results for 2018 and continues to improve its cash flow and financial position. With a strong forward order book, the Group expects to see continued growth in 2019.

Mark Stockton
Chief Financial Officer
29 March 2019

Sustainable business strategy review

In 2017, we reviewed our sustainable business priorities in line with ISG's vision, values and corporate goals, resulting in our 2021 Sustainable Business Strategy.

We agreed key performance indicators (KPIs) and set targets up to 2021 to align with ISG's former '50 in 5' strategy, to be a £50m profit-before-tax business in five years. This table details our performance against our 2021 Sustainable Business Strategy.

	Sustainable business goals	Corporate business goals
People	An unbeatable employment experience	Drive revolutionary change in the industry
		Offer an unbeatable employment experience
	A safe working environment	
Performance	The best customer experience	Provide the best customer experience
	Sustainable growth	Drive revolutionary change in the industry
Communities	Benefitting local and global communities	Offer an unbeatable employment experience
		Provide the best customer experience
Environments	Reducing our waste	Achieve optimal operational efficiency
	Reducing our emissions	
	Protecting our planet	Provide the best customer experience
		Drive revolutionary change in the industry

[1] Senior population is defined as Band 7 or above, based on our internal employee banding structure.

[2] In 2016, an internal survey methodology was used to determine % employees proud to work at ISG. From 2017 we have adopted the Best Companies™ b-Heard employee survey methodology.

[3] Net Promoter Score is a lifetime-to-date measure using only completion survey data.

[4] Underlying PBT (Profit Before Tax) was previously reported as Underlying EBTA (Earnings Before Tax and Amortisation) in our 2017 Sustainability Report.

[5] Revenue from repeat customers is defined as repeat work for customers within three years of a previously completed project, across all geographies and sectors.

[6] Strategic supply chain partners are those with which ISG has framework agreements in place.

[7] Construction waste 5% year-on-year reduction target is restated as a result of audit and analysis confirming a reduction in the 2017 construction waste production baseline.

[8] Our scope 1, 2 and 3 emissions for 2015, 2016 and 2017 have been restated to include only emissions which have been independently verified by Carbon Smart, our independent auditor of greenhouse gas emissions. Figures now include emissions from waste production, and exclude figures previously extrapolated based on cost data for project delivery mileage, and business travel (air, trains and taxis).

UN Sustainable Development Goals	Performance measures (KPIs)	2016	2017	2018 Performance	2018 Target
5. Gender equality 10. Reduced inequalities	% senior population from under-represented groups[1]	–	–	6.5%	N/A
8. Decent work and economic growth	Employee engagement score	–	70%	66%	80%
	% employees proud to work at ISG[2]	83.1%	85%	79%	90%
3. Good health and well-being	Accident Incident Rate (AIR)	1.11	1.32	1.62	<1.99
8. Decent work and economic growth	Average customer satisfaction score	8.1/10	8.1/10	8.5/10	8.6/10
	Net Promoter Score (NPS)[3]	–	+20	+35	+25
	Underlying PBT (Profit Before Tax)[4]	£25.5m	£28.2m	£38.5m	£30m
	% revenue from repeat customers[5]	50.6%	49%	56%	55%
	% spend through ISG's strategic supply chain[6] (UK)	–	55.0% (UK FO/ES only)	50.2% (UK wide)	N/A
11. Sustainable cities and communities	£ donated / fundraised / pro bono value	£252,000	£203,422	£348,237	<£100,000
4. Quality education	No. of apprentice weeks (UK)	682	1,263	3,890	>1,759
	No. of students engaged through curriculum enhancement activities and work placements (UK)	875	5,032	6,419	>803
11. Sustainable cities and communities	Average Considerate Constructors Scheme score (UK)	39.1/50	38.9/50	39.6/50	≥38/50
12. Responsible consumption and production	Overall tonnage of construction waste per £100,000 revenue (UK)	–	2.3t[7]	1.9t[7]	<2.75t[7]
15. Life on land	% construction and demolition waste diverted from landfill (UK)	92.5%	96.1%	96.9%	≥96%
7. Affordable and clean energy	Scope 1, 2 and 3 greenhouse gas emissions (tCO_2e)[8] - 3-year rolling average	6,907	6,932	5,687	<8,002
13. Climate action	% reduction against 2015 baseline - 3-year rolling average	–	26%	39%	14%
14. Life below water 15. Life on land	No. of reportable environmental incidents	7	0	2	0
9. Industry, innovation and infrastructure	% projects (by revenue) completed to industry-recognised environmental assessment certification standards	50.4%	53.9%	52.2%	N/A: customer-led

People

A sustainable business is powered by its people – their contributions, values and ideas. Our goal is to create a working environment where people feel valued, inspired and safe at all times, and we aim to achieve this through comprehensive people, employee engagement, and health and safety programmes, that focus on helping our people to thrive.

76%
employees completed the b-Heard employee feedback survey
(2017: 63%)

7,246
training days delivered globally
(2017: 6,979)

1,502
employee Value Award nominations
(2017: 842)

Employee experience

Creating an unbeatable employment experience is fundamental to ISG's success. We strive to provide an enriching and rewarding environment that empowers our employees to perform to the best of their abilities, creating a place for innovation and agility, and an organisation that is efficient and resilient. To achieve this, in 2018 our focus has been on the following objectives, building the frameworks essential to achieve our goal:

- Attracting great talent
- Retention and development of our people
- Providing a safe and healthy working environment

Attracting great talent

In 2018 we sourced over 60% of our roles through our talent acquisition team and our internal employee referral scheme, Scouting for talent, saving the business in excess of £1.7m, and rewarding employees for referring experienced and capable people into the business.

We are fully committed to equality in the workplace and engage, promote and train our people on the basis of their capabilities, qualifications and experience without discrimination of any kind.

In 2018 we launched our diversity strategy 'Reaching for balance', to increase leadership accountability, recruit a balanced workforce, generate a more balanced succession pipeline, and remove potential diversity imbalance barriers, creating an inclusive culture that celebrates diversity at all levels.

26% of our employees are female, compared with an industry average of 14%. We make reasonable adjustments to the business premises and working arrangements for applicants and employees with varied capabilities, including employees who become differently abled during their employment.

We have enhanced our induction programme to drive consistency in the employee onboarding experience across the Group, ensuring our people feel part of #TeamISG no matter where they are based.

We support and actively encourage our people to give back to their communities, engaging in charitable activities through sharing our time, skills and resources. We support a number of strategic partnerships across our business, as well as endorsing the efforts of project teams and individuals on a one-off basis.

We continue to develop our charity strategy, identifying and providing opportunities to give back to the communities where we work. You can read more about our efforts to engage and support our local communities in 2018 on pages 34-37.

Reaching for balance – our five-year diversity strategy 2018-2022:

Developing and nurturing our talent is essential. In 2018, our in-house training academy delivered over 7,000 training days supporting and enhancing the technical development, managerial and leadership skills of our people.

Retention and development of our people

In building our pipeline of talent, we continue to invest in early career development, and in 2018 we were placed on The JobCrowd's Top 100 companies list for graduates to work for and Top 50 list for apprentices to work for. We also launched another successful 'Futures Group' programme, which is designed to identify and develop high-potential talent within ISG.

The programme equips participants with the broader business and interpersonal skills to support their continued growth as potential future leaders within our business.

In 2018, our in-house training academy delivered over 7,000 training days supporting and enhancing the technical development, managerial and leadership skills of our people.

It is our people who drive our business through their actions, their ideas and their behaviours. Our Dream Smart portal, part of our digital workplace, captures suggestions directly from our employees.

Our Tech Incubator is just one of the ISG forums that draws on multi-disciplinary people from across our global business, taking ideas from our people and turning them into practical solutions.

The Tech Incubator's focus in the last year has been on developing technology and innovation in the context of our project sites, looking at overall efficiency in the construction process, how we can drive revolutionary change across our industry, and serve our customers better through the project life cycle.

Some of these solutions are being trialled and rolled out across our business, including our work on the 'digital construction site', incorporating new technologies into health and safety management, construction processes, and providing a better, healthier work environment for our people.

Each year, those who go the extra mile are recognised at our Value Awards. In 2018, entries for the Value Awards were up over 70% from 2017, with over 1,500 employees nominating their colleagues who they believed dreamt smart, spoke frankly, always cared and never stopped learning.

We hosted 18 end-of-year communications events where we shared our 2018 performance results and our new 'All 4 by 24' strategy. We also recognised over 50 employee Values Award winners from across the Group. Our global finalists were then celebrated for their outstanding achievements at the Global Value Awards gala dinner, alongside the global leadership team.

Employee engagement is critical to the success of our business, and in 2018 we carried out our second Best Companies™ b-Heard employee survey. ISG was classed as 'one to watch' in accordance with b-Heard's unique measure of workplace engagement.

76% of employees completed the survey, up from 63% in 2017, helping shape the future of our company. This tells us our people are happy to have their say, to be bold, to tell us what we're doing right, and what we could be doing better. We are enormously proud of the traction this survey is achieving year on year.

79% of respondents said they were proud to work for ISG, and 77% would recommend ISG as a great place to work to their friends. While these results don't show an overall improvement from 2017, we take the increased response rate as an opportunity to understand the experiences of a greater proportion of our employee base, and to identify and implement improvement plans.

During the first quarter of 2019, all business unit managing directors and group enabling directors will communicate their local findings and engage further with their people, to formulate action plans to improve the things that matter most to our people.

A safe and healthy working environment

ISG is committed to safeguarding the immediate and long-term health, safety and well-being of our employees, workforce and communities. With a leading performance in our industry we continue to strive for excellence, raising the standards for our people, supply chains and customers.

While our Accident Incident Rate (AIR) increased marginally in 2018, it is still below our target of <1.99, and well below the industry average, despite a 24% growth in our turnover, and 15.7% increase in the working hours on site delivering our construction services.

According to BuildUK's report, detailing the performance of the top 22 construction companies in the UK, for the period 1 April 2017 to 31 March 2018, the industry average AIR was 2.87. ISG's global AIR for the same period was 1.45.

Achieving such high safety standards takes strong leadership, consistent management, embedding of culture, and continually upskilling, educating and empowering our workforce to take ownership and responsibility for their own performance.

	2016	2017	2018
AIR	1.11	1.32	1.62
RIDDOR	18	15	22
Working hours on site	36.2m	30.1m	35.7m

Highlights in 2018 include:

- Peco lifts are used prolifically across ISG's operations in the UK, and have now been introduced and are gaining popularity across our sites in continental Europe, the Middle East and Southeast Asia. ISG is the first company to use them in Malaysia, and Singapore will follow in early 2019.
- We rolled out a blanket 'Ladder Ban' across the UK in Q2 2018 – cracking down on the use of ladders without a permit, and redesigning methods of work to vastly reduce the need for ladder access – after which zero incidents occurred from ladder activities.
- Falling objects are our biggest cause of incidents and near misses. Following the success of our Working at Height Standard introduced in 2017, our Tool Tethering Policy is now in place across the UK, and has significantly reduced associated incidents. As a result we are now widening our focus on the prevention of materials and components falling from height.
- Recognising the presence and impacts of mental ill health affecting people across the industry, we have rolled out Mental Health First Aid training across all of our UK business units, and are looking into international training providers.
- In 2018 ISG held a health and safety conference on site in Belgium, hosting four US contractors, three EU contractors and two Asian contractors. The theme was 'Technology in Construction'. Our client said: "There is not a single inch of the project that is not well managed, and ISG leads the way in global health and safety." The Belgian health and safety enforcing authority also said our site is: "the best project in Belgium".
- We have refreshed our focus on occupational health, addressing issues on our sites that have the potential to cause ill health e.g. respirable dust, solvents, noise, vibrations, etc. We have developed and launched an occupational health audit proforma to be completed monthly (as a minimum) across our sites. Our health and safety professional team has also become 'Train the Trainer' qualified for the British Occupational Hygiene Society's (BOHS) 'Managing Occupational Health Risks in Construction' course, rolling this out to our site teams and subcontractors.

#TeamISG in Singapore celebrates achieving bizSAFE Star accreditation

Health and safety awards

In 2018 our teams received awards across the international stage, recognising ISG's continually high-performing health and safety culture.

Royal Society for the Prevention of Accidents (RoSPA), UK

- 1 Order of Distinction
- 4 President's Awards
- 5 Gold Medal Awards
- 4 Gold Awards
- 1 Silver Award

British Safety Council (BSC) International Safety Awards, UK

- 2 Merits
- 1 Pass

Occupational Safety & Health Council, Hong Kong

- Gold Award

Our team in Hong Kong was honoured to receive a gold award in the category of 'Best Refurbishment and Maintenance Contractor in Occupational Safety and Health' at the 19th Construction Safety Forum and Award Presentation.

Workplace Safety and Health Council, Singapore

- bizSAFE Star accreditation

Our team in Singapore has maintained its bizSAFE Star accreditation for a second year in a row. Awarded by the Workplace Safety and Health Council (WSHC) Singapore, the Star denotes the highest level of health and safety attainable under the bizSAFE programme.

Performance

The sustainable growth of our business relies not only on our bottom line, but also on fulfilling our promises to our people, customers and communities. It is the thinking behind our focus on customer experience, repeat business, and strategic supply chain investment.

+35	56%
Net Promoter Score (NPS) (2017: +20)	**revenue from repeat customers** (2017: 49%)

8.5/10
average customer satisfaction score
(2017: 8.1/10)

Happy customers

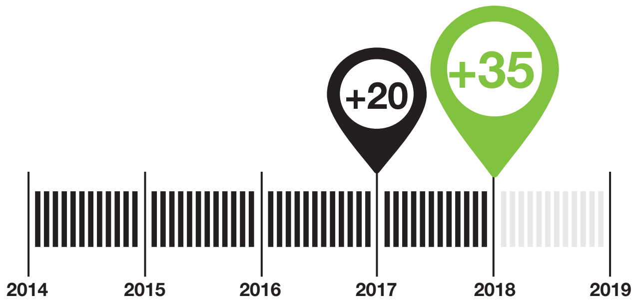
At ISG we are committed to nurturing a culture of collaboration, transparency, responsibility and speaking frankly – growing trust and forging deep and enduring relationships with our customers. In 2016, we launched our customer experience (CX) programme, to explore and better understand what our customers think about ISG and the quality of the services we provide.

In 2018, we greatly increased our understanding of our customers' wider needs, beyond the physical products we deliver. We have increased the engagement of our enabling departments, alongside our operational delivery teams, to review and improve the questions we ask our customers before, during and after project delivery, maximising the value of the feedback we receive, to inform our service improvement plans.

We measure our success against our customers' overall satisfaction with our product and service with a score out of 10. Over the past year*, we have improved our performance and achieved a group-wide average satisfaction score of 8.5/10 compared to 8.1/10 in 2017.

We also measure our success using the cross-industry recognised method of Net Promoter Score (NPS). Our multi-layered improvement plan, including the upskilling of our employees and supply chain, quality audit procedures, and better, more frequent, customer engagement surveys, has enabled us to fully understand and deliver against our customers' needs. We have already achieved our 2021 target of +35, a +15 improvement on our 2017 performance.

Group-wide lifetime-to-date NPS



ISG's Smart Series brings together customers, leaders and experts from across the construction industry

* The CX reporting year is 1 October to 30 September.

Sustainable growth

Another measure of success for our CX programme is customer loyalty. This also supports our vision for the sustainable growth of ISG, building a resilient business with a backbone of significant, repeat-business customers and consultants.

We secured 56% of our 2018 revenue from repeat customers, in line with targets set under our 2021 Sustainable Business Strategy.

CXcellent service for Datacom, Malaysia

ISG in Malaysia celebrated a perfect Net Promoter Score (NPS) of 10 out of 10 awarded by customer Datacom – one of Asia Pacific's leading IT-based service providers.

The CX survey was conducted with Andrew Goodwin, chief operating officer of Datacom, who shared his experience of working with ISG on Datacom's relocation project, which was completed on time, within the nine-week programme.

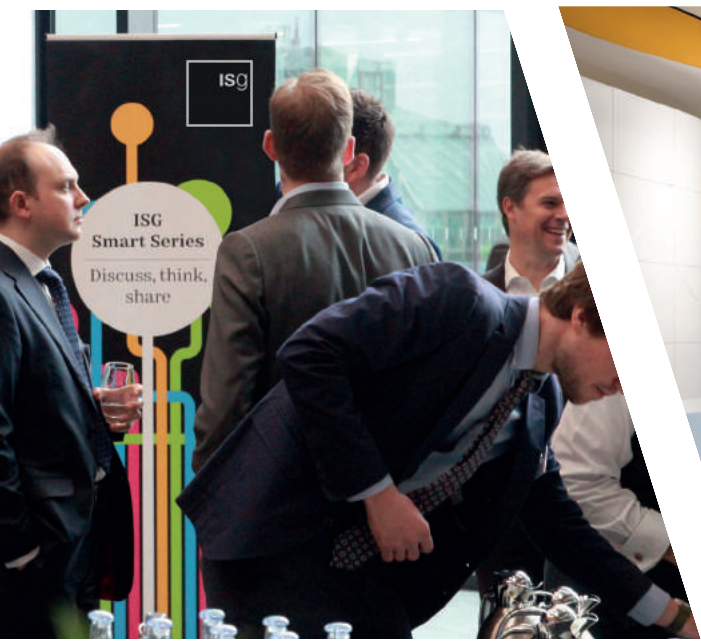
In April 2018, our team in Malaysia was appointed by The Instant Group to deliver a fit out of Datacom's 13,500 sq ft office, in the award-winning office tower, 1 Sentral, in Kuala Lumpur. The project saw our team manifesting a collaborative and community-focused work environment that included 150 workstations, seven meeting and discussion rooms and 11 focus pods, as well as five recreational spaces comprising break-out, pantry, and rest and recuperation (R&R) areas. Datacom awarded our team an overall satisfaction score of 98% for delivering the project on time, and exceeding expectations in a number of areas.

"Overall, it was a simple transaction with no hassle and worries. In the past, I have delivered four other fit out projects in Malaysia, and I find that ISG is caring as a contractor, placing emphasis on the needs of the end user. The team is focused on providing the best-quality work, with a great attention to detail, and an ability to think ahead from an end user's perspective."

Andrew Goodwin, Chief Operating Officer, Datacom

"What most impressed me about working with ISG was their ability to cope with change. There wasn't an 'us' and 'them' mentality, just a great team spirit and good collaboration to work through challenges as a team, enabling a seamless delivery of the programme."

Confidential banking client



Datacom, Kuala Lumpur, Malaysia

North West Regional Construction Awards, Manchester, UK

Taking BIM to the next level

In 2018 our BIM (Building Information Modelling) team doubled in size to 25, reflecting not only the increased demand from clients for better performing, more easily operable and maintainable buildings, but also our own commitment to driving efficiency through investment in technology, and using BIM to enhance performance and safety on site, and our customers' experience.

In November 2018 we further demonstrated our commitment to embracing technology by securing the BSI Kitemark certification for BIM Level 2, to PAS1192:2-2013 and BS1192:4 standard.

The accreditation refers specifically to project delivery, where information is used to improve not only the efficiency of the design and construction process, but also enhance the efficient management of building services in operation, and improve the building occupation experience of our customers.

Our commitment to developing and using technology to improve construction performance was also recognised by the North West Regional Construction Awards in the UK. We received the Digital Construction Award for the development of our BIM Level 2 processes, automating the collection and input of data from our supply chain into the Asset Information Model (AIM) for a school in Manchester. The project delivered Manchester City Council's first fully integrated AIM, including every maintainable asset, and delivering significant benefits to the client, improving accuracy, and making its wider schools programme quicker, and more cost efficient.

The project also came highly commended in the Integration and Collaborative Working Award category, thanks to the involvement of the supply chain and design team partners in the preconstruction stage. This collaborative approach allowed us to achieve planning submission within five weeks of appointment, and completion of RIBA Stages 3-6 in under nine months.

> **"The software developed in this project was both unique and excellent."**
>
> — Judging panel, North West Regional Construction Awards

Building a strong supply chain

Forging strong relationships with our customers and consultants is important to the sustainable growth of our business, and so is building trusted partnerships with our supply chain.

As a principal contractor, the services that we deliver rely on successful procurement, management and collaboration with proven supply chain partners.

Continually developing our supply chain is important for reducing risk, ensuring diversity and maintaining flexibility to meet the needs of our customers across the geographies and sectors in which we work.

In 2018, we began to roll out our supply chain management plan across our UK business operations. Off the back of the success of our UK Fit Out and Engineering Services (UK FO/ES) businesses, we set targets to improve the UK FO/ES performance, and begin the journey with our UK Construction commercial teams and supply chains.

We improved our UK FO/ES spend with strategic supply chain partners by 14% in 2018. Our UK Construction operations achieved 28%, while UK Retail achieved 38%. We achieved an overall UK performance of 50.2%, putting us on a good path to achieving our 2021 goal of 60% spend with strategic supply chain partners across the UK.

Supply chain payment performance

In 2018 our UK Construction, UK Fit Out and UK Retail businesses began reporting on their supply chain payment performance under the new ‘Duty to report on payment performance’ legislation which came into force during 2017.

Since reporting commenced, we have seen a 4% improvement in the time taken to pay our suppliers, and the number of payments made within terms has improved by 22%. This supports our commitment to working closely with our supply chain partners.

#TeamISG engages supply chains to drive sustainable procurement, improve performance through collaboration, and celebrate successful partnerships

Communities

We believe our industry has a responsibility and opportunity to make a difference. We strive to be considerate and respectful of the communities in which we operate, caring about their well-being and environments, and working to give back to those communities through sharing our skills, knowledge and time.

£348,237
charitable fundraising, pro bono support, and gifts in kind
(2017: £230,422)

39.6/50
average Considerate Constructors Scheme score
(2017: 38.9/50)

3,890
apprentice weeks
(2017: 1,263)

6,419
students engaged through curriculum enhancement activities and work placements
(2017: 5,032)

Building communities

We are dedicated to creating legacies of not only the places we build, but also the communities we build them in. In 2018 we developed and rolled out a robust social value strategy across our UK operations, and from January 2019 we will start rolling it out across the Group. Our strategy focuses on enhancing the employment and skills of the communities where we work. We provide a contractor-led educational programme, investing in students and their learning; nurturing the development of our future workforce and supporting stronger communities.

Our success is reflected in our performance data. In 2018 we surpassed our target for supporting apprentice weeks by more than double.

ISG also supported a record number of students in curriculum enhancement activities through rolling out our strategy across the UK. More project teams than ever have reached out to their local communities and provided young people with talks, visits to ISG sites and offices, employability training, and work experience.

After a group of sixth-form students from a school in Buckinghamshire, UK, received a presentation from one of our managing directors, and subsequently visited one of our construction sites, the careers coordinator told us: “Two of our Year 13 students have applied for apprenticeships with ISG since they were inspired by your talk and the site visit. Thank you so much.”

In our bid to engage young people, and make a difference to the lives of those who are vulnerable and socially marginalised, we have rolled out two partnerships across the UK. One with The Prince’s Trust, and the other expanding our work with Enabling Enterprise. We have also grown our WOWEX programme, sharing our materials with other principal contractors to use and benefit more communities.

Putting Trust in ISG

The Prince’s Trust believes every young person should have the chance to embrace exciting opportunities. The UK-based charity helps 11 to 30-year-olds, who are unemployed or struggling at school, to transform their lives, many of whom are in or leaving care, facing homelessness or mental health issues, or have been in trouble with the law.

Customised programmes support young people navigating avenues into employment for the first time, or re-engaging young people in schools who are at risk of exclusion. We hosted a pilot event in Birmingham, designed to bring the built environment sector to young people, and inspire them to build careers in the industry.

The event was a fantastic success and, as a result, we are in contact with a number of young people who have expressed an interest in work experience placements with ISG.

ISG volunteers supporting events for The Prince’s Trust

Building skills with Enabling Enterprise

In 2018, ISG's teams around the UK engaged 220 primary school students through Enabling Enterprise, a not-for-profit social enterprise which brings together schools and businesses to equip young people with the skills, experiences and aspirations they need to succeed in life. In May 2018, Enabling Enterprise launched the Skills Builder Partnership, which brings together the collective efforts of more than 650 schools, employers including ISG, and youth organisations to ensure that every child and person builds the essential skills to succeed.

As part of the Skills Builder Partnership, ISG hosted students in our offices and on our sites, engaging them in activities that seek to develop eight essential skills:

- Listening
- Presenting
- Problem Solving
- Creativity
- Staying Positive
- Aiming High
- Leadership
- Teamwork

In Bradford, year 5 students (aged 10-11) from St Francis Catholic Primary School visited ISG's offices where they interviewed our volunteers and took a tour of the premises, seeing the great variety of jobs available in construction and looking at plans and photos of ISG developments close to their school. The students then took on the role of developers, being challenged to apply their 'Problem Solving' skills to establish the best location to construct a new tall building. During the build, the teams' 'Staying Positive' skills were put to the test as new challenges arose, including a noise ban. The day culminated in teams pitching their plans to our volunteer judges.

Putting the wow factor into work experience

Our World of Work Experience (WOWEX) programme was developed in 2017, with the benefit of Flexible Funds funding from the CITB (Construction Industry Training Board), to begin addressing what we believe could be a long-term skills gap in our industry, as well as supporting our commitment to leave a legacy in the communities where we work.

The week-long programme sees students gain a taste of life in the construction industry. Students aged 14-18 spend five days following the process of tendering for a project to the final pitch, visiting a live construction site as part of the programme. Not only does this raise awareness of the careers available in construction, it also enhances employability skills, improves confidence and raises aspirations.

In 2018, 12 students from Bradford College in the UK gave up their October half term to take part in WOWEX at ISG's Sedbergh Leisure Centre project. At the end of the week 100% of students said they knew more about the careers in construction and 92% said they were clearer regarding their career. Daniel, a student who attended, said: "WOWEX is not just about construction, it gives other skills as well, such as presenting and putting information together. Do not stop this programme, I have learnt so much in the past week."

Our WOWEX programme is now supporting the pipeline of young talent coming into our business. In 2018, one young woman secured an apprenticeship placement with ISG, training to be a quantity surveyor, and we have had a further four WOWEX participants apply for our apprenticeship programmes in 2019.

"I liked getting the chance to build our tower and then talk about it because I am usually quite quiet, but I felt really proud of myself, so I wanted to talk about it."

Year 5 student, St Francis Catholic Primary School

"ISG has supported Enabling Enterprise since 2015. Our partnership has included inspiring workplace visits, and ISG's financial support has also allowed us to grow our support to schools in Manchester. The enthusiasm of ISG and its employees makes a real difference to the experience of the young people we work with. We are excited about the potential to work together more closely in the future through the Skills Builder Partnership."

Simon Hill, Head of Partnerships, Enabling Enterprise

Top image: An ISG-led Enabling Enterprise event, UK
Bottom image: WOWEX programme, Bradford, UK

Bringing out the 'charity' in #TeamISG

It is important to us that we engage, enable and empower our people to give back to causes that they feel passionate about.

Through our corporate charity partnerships, project-specific local community initiatives, employee volunteering opportunities, and offering matched-funding to ISG employees for their personal charitable fundraising endeavours, we are committed to benefitting our local and global communities.

In 2018 we exceeded our expectations, and through the combined power of #TeamISG and the support of our customers and our supply chains, have provided over £348,000 of fundraising, corporate donations, pro bono and gift-in-kind support to charitable causes.

Highlights include:

- £132,000 raised through employee fundraising for our UK charity partner, Macmillan Cancer Support. This enabled us to achieve our £200,000 fundraising goal over the two-year partnership, which has now come to a close.
- £57,000 of pro bono support and material donations to complete the Singapore Down Syndrome Association's (DSA) Independent Living and Training Centre.
- £21,000 in pro bono time and donation of security doors to support The Passage homeless charity in developing a robust security solution after it had a breach at its building entrance in London.
- £20,000 spent managing heavy groundwork preparation to support the regeneration of an educational garden space for Christ Church Primary School in Battersea, London, supporting its vision of enhancing the education and development of students through outdoor learning.
- £4,000 value of the donation and installation of 31 automated water taps at the Al Noor Training Centre for Persons with Disabilities in Dubai, UAE. Previous works carried out include ceiling, flooring and bathroom refurbishments.

We continue to promote engagement and support of charitable causes across the Group, focusing our efforts on health and well-being, environment, and employment and skills.

In the UK, our new corporate charity partner for 2019-2021 is Mental Health UK. Through this partnership we aim to:

- offer an unbeatable employment experience by engaging our employees in giving back
- drive revolutionary change in our industry, better understanding and addressing issues within construction that influence mental ill health, and focusing on prevention
- promote mental health across the Group, upskilling our people and providing healthy work environments.

#TeamISG getting involved in giving back to our communities

Celebrating our 2018 CCS Awards, including the accolade of Most Considerate Site Runner-Up, UK

CONSIDERATE PARTNER CONSTRUCTORS

> "The Thornaby Fire Station site continues to demonstrate 'exceptional' in terms of its appearance and of the first impressions a visitor or neighbour will have. Holding awareness courses in respect of mental health, skin cancer and more particularly, prostate cancer, is brilliant. An exceptionally good site from an exceptionally good contractor."

Assessor, Considerate Constructors Scheme

Being a considerate contractor

ISG is committed to safeguarding the health, safety and well-being of our workforce and the public, while engaging and benefitting the communities where we work.

As a founding member and partner of the UK's Considerate Constructors Scheme (CCS) we strive for best practice and continual improvement, engaging and upskilling our workforce to:

- uphold the professional and well-managed appearance of our projects
- respect the communities that we operate in
- be responsible and accountable, securing everyone's safety and protecting the environment
- value the people we work with, treating them fairly and with respect.

In 2018 we celebrated winning nine CCS National Site Awards – four Bronze, four Silver, one Gold – and our Thornaby Fire Station project team in Stockton was also awarded the Most Considerate Site Runner-Up Award. These awards reflect the outstanding dedication and performance of our project teams across the UK.

CONSIDERATE 2018 CONSTRUCTORS
MOST CONSIDERATE SITE
RUNNER-UP

Environments

We are all responsible for protecting and preserving our natural environments. As a construction services company responsible for shaping the places of tomorrow, we take that responsibility particularly seriously – striving to be leaders for our customers in achieving or surpassing their environmental goals, and urging our people to think and act responsibly by showing leadership in setting behavioural standards.

1.9t/£100,000 **construction waste production / revenue** (2017: 2.3t/£100,000* revenue)	96.9% **construction and demolition waste diverted from landfill** (2017: 96.1%)
5,687 tCO_2e **scope 1, 2 and 3 greenhouse gas emissions - three-year rolling average** (2017: 6,932 tCO_2e)	39% **reduction of greenhouse gas emissions against 2015 baseline** (2017: 26%)

Reducing our waste

Reducing our construction waste is a key part of driving resource efficiency, protecting our planet, and achieving optimal operational efficiency. To support this we have spent the past two years putting in place the tools and mechanisms required to ensure our waste data is comprehensive, robust and accurate. Through our bespoke online Sustainability Tool for Reporting Engagement and Environmental Management, STREEM, we now have audited waste data for 2016–2018 across the UK, and have implemented procedures to support our 5% year-on-year reduction target.

In 2018, we produced 1.9 tonnes of construction waste per £100,000 revenue in the UK, down from 2.3t/£100,000* in 2017, achieving a reduction of 17.4% and already achieving our target of <2.48t/£100,000 by 2021.

We also improved on the reuse and recycling of waste materials, increasing our average diversion from landfill to 96.9%.

These positive outcomes are the result of a maturing waste strategy through focusing on the following key elements:

- Data completeness and accuracy. Two days per quarter are set aside for internal data audit, undertaking a gap analysis of source data and interrogating any outlying data for accuracy.
- Trialling the wider adoption of:
  - online business-to-business and business-to-charity material reuse platforms
  - Direct donation to charities and material reuse social enterprises
  - Take-back schemes with manufacturers.
- Rationalisation of our preferred waste management supply chain partners, with associated support on site management and segregation, and supporting social value where possible.

Recycling Lives

While we endeavour to minimise our waste production, we also look for opportunities for good to come from the waste that we do produce. Recycling Lives has been working with ISG since 2014. It works to reduce reoffending by rehabilitating offenders through training and employment, supporting homeless men to secure a stable living environment and offering opportunities for training and employment, and supporting vulnerable members of the community by redistributing surplus food. As a result of this partnership, and our associated spend with Recycling Lives in 2018, we have contributed to the delivery of over 2,700 meals as part of the Food Re-Distribution Centre, and saved over £27,000 by Recycling Lives working to prevent re-offending, and providing employment, training and accommodation to ex-offenders through the HMP Academy Programme.

* Our 2017 construction waste production performance is restated as 2.3t/£100,000 from the baseline figure of 3.04t/£100,000 which informed our 5% year-on-year reduction targets. This is a result of enhanced data capture and audit process since publication of our 2017 annual sustainability report.

Reducing our emissions

We are pleased to report that we have continued to reduce our global greenhouse gas emissions in line with climate change science.

Utilising science-based target methodologies, ISG established a target to reduce absolute emissions by 21% by 2021 and by 71% by 2050, reporting on a three-year rolling average, against our 2015 baseline. In 2018 we have reduced our emissions by 39%.

In 2018 we implemented a number of strategies to help reduce our emissions and reduce our wider environmental impacts. This included our 'Think before you' campaigns, led by our finance team, encouraging employees to think before they travel, print, and roam. This contributed to a 25% saving in our printing costs, supporting resource efficiency through the reduction of paper, toner and energy consumption.

The roll-out of our IT strategy, including Office 365 and Skype for Business, has seen a significant increase in online communications, enabling our people to be more agile in the way they work.

Our strategy around emissions reduction moving forward is outlined within the driving revolutionary change section of this report on pages 66-67.

ISG's global greenhouse gas emissions: market-based financial control

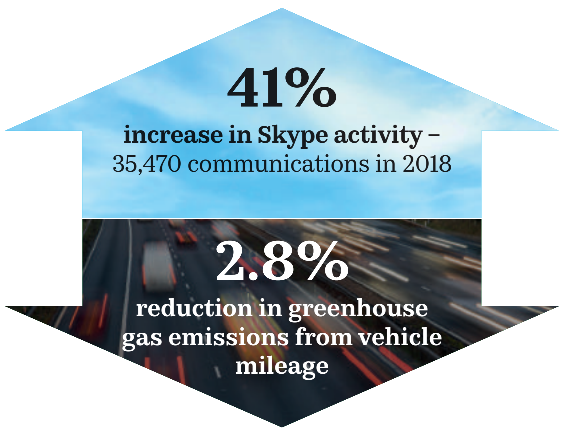
Emissions source	2015 emissions (tCO_2e) (baseline)	2016 emissions (tCO_2e)	2017 emissions (tCO_2e)	2018 emissions (tCO_2e)	Three-year rolling average	Variance: three-year rolling average v 2015 baseline
Waste	798	990	360	425	592	-26%
Vehicle mileage	3,639	3,188	2,248	2,413	2,616	-28%
Liquid fuels	3,044	1,446	701	1,598	1,249	-59%
Electricity	1,379	776	935	645	785	-43%
Gaseous fuels	269	255	107	351	237	-12%
Refrigerant gases	176	252	233	137	207	18%
Total emissions	**9,305**	**6,907**	**4,583**	**5,570**	**5,687**	**-39%**

All emissions have been independently audited and verified by third-party consultant, Carbon Smart.

Breakdown of our 2018 scope 1*, 2** and 3*** greenhouse gas emissions

	Market-based (tonnes)
Scope 1	30
Scope 2	-
Scope 3	5,540
Scope 1+2	30
Scope 1+2+3	5,570

Impact of Skype roll-out



* Scope 1 – direct emissions from ISG-owned or controlled sources e.g. use of diesel on site through vehicles.

** Scope 2 – indirect emissions from the generation of purchased energy e.g. use of electricity to power sites / offices.

*** Scope 3 – indirect emissions (not included in scope 2) that occur in the value chain of ISG e.g. business mileage of our employees and emissions from the non-project-related goods and services that we procure directly.

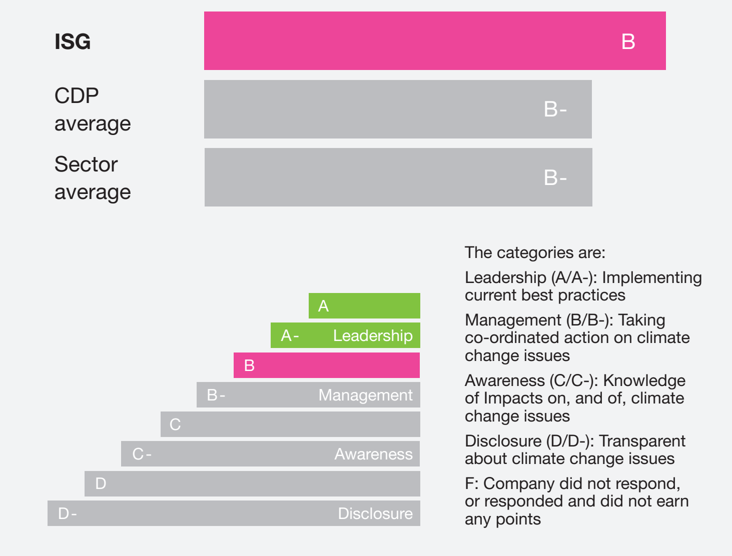
Managing our emissions and tackling climate change

2018 was the fifth year ISG has voluntarily responded to the CDP climate change programme. The programme and score reporting allows companies to benchmark and compare their progress towards environmental stewardship against peers, in order to continuously improve their climate change governance and administration.

The 2018 reporting period saw the introduction of new areas of disclosure, further examining our approach to carbon reduction, and a change in the scoring methodology. We received a score of B, within the 'Management' band of the scheme, and above the construction sector, general CDP response, and European regional averages of B-.

Our score demonstrates our commitment to transparent reporting, reducing greenhouse gas emissions and achieving our corporate goal of achieving optimal operational efficiency.

CDP Score 2018



Making London the world's greenest city

As a direct consequence of our consistent performance within the CDP climate change programme, ISG was invited to take part in the London Business Climate Leaders initiative.

Partnered with the Mayor of London and organisations from the built environment, media, technology and retail, this collaborative initiative aims to reduce carbon emissions from London-based business operations above and beyond national targets, and to share new ways of sustainable working, making London the world's greenest city.

A number of baseline commitments have been adopted by the leadership group, with additional stretching commitments agreed to take the initiative further, and faster. The commitments specific to our operations include:

Clean energy

Commit to purchasing 100% renewable electricity for London-based properties and mapping on-site renewable potential of London-based properties by 2020.

ISG in partnership with London Business Climate Leaders initiative to reduce emissions and improve London's air quality

Waste and circular economy

Reduce waste generated by 50% by 2030, achieve a 75% recycling rate and reach zero waste to landfill by 2025 – ensuring only unavoidable waste is sent for incineration.

Energy-efficient buildings

Set energy-efficiency targets for 2020, 2030 and 2050 that demonstrate a trajectory towards zero-carbon buildings by 2050 in London.

As a member of this leadership group, ISG will play a key role in engaging with the wider construction industry to provide more meaningful impact from these commitments. The second phase of this initiative has seen ourselves join with other members to break down the commitments further, and identify action plans for each work stream.

Protecting our planet

As a responsible business, ISG considers its environmental impacts at a global and local level in line with our ISO 14001:2015 certified management systems. This forms part of our overall review of our risks and opportunities and informs business strategy.

Each project is assessed based on local environmental factors and project-specific scopes of work, and relevant plans and procedures are produced to manage and minimise these impacts, while identifying opportunities for enhancement.

In 2018 we incurred two reportable environmental incidents.

The first incident involved a diesel spill from a faulty generator, feeding the temporary power supply for site lighting while the national grid supply was switched off by the UK Power Network (UKPN).

From a thorough investigation conducted by our in-house environmental specialists, alongside an independent engineer and the plant hire company, a number of issues came to light:

- Faulty plant with no audible alarm system on the generator
- Positioning of the generator and diesel bowser on site
- Excessive volume of fuel procured for a 24-hour period requirement

As a result we are in the process of updating our procedures across a number of areas including procurement, site set-up and emergency response, and developing training for staff and our supply chain.

The second incident involved a fire inside a waste compactor lorry visiting one of our project sites.

A thorough investigation by our waste management supply chain partner identified the presence of batteries, unused nail gun charges and aerosol cans from a previously visited non-ISG site.

Although the cause of the fire was not a result of failure in ISG procedure, we recognise the potential for such incidents to occur where hazardous waste management controls are not adhered to. As such we have shared the learning from the incident across the business, and reinforced our expectations with regard to waste management best practice.

To support environmental best practice awareness and application, we have developed ISG-specific environmental awareness training for project delivery staff, which will be rolled out in 2019. We have also updated our senior directors' site tour inspection template to include more detail around environmental aspects and impacts. To further reinforce this, we have created an e-learning module for those undertaking these site tours.

Delivering sustainable spaces

In 2018, over 52% of our revenue was from projects completed to industry-recognised environmental assessment certification standards, including two BREEAM 'Outstanding' projects, in London and Cardiff, and our first Platinum WELL Building Standard certification, in London. This demonstrates our customers' increasing recognition of the importance of sustainable development, reducing their environmental impacts, and saving them money.

Our vast experience of BREEAM, LEED, Ska Rating, WELL Building Standard, and other schemes, with in-house qualified assessors, means we are well placed to support our customers in achieving their sustainable building goals, working with and continually upskilling our experienced supply chain to meet increasingly stretching compliance targets.

3 Central Square, Cardiff, UK – on target to achieve BREEAM 'Outstanding'


ADVANCED ACCESS

DATACOM

Integrated business strategy

ISG published its 2021 Sustainable Business Strategy in 2018, which illustrated our first steps towards breaking down the perceived separation between commerciality and corporate responsibility. We aligned our sustainable business goals around our four corporate goals, demonstrating to our stakeholders the benefits of integrated thinking, and driving purpose beyond profit. Taking this further, in 2018 we committed to undertaking an assessment of material issues that have the potential to impact our ability to create value for our business and society, involving our stakeholders in the process, and reviewing our strategies accordingly.

With only two years until 2021, we felt it was important to stretch our vision and centre our thinking around how we can achieve all four corporate goals by 2024 – aptly naming our new corporate strategy 'All 4 by 24'. In this section, we describe our materiality assessment process, the results, our business model and the governance structure that we believe will support our desired value creation, in light of our principal risks, uncertainties, opportunities and the outlook of the business.

Datacom, Kuala Lumpur, Malaysia

What is material to ISG?

In line with corporate reporting best practice, ISG's business model and strategy is based on a comprehensive assessment of the risks and opportunities facing the business, and matters that both ourselves and our stakeholders believe can have a material impact on the present and future success of our business.

This forms the basis of presentation in determining the value we want to create and the material issues we must address. By engaging with our stakeholders, becoming aware of their perspectives, and considering the wider outlook of our industry, we are able to make better-informed decisions that support our ability to achieve our vision and create value.

Engaging our stakeholders

Our ability to maintain our market-leading position across our core sectors and geographies is dependent upon developing and maintaining strong, constructive relationships with a diverse range of stakeholders. ISG's stakeholders include our customers, employees, consultants, communities, external auditors, industry bodies, legal advisors and our supply chain. We also actively participate in initiatives alongside competitors and other industry professionals, driving collaboration to assess and address issues facing the industry.

Identifying our material issues

Through our customer relationships, involvement in industry stakeholder groups, and monitoring global news, we continually scan the horizon to determine issues impacting the sectors and geographies where we work. This helps us to identify and minimise risks, and maximise opportunities to develop and secure our profitable business.

Being mindful of issues on a local, national and international scale, we monitor and forecast, where possible, the potential impacts of socio-economic, political, and environmental risks, contributing to our internal risk registers. This is supported by monthly reports produced by each business unit and enabling department, elevating issues to the Executive Board for review and immediate or long-term consideration and action as part of business planning.

As we move towards a greater integrated approach to our business strategy, and focus on wider value creation beyond profit, we have conducted a materiality assessment to inform our business model going forward.

Our process for determining our material issues involves four steps: consultation, analysis, review and approval.

1. Consultation

In 2018 we undertook a survey of our stakeholders to identify, assess and prioritise the issues that are material to our business.

We anonymously surveyed a wide range of ISG's stakeholders, asking them to rank and prioritise 14 material issues they believe ISG should be addressing now. We also asked them to identify up to three issues they believe will become significantly more material to ISG's operations in the next three-to-five years, and three issues they believe will become less material.

We asked if there were any issues not listed that ISG should be addressing. For external stakeholders such as customers, consultants and supply chain members, we also asked them to let us know of any relevant material issues, targets or objectives their own organisations were addressing.

2. Analysis

We received 156 survey responses from eight different internal and external stakeholder groups.

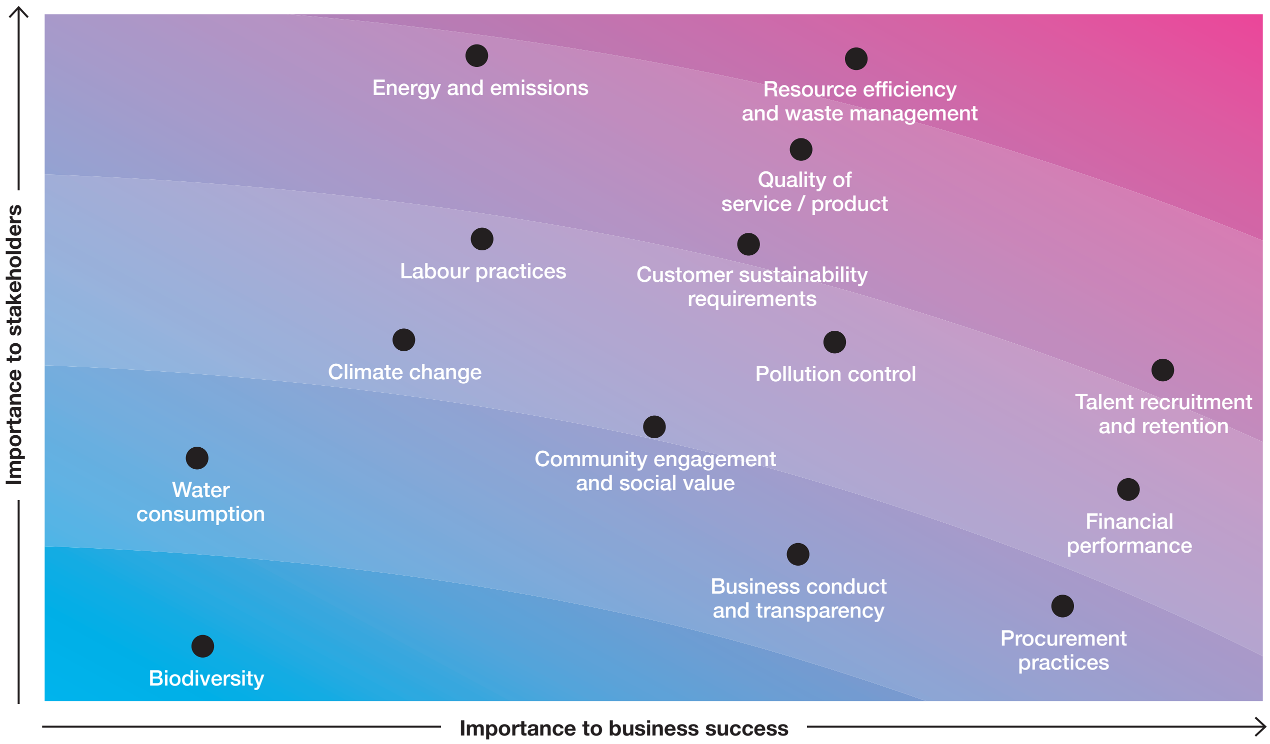
The responses were analysed, and a weighting was applied according to the perceived influence each stakeholder group has on our business.

The results were re-ranked in priority order, demonstrating the issues' positions of importance to stakeholders on our materiality matrix.

A workshop held with members of our Executive Board reviewed the results and ranked each issue relative in importance to our business (considering the achievement of our vision, values and corporate goals, our geographical footprint, the degree to which we can affect change, and the potential to impact our ability to create value). The 'Importance to business success' categories were:

- Minor
- Important
- Substantial
- Business critical

Issues material to ISG: Stakeholder survey results



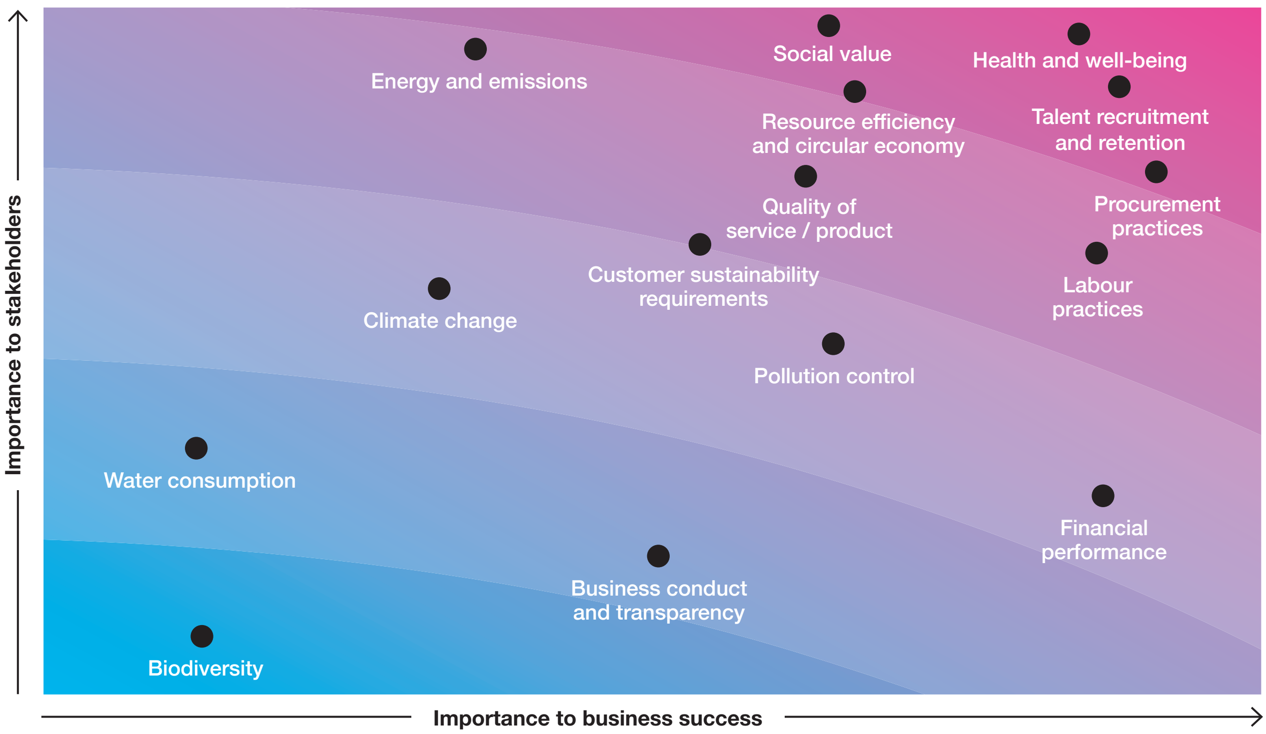
3. Review

As part of the Executive Board workshop, each material issue was subsequently discussed in tandem with a review of our risks, opportunities, global megatrends, the UN Sustainable Development Goals (SDGs) and our business performance and goals. We also reviewed the issues that our customers and supply chain members are addressing.

As a result, some issues were added to our matrix, and others elevated or separated out as independent items, in recognition of their potential impact on our business:

- Health and well-being
- Circular economy
- Talent
- Social value
- Procurement practices
- Labour practices

Issues material to ISG: Executive Board workshop review



Looking forward

We asked our stakeholders to identify the issues ISG should be addressing in the future, so that we can develop a business model and strategy that enables us to address our material issues and create value in the short-, medium- and long-term future.

This provided the groundwork for establishing the value that we want to create, and the business model to achieve it.

2019 - 2024	>2025
Energy and emissions	Climate change
Resource efficiency	Energy and emissions
Climate change	Social value
Talent	Labour practices
Quality of service and product	Talent
Social value	Client requirements

Developing our strategy

We reviewed and defined what it means to achieve our corporate goals and how these will enable us to create value.

During the Executive Board workshop, we identified our inputs (resources) and outputs (product, services, by-products and waste) in terms of the six capitals:

- Financial
- Human
- Natural
- Manufactured
- Intellectual
- Social

We then established the desired outcomes (the value we want to create):

- Supporting local and global economies
- Upskilling our employees and supply chain
- Providing social value to our local communities
- Safeguarding the health and well-being of our stakeholders
- Reducing our environmental impacts
- Improving building stock performance
- Providing our clients with better places to work
- Enhancing our brand

These have been mapped to our corporate goals, our material issues, and overarching key performance indicators (KPIs) that will quantify our performance.

Corporate goal	Value creation	Material issues being addressed
 **Offer an unbeatable employment experience** (KPI: as measured by the Best Companies™ b-Heard employee survey)	**Upskilling our employees and supply chain** ■ Training and development ■ Providing job resilience and adaptability ■ Reducing staff turnover **Safeguarding the health and well-being of our stakeholders** ■ Minimising accidents and incidents ■ Protecting long-term physical and mental health **Providing social value to our local communities** ■ Job creation ■ Skills development ■ Reducing the labour and skills gap in the industry ■ Pro bono work and charitable support ■ Volunteering opportunities for our people to give back to our communities **Enhancing our brand** ■ Employee feedback ■ Attracting and retaining talent	■ Talent recruitment and retention ■ Social value ■ Health and well-being ■ Quality of service and product ■ Resource efficiency ■ Financial performance
 **Provide the best customer experience in our industry** (KPI: % revenue from repeat business)	**Improving building stock performance for clients** ■ Increasing quality of product ■ Optimal energy performance ■ Reducing whole life cost for our customers ■ Reducing environmental impacts from inefficient building performance **Safeguarding the health and well-being of our stakeholders** ■ Minimising accidents and incidents ■ Reducing long-term health impacts and absenteeism ■ Creating healthy environments for our customers and their employees **Supporting local and global economies** ■ Investing in local supply chains **Enhancing our brand** ■ Attracting and retaining talent **Upskilling our employees and supply chain** ■ Increasing quality of service **Providing social value to our local communities** ■ Meeting customers' sustainability requirements ■ Job creation ■ Skills development ■ Pro bono work and charitable support ■ Volunteering opportunities for our people and customers to give back to our communities **Providing our clients with better places to work** ■ Creating spaces that support health and well-being ■ Ensuring quality of service and product ■ Meeting customer's sustainability requirements	■ Quality of service and product ■ Energy and emissions ■ Climate change ■ Customers' sustainability requirements ■ Resource efficiency ■ Social value ■ Health and well-being ■ Procurement practices ■ Labour practices ■ Talent recruitment and retention ■ Financial performance

Corporate goal	Value creation	Material issues being addressed
Achieve optimal operational efficiency (KPI: % net margin)	**Supporting local and global economies** ■ Financial return to our owner and our employees ■ Turnover to our supply chains ■ Tax contributions to governments ■ Providing and safeguarding employment **Reducing our environmental impacts** ■ Resource efficiency / waste minimisation / reducing our greenhouse gas emissions **Safeguarding the health and well-being of our stakeholders** ■ Minimising accidents and incidents ■ Reducing long-term health impacts and absenteeism ■ Creating healthy environments for our customers and their employees **Improving building stock performance for ISG and our customers** ■ Optimal energy performance ■ Reducing whole life cost ■ Reducing environmental impacts from inefficient building performance ■ Meeting customers' sustainability requirements **Upskilling our employees and supply chain** ■ Reducing staff turnover ■ Improving quality of service and product	■ Financial performance ■ Resource efficiency ■ Energy and emissions ■ Health and well-being ■ Quality of service and product ■ Procurement practices ■ Labour practices ■ Social value ■ Talent recruitment and retention ■ Customers' sustainability requirements ■ Pollution control ■ Climate change
Drive revolutionary change in the construction industry (KPI: % reduction in ISG's greenhouse gas emissions)	**Reducing our environmental impacts** ■ Resource efficiency / waste minimisation / reducing our greenhouse gas emissions **Improving building stock performance** ■ Optimal energy performance ■ Reducing whole life cost **Supporting local and global economies** ■ Investing in local supply chains ■ Promoting local employment ■ Reducing transport emissions	■ Energy and emissions ■ Climate change ■ Pollution control ■ Financial performance ■ Customers' sustainability requirements ■ Resource efficiency ■ Social value ■ Procurement practices ■ Quality of service and product

4. Approval

The results of our materiality assessment and proposals for achieving our 'All 4 by 24' strategy were presented to our top 50 leaders at our annual Global Leadership Conference (GLC). Together, they reviewed and agreed the KPIs ISG will measure ourselves against under each goal.

This process is important in communicating ISG's purpose beyond profit and gaining the buy-in of our global leaders to drive our performance around this strategy. In December the KPIs supporting our 'All 4 by 24' strategy were agreed and endorsed by our Executive Board. To further drive, develop and deliver our strategy, senior leaders at Group level have been assigned as 'goal owners'.

Equinox, London, UK

How ISG creates value

This business model demonstrates how ISG uses financial, manufactured, intellectual, human, social and natural capital to support our four corporate goals, and create value for our business, our industry and our world.

Inputs

Financial
Investment
Spend

Manufactured
Plans and equipment
Products

Intellectual
Knowledge / skills
Experience
Technology

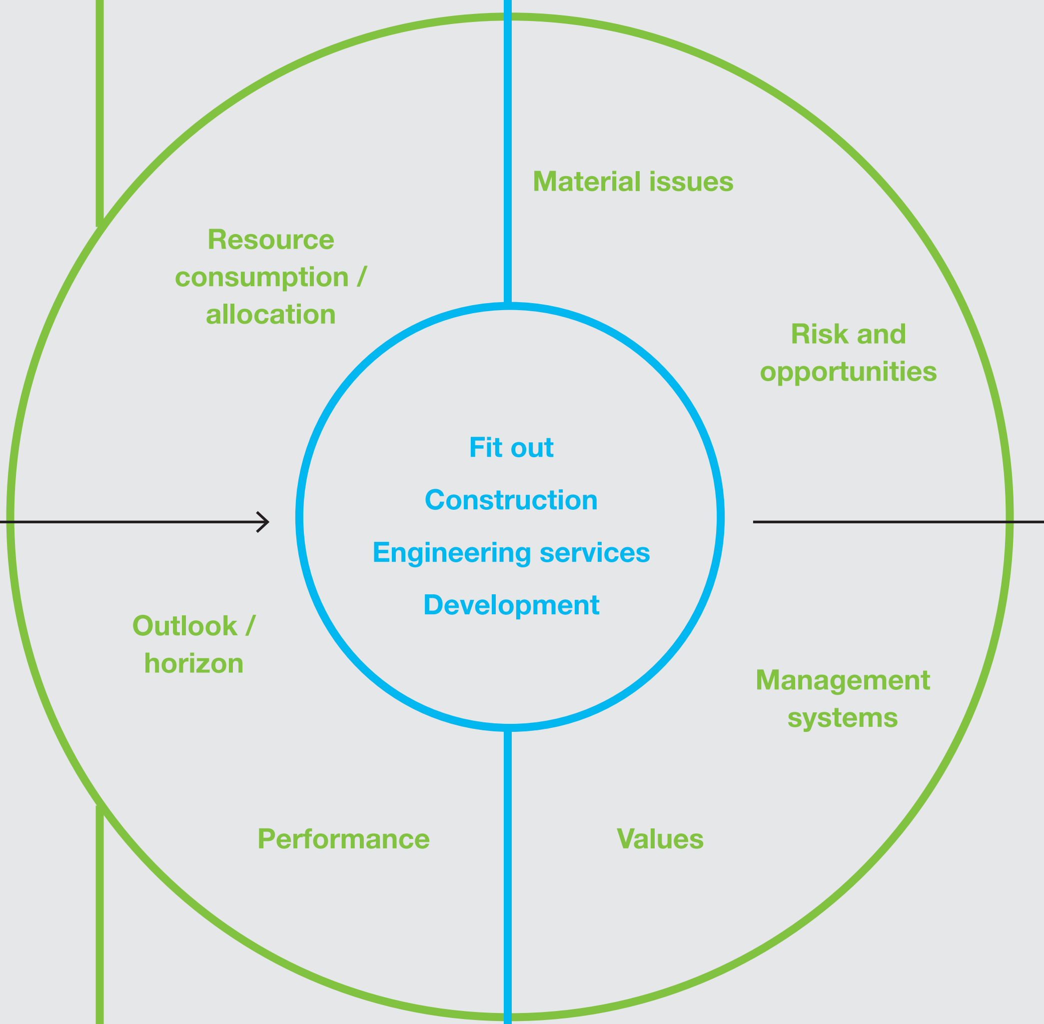
Human
Employees
Supply chain

Social and relationship
Customers and consultants
Supply chain
Charities and communities
Other external stakeholders

Natural
Materials / water / energy

Governance

Business activities



Value creation, preservation

Outputs

Financial
Revenue
Profit
Cash flow
Forward order book

Manufactured
Offices, datacentres, laboratories, warehouses, shops, schools and medical, hospitality, leisure, government and HE facilities

Intellectual
Intellectual property
Innovation and profession

Human
Recruitment / retention
Upskilling / qualifications

Social and relationship
Repeat customers
Strategic supply chain
Social value

Natural
Creation of natural habitat
Enhancement of biodiversity
Minimising resource depletion (responsible procurement and use)

Outcomes

Achieving our goals

Offer an unbeatable employment experience

Provide the best customer experience in our industry

Achieve optimal operational efficiency

Drive revolutionary change in the construction industry

Creating places that help people, businesses and the environment to thrive

Supporting local and global economies

Upskilling our employees and supply chain

Providing social value to our local communities

Safeguarding the health and well-being of our stakeholders

Reducing our environmental impacts

Providing our clients with better places to work

Enhancing our brand

and diminution over time

Governance

"ISG's culture is built on innovation, honesty, accountability and collaboration. I believe clear governance, driven by flexible and inclusive leadership, sets the tone for how we do business."

— Paul Cossell, CEO

ISG's core values are at the centre of our governance strategy. The ISG plc Statutory Board includes our chairman and representatives of our parent company, in addition to our Executive Board. The Executive Board is the primary governance and oversight body for ISG, and its responsibilities include providing entrepreneurial leadership, approving and shaping our long-term strategy, reviewing management performance and upholding our brand.

ISG is led by our CEO, Paul Cossell, who takes overall responsibility for ISG, our strategy, and our subsidiaries across the world. Paul is supported by members of the Executive Board: Mark Stockton, chief financial officer; Richard Hubbard, chief marketing officer; Jane Falconer, chief human resources officer; Matt Blowers, chief operating officer - fit out; Gordon Kew, chief operating officer - UK construction; and Paul Weaver, chief operating officer - engineering services.

The ISG plc Statutory Board is supported by the Executive Board who are responsible for strategy development, implementation, and performance reporting across core functions including finance, legal, HR, IT, marketing and communications, business development, quality, health and safety and sustainability.

Four group directors are leading our efforts to achieve our 'All 4 by 24' strategy, each driving one of our four corporate goals. They are responsible for developing and implementing strategy with the support of our central services and operational teams, and reporting performance to the Executive Board.

Our governance structure and controls ensure we behave ethically and responsibly, effectively responding to matters that have the potential to impact our financial, operational and reputational performance. Understanding the importance of talent within our business, we also have personal development and succession-planning structures in place to secure our effective leadership into the future and supporting our ability to create value in the short-, medium- and long-term future.

Our management systems are robust, regularly reviewed and maintained, and detail our policies and procedures relevant to the geographies and sectors where we work. The processes to achieve our strategy will be developed and integrated within our management system, safeguarding our journey to becoming the world's most dynamic construction services company, and providing resilience against changes in personnel and leadership.

We will continue to review our material issues, risks and opportunities, with stakeholders, to ensure our strategies remain relevant for creating value beyond 2024.

ISG plc Statutory Board

Executive Board

Offer an unbeatable employment experience	Provide the best customer experience in our industry	Achieve optimal operational efficiency	Drive revolutionary change in the construction industry

Enabling departments and operational teams

Policies, procedures and company management systems

Managing our risks and opportunities

The ability to identify, evaluate, monitor and, where appropriate, implement action to mitigate risks and exploit opportunities within the Group is fundamental to ISG's continued success. A key objective of the Group's directors (the Board) and its senior management team is to safeguard and, where possible, increase the inherent and societal value of the Group and its assets.

It is the responsibility of the Board to set appetite levels and best practice for risk and opportunity (R&O) management, to be adopted within each area of the business, and to ensure that effective and relevant frameworks and internal controls are in place. The potential impacts of the Group's material risks and opportunities, and relevant responses, are regularly monitored at a central level by the Board, and monitored at a local business unit level.

As a business we continually horizon-scan our industry, our supply chains, and the socio-economic conditions of the geographies and sectors in which we work. Operational business units and central enabling functions complete monthly reports on our performance, to highlight any issues of concern or interest to the Board.

The Executive Board is the principal decision-making forum for ISG, through which all strategies affecting the Group are ratified and approved for action.

A central Risk Committee, headed by chief financial officer, Mark Stockton, has been established to convene every two months to review risks, identifying the appropriate mitigation measures or positive actions to be taken, and any investment required to effectively address matters in the short-, medium- and long-term future.

The Risk Committee:

- identifies key business risks via risk registers, and ensures registers are accurately maintained and regularly reviewed
- ensures high risks are appropriately managed, with suitable mitigations, resource, timescales and owners agreed; progress is monitored and challenged on a regular basis
- approves the internal audit programme of work, and the output of the internal audit function
- approves new, and any changes to, key policies and procedures before Board sign-off
- reports progress and makes recommendations to the Executive Board.

ISG has also established a Business Change Board, also headed by chief financial officer, Mark Stockton, which convenes monthly, with the purpose of improving ISG's decision-making on business change activities to ensure ISG prioritises effectively, delivers to time, and realises business benefits in a timely fashion.

The Business Change Board:

- approves new project business cases up to delegated limits
- ensures 'privacy by design' for all new / amended business processes, via the use of data protection impact assessments for projects involving personal data
- makes portfolio prioritisation and risk mitigation decisions
- holds the project teams to account on spend, time and benefits realisation
- manages overall portfolio spend to budget
- reports progress and makes recommendations to the Executive Board.

It should be noted that the Group's procedures can only help to reduce certain risks, rather than eliminate them entirely, and present opportunities for evaluation in light of reasonable practicability. Some issues identified may be, to a greater or lesser extent, beyond the Group's influence or control.

ISG has identified opportunities, many of which have the potential to minimise several of our business risks, while at the same time supporting one or more of our corporate goals, and which serve to create value for our business and our communities. We will review potential opportunities for their viability, and potential short-, medium- and long-term benefits, and report further on these in our 2019 Annual Report.

A summary of the principal risks and uncertainties that have been identified by the Board that could impact on the Group's performance is shown in the table on the following pages, together with details of the actions that are being taken.

Risks and impact	Mitigation
Macro-economic and political conditions Difficult macro-economic conditions and political instability in certain geographies that the Group operates in. This could lead to an adverse impact on the forward order book and profitability, increased competition and an over-reliance on key clients.	The Group will continue to develop its diversification strategy across a broad geographical and sector spread. A focus is also placed on repeat business from key blue-chip clients. A regular review is carried out of economic prospects within the countries in which the Group operates, to include forward order book and general market data. There is regular engagement with both existing key clients and potential clients, based on an enhanced service offering and quality of service, not just price. Involvement in key stakeholder groups places ISG at the forefront of thought leadership and risk mitigation. Regular reviews are also undertaken of ISG's long-term strategic plan, together with monthly / quarterly operational and budgeting / forecasting reviews.
Financial management Interest rate fluctuations could potentially adversely impact on the cost of funds borrowed. Fluctuations in the currency markets could potentially adversely impact on profit and net asset values. A failure of any financial institution in which funds are placed could result in a loss of those funds. There may be insufficient bonding capacity in the markets to support business growth, thus causing a liquidity risk for cash and bonding. Treasury / banking counterparty risks and the management of working capital and overheads may also create risk exposures for the business to manage.	Interest rates are monitored on a consistent basis within the Group. The use of interest rate swaps is regularly considered; the Group's positive cash balance acts as a natural hedge. Exchange rates are monitored on a consistent basis within the Group. Known currency transactional exposures are managed via forward foreign exchange contracts, where appropriate. Financial hedge instruments also help to mitigate foreign currency exposures. Project cash flows are regularly monitored (in addition to profitability) by both commercial and financial teams. The Group treasury function (operating within policies and procedures set by the Board) ensures there are sufficient levels of liquidity facilities (including bonding), cash and cash equivalents, to enable the Group to operate efficiently and to meet its liabilities as they fall due. Group funds are deposited with a range of financial institutions to ensure an appropriate breadth of investment. The Group has an internal audit function to help identify and monitor risks in the business.
Counterparty impact Exposure to counterparty risk from customers, subcontractors and suppliers, which could lead to significant financial losses, and impact on reputation. Customers may not be able to meet their payment obligations to the Group and thus create credit risk. Subcontractors and suppliers may not be able to meet their material and service provision obligations due to reasons such as overstretching their capacity, going into receivership, or mismanagement of their supply chain. Incorrect advice from consultants could result in design and contractual risk, potentially impacting legal compliance.	The Group's key customers are generally of a blue-chip / international standing and therefore have strong creditworthiness. A credit risk assessment is carried out on customers before a contract is signed. Where possible, credit insurance is taken out on clients; other arrangements are also often considered such as the use of escrow accounts, reduced credit terms and retentions. The financial stability of each subcontractor is regularly monitored, and appropriate retentions are held. ISG's standard UK subcontract incorporates a 'pay when paid' clause in the event of client insolvency (this is Construction Act compliant). This means that if an employer becomes insolvent we only have to pay our subcontractors to the extent that we have been paid by the employer (or insolvency practitioner). Parent company guarantees, third-party bonds, and / or other appropriate security is required from subcontractors. A thorough pre-qualification process is also carried out before appointing new subcontractors, whose performance is regularly monitored thereafter. Various checks and balances are in place to ensure the Group is not dependent or exposed to any one, or a small number of, subcontractors or other suppliers.
Procurement and labour practices Subcontractors and suppliers may contravene legislation through a lack of understanding of the risks, and competence in their own procurement practices, putting ISG at risk of non-compliance with legislation and local codes of practice. Risk of prosecution and financial penalties, and potential impact on reputation.	ISG has in place corporate policies that address key issues such as The Modern Slavery Act 2015, The Bribery Act 2010, and prohibiting the use of products from species prohibited under CITES or from illegal sources. These are supported by our robust supply chain pre-qualification, procurement, and management procedures, and training for our employees and subcontractors. In the UK, existing and potential new subcontractors are required to sign up to our antislavery and human trafficking supply chain commitment (the Supply Chain Commitment) as part of the subcontractor approval process. Relevant employees are required to undertake mandatory e-learning modules on Modern Slavery and Anti-Bribery. We also provide awareness training for our site workforce on relevant topics, including information within our site inductions, bespoke workshops where appropriate, and awareness materials displayed on site. Our site induction processes include 'right to work' checks.

Risks and impact	Mitigation
Recruitment, development and retention of employees A high-calibre workforce is crucial to delivering the Group's strategy and in ensuring the delivery of a high-quality service. Growth of the business through increased revenue, exceeding talent availability to service our projects, could put our quality of service and product at risk, impacting customer experience. Competitors may try to poach key employees from within the Group who are difficult to replace. A loss of key employees may cause staffing issues, which may adversely impact on both project delivery and wider growth opportunities. A lack of externally available, suitably effective training courses to meet the skills and development needs of employees and the supply chain could result in a knowledge gap, and impact the quality of our service and product.	Resource planning ensures that we can build the pipeline of talent we need to meet the business requirements. Our performance development review provides the opportunity for regular performance discussions, identifies areas for personal development, and allows for a conversation about career aspirations. ISG's in-house learning and development vehicle, Smartspace, allows employees to access learning that ensures we develop the capabilities we need while also supporting personal growth and development. A global annual employee survey is carried out which allows us to develop action plans to drive improvements in employee engagement. The remuneration of employees is firmly linked to performance and where bonus plans are part of the total remuneration offering, they are linked to the achievement of business goals.
Climate change The impacts of climate change, particularly in terms of extreme weather conditions, have the potential to influence customer investment decisions and supply chain resilience alike. This can affect the breadth and depth of property pipeline, geographical locations selected for development, resource availability and responsible consumption, and building design and technology to improve the lifespan and performance of built assets.	ISG is doing its part to reduce our greenhouse gas emissions in line with the level of decarbonisation required to keep the global temperature increase below 2oC. Our All '4 by 24' corporate goal to drive revolutionary change in our industry is committed to reducing our greenhouse gas emissions. We have set reduction targets in line with a science-based methodology, up to 2050, and are developing our strategies to reduce and offset our emissions. We support our clients in the successful design and construction of their spaces to achieve environmental assessment certification standards, such as BREEAM, LEED and Ska Rating, reflecting best practice environmental performance. We invest in competent people, including our in-house sustainability team (with qualified environmental certification assessors), experienced design managers, and building services engineers, who are well placed to advise our project delivery teams and our clients on enhancement opportunities to improve building performance. We continue to invest in the development of technology, including BIM, to streamline the design process and improve energy-efficient building operation and management for our clients. We are committed to diversifying and upskilling our supply chain to secure long-term availability and supply of responsibly and sustainably sourced key construction materials. We collaborate with industry bodies and our peers on initiatives aiming to change the way we design new office developments in the UK and achieve directly measurable improvements of in-use building performance.
Project delivery and quality of service / product The ability of the Group to continue winning contracts at appropriate profit margins and with acceptable terms and conditions, in markets that are competitive. Failure to manage or deliver a key project in accordance with the agreed contract, to an appropriate standard and within the timescales agreed. This may lead to disputes and have an adverse impact on both the profitability of the Group and its reputation. Overstretching of the Group's supply chain as both markets and sectors grow, which could lead to subcontractor failure.	The Group has a controlled approach to contract bidding and selection (within clearly defined delegated authority levels and agreed sector focus). This ensures that work undertaken matches the capability and resources available, that contractual terms are acceptable, and that clear responsibility for scrutiny and approval is given to the appropriate level of management. Contracts that are in progress are controlled and managed through the Group's operating structure. Regular and detailed reviews take place within each business unit and centrally to monitor forecast revenues, costs to complete the project and cash flows. Appropriate Group risk registers are maintained. Enhanced management and supervision is necessary for projects that are deemed to be higher risk. Regular reviews are also undertaken of each business unit's results, together with monthly / quarterly operational and budgeting / forecasting reviews. The Group operates a project audit team that reports into the Risk Committee to help ensure that projects are delivered to cost and timetable.

Risks and impact	Mitigation
Health, safety and well-being of stakeholders and the environment A failure to manage the Group's health and safety risks could result in serious harm to employees, subcontractors, the public or the environment. The Group could be exposed to significant potential liabilities and reputational damage. There may be a breach of local regulatory requirements.	In the UK and several other countries in which the Group currently operates, its processes and procedures comply with the requirements of OHSAS 18001. Efforts are being made to gradually introduce these standards throughout the global business. The safety of the Group's employees, supply chain, and members of the public, is of paramount importance. A comprehensive policy and framework is in place (to include regular site visits, the recording of accidents, near miss and hazard reporting). The Accident Incident Rate (AIR) is monitored closely in all operating companies within the Group. The Board also reviews these Group AIR statistics at the start of each monthly Board meeting, to consider trends within the business and discuss specific issues or concerns. Best practice is shared within the Group via a health and safety forum, which operates under a zero-tolerance approach to unsafe practices. Health and safety leaders are appointed within each business unit. A health and safety committee also meets regularly, which is made up of representatives from across the business. Regulatory requirements in relation to health and safety, and any changes to these, are regularly monitored by the group health and safety director.
Pollution control and environmental management A failure in our environmental management could potentially result in a pollution incident, or adversely affect biodiversity, causing environmental harm and resulting in potential liability and reputational damage. Management of incidents may also impact on time and costs associated with investigation, remediation and loss of working hours / impact on programme.	The Group is committed to fulfilling its environmental compliance obligations and to take every reasonable measure to conduct its business activities in a safe and responsible manner. The Group aims to minimise negative impact and, where possible, provide positive enhancements to the environment. Our environmental management systems are developed and maintained in line with the best practice recommendations of ISO 14001:2015, and all applicable environmental legislation and regulations. ISG is committed to protecting and, where possible, enhancing the environment. We have in place management procedures, guidance and training to support the effective planning and execution of our operations while minimising and mitigating environmental risks. This also includes robust incident reporting and investigation procedures, with trend analysis, informing any appropriate updates and changes to our management systems. We submit to audit by third-party certification bodies, and our clients where requested, demonstrating our responsible approach to environmental management and commitment to continual improvement.
Legal, regulatory and reporting compliance The Group is required to ensure compliance with ever-changing and increasing legal, regulatory and reporting requirements, in the United Kingdom (UK), European Union (EU) and other countries in which it operates. This includes (but is not limited to) matters such as health and safety, the environment, accounting and taxation, human resources, anti-bribery, modern slavery and the General Data Protection Regulation (GDPR). Part of the Group's growth strategy requires entry in new countries and markets, where there may be different and / or additional legal, regulatory and compliance frameworks. A failure to comply with such requirements could lead to large financial penalties and / or reputational damage.	A regular review of the Group's key policies is carried out at Board level to ensure they remain relevant for the business and in line with legal and regulatory requirements. The Group uses external advisors / consultants, where deemed necessary, to advise on policy and the various compliance responsibilities that need to be adhered to. We have introduced a group-wide 'Code of ethics and business conduct'. This document provides a clear set of standards for all areas of the Group to follow, in terms of the laws and principles governing our behaviour and decision-making processes, both now and in the future. At the heart of the Code is the basic principle that the Group should always follow the laws of the countries in which it operates. Beyond the law, the Group must always be guided by its values and ensure that it does the right thing for its stakeholders, to include employees, customers, suppliers, shareholders and the wider community.

Brexit

The UK is due to leave the European Union on 12 April 2019 unless a further extension is agreed and the terms of the exit remain uncertain. The Group has set up a Brexit Committee, chaired by chief financial officer, Mark Stockton, to assess the impact of Brexit on the ISG group.

Many of ISG's key clients are within sectors and geographies that have a limited exposure to Brexit. However, a small number of higher risks have been identified. These include supplier readiness, the mobility of UK employees to work within key European markets and, from a macro-economic perspective, the potential downturn in the UK economy which may result from a hard Brexit. Other Brexit risks that have been identified include the recruitment and retention of employees in the UK, delays to core operations (mainly because of potential delays to the import / export of goods) and increased costs of working.

We have been developing several mitigation strategies to limit the impact of these key risks, where possible. These include supporting both EU employees working in the UK, and UK employees working in the EU, to understand potential future requirements and actions they may need to take to ensure their ongoing cross-border mobility. We have also been collaborating with key members of our supply chain to identify materials that need to be shipped across borders and to have short-term plans in place to bring forward delivery dates for certain materials, or where possible to move orders to UK suppliers.

With negotiations ongoing the Group continues to actively monitor the situation and update their mitigation plans accordingly.

Outlook

We have outlined the principal risks facing our business, and what we are currently doing to mitigate these.

The primary uncertainties that we face are the potential socio-economic impacts of political issues such as Brexit, the resilience of customers and supply chains to environmental and economic pressures resulting from climate change, and potential fluctuations in the labour market, impacting availability of suitably qualified and experienced talent to meet projected growth of the business across sectors and geographies.

We build resilience in our business model by ensuring that our business decisions are made from a position of sound knowledge and trusted advice. We maintain involvement in key industry steering groups across our geographies, and collaborate with our customers and supply chain partners to identify and address future risks and opportunities.

By engaging our internal and external stakeholders in a regular review of our material issues, we will ensure flexibility in the goals we set and the business model to achieve them in the short-, medium- and long-term future.

This is supported by investing in the development of our talent pipeline, training and upskilling our employees and supply chain, and succession planning to secure the future leadership of our business. We believe in equipping our people to enhance, implement and where appropriate, change our strategies, for the future success of our business.


No Entry!


Strategy and resource allocation

In this section, we outline how we aim to achieve each of our four corporate goals, creating value for our business, our industry, and our world.

Altadis, Madrid, Spain

Offering an unbeatable employment experience

Our goal is to offer an unbeatable employment experience, recruiting and developing the best talent in our sector.

Our strategies are enabled by a dedicated team of HR specialists and most importantly by every director, line manager and employee within the business.

The overarching KPI that demonstrates our ability to achieve this goal is ISG's performance on the Best Companies™ b-Heard employee survey.

The results of this annual survey give us clear areas to improve upon and also provide a good indication of our performance against other leading organisations.

In 2018, our global business maintained its position as 'one to watch'. In 2019 our goal is to extend our great achievements and secure a one-star rating across the Group.

What does 2024 look like?

- ISG will be recognised as the best employer in our industry.
- Our employee diversity will represent our communities, and our commitment to providing equal opportunities.
- Our learning offering will be 'best in class'.
- Our employees will be highly engaged, as measured by the Best Companies™ b-Heard employee survey.
- We will have a strong and resilient pipeline of talent.

How will we get there?

We want our people to make their mark, reach their goals, and know their value.

Having a clear, compelling and dynamic brand is an important part of attracting people to ISG, as well as giving them a place to thrive.

Being part of #TeamISG means being part of a company that prides itself on being dynamic, entrepreneurial and inventive. It's about developing our skills, making a difference to our teams and ISG, and leaving a legacy in the communities where we work.

To achieve this, from 2019 we have three primary areas of focus:

- Attracting talent and enabling business growth
- Retaining and developing talent to ensure organisational resilience
- Optimising our performance

Offer an unbeatable employment experience

Attracting talent and enabling business growth

- Launch our new employee value proposition – Build Something Special.
- Use our diversity strategy 'Reaching for balance' to build a more diverse applicant pool.
- Continue to build strategic alliances, with opportunities that support a positive employment experience beyond the day job, and give back to our communities.
- Continue to expand our social value programme, extending its reach across the Group to enhance the employment and skills of the communities where we work.
- Roll out our Level 3 Applied Diploma in Professional Construction Practice (PCP), helping us to change the image of construction and address the skills gap and talent shortage in the industry.

Retaining and developing talent to ensure organisational resilience

Everyone in #TeamISG

- Develop an ISG-specific capability framework that sets the criteria for our hiring, promotion, development and performance-appraisal practices.
- Continue investing in Smartspace – ISG's learning offering that meets both the physical and virtual learning needs of our employees and our supply chains.

Management and leadership

- Develop and revise our leadership and management programmes for all levels.
- Review and establish a robust coaching cohort to support leadership development requirements.

Talent management and succession planning

- Expand our framework allowing us to identify the leaders of the future, ensuring we have the development plans in place to realise their potential.
- Create new and revised programmes for development of high-potential individuals, leveraging our performance development review process.

Early career talent – apprentices, graduates and placement students

- Continue to build a pipeline recruiting some of the best young talent into our business. Our comprehensive development programmes support professional and wider organisational and business skills.
- Continually evolve our Futures Group – now in its fourth year, the year-long programme takes our most-talented young people and strives to mould them into the future leaders of ISG.

Creating a safe and healthy environment

- Keep innovation and collaboration at the heart of our safety management, supporting ISG's leading position in our industry and driving revolutionary change.
- Roll out our global health and safety brand 'Choose safe. Choose health', empowering all stakeholders to take ownership of their own health and safety, and demonstrate best practice through their actions, words and ideas.
- Use ISG-developed technology to communicate key health and safety messages to ISG staff and contractors, creating an inclusive and safe work environment .
- Continue to develop a more holistic approach to health and well-being, mental well-being and critical incident aftercare. Work with specialists from our mental health charity partners to inform our strategies, raise awareness across our industry, and engage our employees.

Engaging and valuing our people

- Recognise the value of our employees' contributions, taking on board their suggestions to drive improvement programmes, and supporting innovation through our Tech Incubator.
- Define and offer our people a competitive total rewards package, including opportunities to make a difference through community work, celebrating our people through our Value Awards, and offering the chance to work on projects that broaden skills and experience.
- Continue to invest in and develop a wide range of communication methods that engage our diverse employee base, ensuring our people are connected to our ambitions and see the great progress we are making across the globe.
- Leverage team events, fundraising and volunteering opportunities to encourage individuals to become more involved, encouraging team bonding, relationship building, and opening up channels of communication that make people feel safe and supported.

Optimising our performance

- Complete the resourcing of key positions and clarify our organisational structure.
- Restructure our Executive Board to reflect the equal importance we place on our business lines and our enabling functions.
- Create forums that allow us to share knowledge and best practice and embed continuous improvement.

Providing the best customer experience in our industry

Our goal is to provide the best customer experience in our industry, before, during and after project delivery.

Our customer experience (CX) programme is driven by a global team of specialists including business development partners, marketing managers, and Executive Board members.

The team works with our delivery teams to identify and understand customer needs, conducting interviews before, during and after project delivery, and sharing knowledge across the business to improve performance.

The overarching KPI that demonstrates our ability to achieve this goal is the percentage of our revenue derived from repeat business. This shows trust in our ability to deliver, with customers viewing ISG as a preferred delivery partner and more likely to recommend us to their peers.

What does 2024 look like?

- An outstanding Net Promoter Score, the best in our industry, demonstrating the trust our customers have in ISG and their willingness to promote us to their peers.
- Maintaining an average customer satisfaction score of ≥ 9/10.
- An increase in the conversion / win rate of our bidding process.
- Customer testimonials that prove we have exceeded their expectations and demonstrate that our customers believe ISG is better than our competitors.

How will we get there?

We have set a target to achieve 57% revenue from repeat customers in 2019. Continuing to improve our performance from 49% in 2017, and 56% in 2018.

There are many things that can affect customer satisfaction, including product quality, performance, budget and programme, but the way we act and conduct ourselves has the most significant impact on how our customers feel about their interactions with us.

The more transparent, informative, collaborative, beneficial and enjoyable the interaction, the greater the growth in the relationship.

By keeping our customers' needs at the forefront, we are better placed to address our material issues, reduce our risks, and create value. The value creation and material issues addressed by focusing on CX are outlined on page 47 of the materiality section of this report.

Our people are the key to customer experience. Only through upskilling and empowering them, in a collaborative and supportive environment, can we deliver on our promises to our customers.

From 2019, our primary focus is on four key areas addressing:

- Customer focus
- Behaviours
- Knowledge-sharing
- Continuous improvement

Customer focus

Expand our client development programme, inclusive of customer experience (CX) and strategic account management (SAM) to:

- embed a customer-focused culture within our business
- empower our people to think 'customer' as well as 'project'.

Behaviours

Roll out our new client culture training module across the business to:

- increase understanding of how to develop our clients and achieve long-lasting relationships
- implement project and business performance improvement processes
- generate repeat business
- obtain customer feedback that ratifies our behaviours of respect, humility, responsibility, and inclusivity.

Knowledge-sharing

Implement a proactive and progressive knowledge (management) infrastructure that:

- harnesses the collective knowledge of our employees
- facilitates decision-making
- encourages new thinking
- prepares us to respond to customers' evolving needs
- supports personal development.

Continuous improvement

- Make improvements to, and remove waste from our products, processes and services to:
  - deliver premium solutions
  - drive competitive advantage
  - support strong customer relationships.

Our CX programme is also supported by our drive to improve:

Quality of service and product

Our absolute completion programme aims to ensure that we deliver not only on time, on budget, and snag-free, but that we clearly fulfil all of the requirements that are critical to the customer's successful use of its built asset. This very much links into the initial customer interview prior to starting the project, whereby all the deliverables, targets and customer expectations can be ratified and made clear.

- We have rolled out staff and supply chain training with regard to critical building elements such as building envelope and MEP (mechanical, electrical and public health).
- We continually develop our company management systems (CMSs) to drive consistency of process and procedure, assuring quality of service across the business.
- Through our strategic supply chain management we drive performance improvement through partnership, and sharing knowledge.

Information management

Our documentation management systems facilitate the safe transfer of information between ISG, the customer, design teams and our supply chain, streamlining the process of approval and supporting programme management and project delivery.

Our in-house BIM specialists support the delivery of smart buildings, reducing design risk, and providing information to assist the client in reducing whole life cost through efficient operation and maintenance. BIM also provides opportunities for further integration of information management that supports more efficient construction, and building end use.

Provide the best customer experience in our industry

Achieving optimal operational efficiency

Our goal is to achieve optimal operational efficiency, supporting a profitable business that is well placed to invest in opportunities that support our vision, and create value for our business and society.

Our efforts are supported and led by our global financial teams, and are contributed to by every member of #TeamISG.

The overarching KPI that demonstrates our ability to achieve this goal is net margin percentage*. This demonstrates how our measures to improve our operational efficiency impact the bottom line.

What does 2024 look like?

- Our systems and processes will eliminate duplication of effort and spend.
- Our supply chain relationships will provide value for money and create added value for our customers.
- The experience we provide for our customers will be the best in our industry, supporting their decisions to reappoint us again and again.

How will we get there?

The journey will be incremental each year, with initial focus on putting in place the structures to allow the business to succeed going forward.

We have achieved an increase in our net margin from 1.65% in 2017, to 1.72% in 2018. However, this is largely due to growth in revenue, and gross margin.

To achieve our goal, we will need to make a significant step change to improve through efficiency. For 2019, we have set a target to achieve 2% net margin. We will achieve this with a focus on governance and through a combination of direct financial measures, and indirect efficiencies made to our practices and policies.

Achieve optimal operational efficiency

In 2019 we will look to review and address:

Financial measures

- Analyse the performance of projects undertaken and fixing criteria of minimum expected profitability for future projects during the bidding process.
- Identify pinch points and implement measures to stop margin erosion.
- Clear planning throughout projects so that we are using all resources efficiently and responsibly, from staff scheduling to material selection, waste reduction, design accuracy and a 'right-first-time' approach.
- Monitor progress on site to manage delays and reduce slippage in the schedule.
- Further expand our strategic supply chain programme for better buying, and drive collaboration and knowledge-sharing to improve sight of risks and opportunities.
- Drive cost-conscious thinking and behaviours.

Practices and policies

- Proactive supply chain management and engagement on responsible material consumption, waste reduction and circular economy.
- Appropriate governance structures to allow relevant delegation of authority, but also allow risk monitoring and escalation, so management can react as needed on a timely basis.
- Improved cohesion across teams to allow seamless project delivery to clients.

We continue to drive efficiency through our tech-led approach to innovating our business processes. This includes investigating opportunities around the automation of design and construction, improving efficiency and consistency of quality, as well as enhancing our approach to the management of health and safety on our sites. Our in-house 3D visualisation and BIM teams are central to our Tech Incubator, encouraging our people to 'never stop learning' and 'dream smart', with new thinking and bold ideas backed by sound decision-making and first-rate implementation.

Our robust approach to waste management in the UK, achieving a 17.4% reduction in our construction waste in 2018, will be gradually rolled out globally. We will continue to ensure data accuracy, embrace material reuse, deepen relationships with our preferred waste management supply chains, and continue to evolve through:

- Launching a waste prediction tool which will use data from STREEM to plot the average waste profile of the different projects we undertake. We will then set individual waste reduction targets for projects based on the output.
- Collaborating much more closely with our preferred supply chain to focus on waste prevention through efficient design and lean construction.
- Completing our involvement in the UK Green Building Council's Circular Economy programme, which will result in guidance supporting construction clients who want to specify circular economy principles in their project briefs.
- Continuing to develop our involvement in the Supply Chain Sustainability School Offsite Leadership Group with a view to progressing a group-wide approach to Design for Manufacturing, Assembly, Adaptability and Deconstruction.

Over the past year, the Group has been gathering data on several key areas where we have historically seen costs arising on projects which had not been anticipated. These are being analysed and this data will be used to help identify and prioritise implementation of the measures discussed above in 2019.

There are many factors that could have an impact in not achieving these targets, however, the Group is monitoring these and proactively managing:

- Increased volumes of lower margin (GM%) projects – we will need to manage this in terms of the diversity of projects and governance over the quality of projects we accept.
- Changes in the market – there is already significant pressure on project profit margins and competitive costing. Further pressure here will lead to lower net margin percentage.

As we have seen in the history of the Group, with thin margins there can be significant impacts from loss-making projects. We will manage this by continuing to differentiate ISG with the added value we bring to projects, including quality, strategic relationships and industry-leading sustainable practices.

* We define the net margin percentage as the underlying profit before tax divided by the total reported revenue.

Driving revolutionary change in the construction industry

Our goal is to drive revolutionary change in the construction industry, as an innovative, tech-led organisation, investing in research and design, learning from specialists across industries, and collaborating with our customers, our peers and our supply chains.

Driven by our Executive Board, we encourage everyone in #TeamISG to share their ideas and suggestions to improve the way we work. Our innovative solutions are enabled by our global teams across design, IT, marketing and communications, 3D visualisation, BIM, sustainability, health and safety, and quality.

A significant area of focus for ISG is reducing our greenhouse gas emissions in line with the level of decarbonisation required to keep global temperature increase below 2°C.

Closely linked to achieving optimal operational efficiency, this goal relies on dreaming smart, encouraging new thinking and bold ideas backed by knowledge, sound decision-making and first-rate implementation.

The overarching KPI that demonstrates our ability to achieve this goal is the percentage reduction in ISG's greenhouse gas emissions, in line with a science-based methodology. This will also be supported by our performance against the Carbon Disclosure Programme (CDP), the Energy Savings and Opportunities Scheme (ESOS), and our involvement in industry steering groups, such as the London Business Climate Leaders initiative.

What does 2024 look like?

Carbon neutral – offices, sites and business

- Implementing the results of extensive research and development (R&D) into how to deliver a carbon-neutral construction site.
- Striving for operational efficiency across the business and minimising the resources we use through our operations.
- Having a better understanding of the embodied carbon created through our delivery of construction projects.

Use of innovative technology, at the forefront of the industry

- Engaging our employees through our Dream Smart portal and Tech Incubator, drawing on their ideas and experience to drive change.
- Partnering with companies that are leading on technology to reduce carbon in construction.
- Collaborating with both our clients and suppliers to convert innovation into business-as-usual practices.

Giving back and investing in local communities

- Going carbon neutral, but only in a way that provides for the communities where we work through local offsetting initiatives.
- Upskilling our communities in sustainable, low- and zero-carbon technologies, and promoting an innovative mindset through our social value programmes such as WOWEX and the roll out of our UK Level 3 Applied Diploma in Professional Construction Practice (PCP).
- Implementing our social profit calculator to demonstrate and improve the social impacts of our clients' investments in the communities where they are located.

Using only renewable energy where ISG is responsible for procurement

- Expanding the use of renewable energy in our UK operations into a global commitment.

How will we get there?

We recognise the importance of continual improvement, and re-evaluation of our performance.

From 2019, ISG has committed to continue setting emissions reduction targets in line with climate change science and is currently working towards approval for these targets with the Science Based Targets initiative (SBTi).

Scope 1* and 2** targets have now been set from a 2017 baseline, inclusive of more comprehensive and robust data capture. Using the same science-based methodology, we have established a draft target to reduce combined scope 1 and 2 emissions by 53% by 2050. In terms of our 'All 4 by 24' strategy, this currently translates to a 1.5% reduction in 2019, and an 8.3% reduction by 2024.

With regard to our scope 3*** emissions, 2019 will provide an opportunity to review and analyse a wider range of scope 3 categories in our value chain. In line with SBTi, we are reviewing emissions associated with our goods and services purchased through our supply chain. Once finalised, these shall be combined with our scope 1 and 2 emissions to set a total emission reduction target in line with science-based methodologies.

In order to realise the targets we have set, 2019 will help to lay the groundwork for meeting our commitments.

* Scope 1 — direct emissions from ISG-owned or controlled sources e.g. use of diesel on site through vehicles.

** Scope 2 — indirect emissions from the generation of purchased energy e.g. use of electricity to power sites / offices.

*** Scope 3 — indirect emissions (not included in scope 2) that occur in the value chain of ISG e.g. business mileage of our employees and emissions from the non-project-related goods and services that we procure directly.

Specifically in 2019 we will look to:

Sign up to RE100

RE100 works as a natural progression from the science-based targets we have already set ourselves. Through our preferred utilities supplier, we already procure 100% renewable tariffs, in the UK, where we are responsible for the set up and payment of utilities in our operations. Through RE100, we will look to ensure that this commitment is further expanded across our global operations and where renewable supplies are available within countries of operation.

Review our travel and expenses policies

The largest portion of our emissions sits within scope 3 and travel / expenses make a significant contribution. Throughout 2019 we will work to identify ways in which we can influence a reduction of our scope 3 emissions, implementing changes to our corporate policies and procedures, and engaging our employees to incentivise behavioural change.

Take a more collaborative approach with our supply chain

As highlighted above, scope 3 emissions are our biggest footprint when it comes to carbon. Another big portion of this sits with the goods and services that we procure through our operations. Working in partnership with key members of our supply chain, we will aim to identify efficiencies and improvements that ultimately reduce the footprints of both ISG and our supply chain.

Drive towards carbon-neutral construction sites

In 2019 we will invest our time into identifying what a carbon-neutral construction site looks like. This would involve working closely with suppliers to trial innovative technology and identify methods of construction that support our drive towards carbon neutrality.

Set the standard for ISG's working environments

Through our in-depth knowledge of environmental assessment certification schemes such as BREEAM, LEED, Ska Rating and WELL Building Standard, we are currently working on setting minimum standards for ISG's offices and site accommodation. Drawing on the best practice solutions offered by each scheme, future ISG offices and site set-ups will support energy efficiency, water efficiency, responsible sourcing of materials and healthy working environments.

This is supported by engaging our supply chains, and our internal expertise through our programmes such as the Futures Group and Tech Incubator, to develop new technologies and smarter, more efficient ways of working. This includes our work on creating the 'digital construction site'.

The final piece in the jigsaw – invest in change

To reduce the impact of our remaining emissions, we are committed to investing in the research and development of technologies for efficient construction. We will also continue to promote investment in carbon offsetting projects local to our business operations, prioritising those who put local renewable energy supply at the heart of what they do, and supporting sustainable and reliable sources of energy for the communities where we work.

Drive revolutionary change in the construction industry

Annual financial statements

Datacentre, Wellcome Genome Campus, Cambridge, UK

Directors' report

The directors of ISG plc present their annual report and the audited financial statements for the 12-month period ended 31 December 2018.

Principal activities

ISG is an international construction services company, operating from four service lines: fit out, construction, engineering services and development. The Group works across a number of core sectors: offices; technology, science and health; retail; hospitality, leisure and living; and education and public sector, and operates in 24 countries within Europe, the Middle East, Asia and the Americas.

Business review

A review of the Group's activities during the period, trends and factors likely to affect the business and its future prospects are set out within various sections of the strategic report, to include the performance at a glance section on pages 2-3, Chief Executive Officer's review on page 7, business review on pages 16-22, financial review on page 23 and risk and opportunities section on pages 53-57.

The directors' report is prepared for the members of the Group and should not be relied upon by any other party for any other purpose. Some sections of the strategic report contain certain forward-looking information and statements in relation to the Group's operations, economic performance and financial conditions. These statements are made by the directors in good faith based on the information available to them at the time of their approval of this report; although they believe the expectations reflected in such forward-looking statements are reasonable, they should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements or information.

Going concern

Information on the business environment in which the Group operates, including factors that are likely to impact the future prospects of the Group, are included within various sections of the strategic report, including the Chief Executive Officer's review on page 7, the external environment in which ISG operates on page 10, and the risks and opportunities section on pages 53-57. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the financial review on page 23. In addition, the consolidated financial statements on page 75 onwards set out the Group's objectives, policies and processes for managing its capital, financial risks, financial instruments and hedging activities, as well as its exposure to credit risk and liquidity risk.

The directors have prepared cash flow forecasts for the Group for a period in excess of 12 months from the date of approval of these consolidated financial statements. These forecasts are based on the Group's existing forward order book and workload together with assumptions in respect of new business. They reflect an assessment of current and future market conditions and risks and uncertainties in the business, their impact on the Group's trading performance, and the actions taken by management in response to current market conditions. The forecasts completed on this basis demonstrate that the Group will be able to operate within the current committed debt facilities. In addition, management has considered various mitigating actions that could be taken if future market conditions deteriorate beyond their current assessment. Such measures include additional improvements in working capital within management's control, further reductions in costs and capital expenditure and use of the Group's undrawn credit facilities.

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

Results and dividends

Revenue for the year ended 31 December 2018 was £2.2bn (2017: £1.7bn); underlying profit before tax amounted to £38.5m (2017: £28.2m). In December 2018, the Group declared and paid an interim dividend of £25.0m to its immediate parent. This amount was immediately loaned back to the Group, resulting in no net cash impact to the Group. The £25.0m loan has an eight-year term and bears an interest rate of 3.07%. No final dividend has been declared.

Share capital

The Company has one class of shares, being ordinary shares of £1.00 each, that carry no rights to fixed income. As at 31 December 2018, the number of ordinary shares in issue was 49,483,864, of which 49,433,864 were fully paid.

Directors

The directors who held office throughout the financial year ended 31 December 2018 were:

W Harrison
P Cossell
M Stockton
R Hubbard
P Weaver
J Friedman
J Moy

The following directors were appointed on 31 January 2019:

J Falconer
M Blowers
G Kew

Directors' indemnity insurance

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

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

Employees

Further details in relation to employment policies, employee engagement, consultation and development, talent attraction and retention, are shown on pages 26-27 within the 2018 performance review section, and pages 60-61 within the strategy and resource allocation section of the strategic report.

Health and safety

The Board considers health and safety to be a key priority within the Group and has continued to maintain its focus on this area throughout the period. Further details in relation to the company's health and safety commitments are shown on pages 28-29 within the 2018 performance review section, and pages 60-61 within the strategy and resource allocation section of the strategic report.

Environmental reporting

The Board is committed to ensuring that the Group continues to fulfil its environmental compliance obligations and to take every reasonable measure to conduct its business activities in a safe and responsible manner. The Group aims to minimise negative impact and, where possible, provide positive enhancements to the environment. Further details in relation to the company's environmental commitments are shown on pages 38-41 within the 2018 performance review section, and pages 64-67 within the strategy and resource allocation section of the strategic report.

Political donations

The company made no political donations during the financial year ended 31 December 2018.

Disclosure of information to the auditor

Each of the persons who is a director of the company as at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that he or she ought to have taken as a director, in order to make him or herself aware of any relevant audit information and to establish that the company's auditor is 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.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office as the company's auditor.
By order of the Board.

N Heard
Company Secretary
29 March 2019

Statement of directors' responsibilities

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, and disclose, with reasonable accuracy at any time, the financial position of the Group, enabling them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.
By order of the Board.

P Cossell
Chief Executive Officer
29 March 2019

M Stockton
Chief Financial Officer
29 March 2019

Independent auditor's report to members of ISG plc

Opinion

We have audited the financial statements of ISG plc ('the Parent Company') and its subsidiaries ('the Group') for the year ended 31 December 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet, the company statement of changes in equity and notes to the company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Gary Hanson (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
29 March 2019
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ISG PLC
CONSOLIDATED INCOME STATEMENT | 12 months ended 31 December 2018

		12 months ended 31 December 2018			12 months ended 31 December 2017		
	Notes	Underlying items £'m	Non-underlying items[1] £'m	Total £'m	Underlying items £'m	Non-underlying items[1] £'m	Total £'m
Revenue	5	2,237.6	-	2,237.6	1,708.8	-	1,708.8
Cost of sales		(2,088.1)	-	(2,088.1)	(1,584.6)	-	(1,584.6)
Gross profit/(loss)		149.5	-	149.5	124.2	-	124.2
Amortisation of intangible assets	13	(1.1)	(10.7)	(11.8)	(1.0)	(13.4)	(14.4)
Administrative expenses		(109.7)	(0.4)	(110.1)	(94.7)	(5.7)	(100.4)
Operating profit/(loss)	6	38.7	(11.1)	27.6	28.5	(19.1)	9.4
Finance income	8	0.2	-	0.2	0.5	-	0.5
Finance costs	9	(0.4)	-	(0.4)	(0.8)	-	(0.8)
Profit/(loss) before tax		38.5	(11.1)	27.4	28.2	(19.1)	9.1
Taxation	10	(6.3)	2.1	(4.2)	(1.2)	(0.4)	(1.6)
Profit/(loss) for the period		32.2	(9.0)	23.2	27.0	(19.5)	7.5
Attributable to:							
Owners of the company		32.2	(9.0)	23.2	26.6	(19.5)	7.1
Non-controlling interests	28	-	-	-	0.4	-	0.4
		32.2	(9.0)	23.2	27.0	(19.5)	7.5

Non-underlying items include those which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Such items will affect the absolute amount of the results for the period and the trend of results. These include the trading results of businesses to be discontinued, gains and losses on the disposal of businesses and investments, costs of restructuring and reorganisation of existing businesses, acquisition costs, impairment and amortisation charges on intangible assets arising on business combinations ("amortisation of acquired intangible assets") and impairment of goodwill as well as the tax effect of the items above, all of which are included in continuing operations. Further information on these items is shown in Note 11.

The accompanying notes form part of these financial statements.

ISG PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 12 months ended 31 December 2018

	Notes	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Profit for the period		**23.2**	7.5
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(0.2)**	(0.9)
Total comprehensive income for the period		**23.0**	6.6
Attributable to:			
Owners of the company		**23.0**	6.2
Non-controlling interests	28	**-**	0.4
		23.0	6.6

The accompanying notes form part of these financial statements.

ISG PLC
CONSOLIDATED BALANCE SHEET | 12 months ended 31 December 2018

	Notes	2018 £'m	2017 £'m
Non-current assets			
Goodwill	12	**173.3**	171.8
Other intangible assets	13	**30.6**	39.4
Property, plant and equipment	14	**9.6**	6.3
Deferred tax assets	19	**5.1**	6.0
Trade and other receivables	16	**15.5**	21.7
		234.1	245.2
Current assets			
Inventories	15	**-**	0.1
Current tax assets		**14.6**	7.3
Trade and other receivables	16	**358.6**	241.4
Due from customers for contract work	17	**167.3**	84.9
Cash and cash equivalents	18	**102.8**	75.7
		643.3	409.4
Total assets		**877.4**	654.6
Current liabilities			
Borrowings	20	**(0.4)**	(11.8)
Provisions	22	**(0.7)**	(7.3)
Current tax liabilities		**(12.3)**	(10.0)
Trade and other payables	21	**(608.0)**	(475.2)
Due to customers for contract work	17	**(112.4)**	(31.2)
		(733.8)	(535.5)
Non-current liabilities			
Borrowings	20	**(25.0)**	-
Provisions	22	**(1.3)**	(1.9)
Deferred tax liabilities	19	**(5.4)**	(7.5)
Trade and other payables	21	**(13.3)**	(8.4)
		(45.0)	(17.8)
Total liabilities		**(778.8)**	(553.3)
TOTAL NET ASSETS		**98.6**	101.3
Equity			
Called up share capital	26	**49.4**	49.4
Share premium account	26	**34.1**	34.1
Foreign currency translation reserve		**6.2**	6.4
Other reserves	28	**(1.2)**	-
Retained earnings		**10.0**	11.8
Equity attributable to owners of the company		**98.5**	101.7
Non-controlling interests	28	**0.1**	(0.4)
TOTAL EQUITY		**98.6**	101.3

The consolidated financial statements of ISG plc (company number 10081578) were approved by the Board of directors and authorised for issue on 29 March 2019. They were signed on behalf of the Board of directors. The accompanying notes form part of these financial statements.

P Cossell
Chief Executive Officer

M Stockton
Chief Financial Officer

ISG PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 12 months ended 31 December 2018

	Notes	Share capital £'m	Share premium £'m	Other reserves £'m	Foreign currency translation reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Balance at 1 January 2017		49.4	34.1	-	7.3	4.7	95.5	(0.1)	95.4
Profit for the period		-	-	-	-	7.1	7.1	0.4	7.5
Other comprehensive income		-	-	-	(0.9)	-	(0.9)	-	(0.9)
Total comprehensive income		-	-	-	(0.9)	7.1	6.2	0.4	6.6
Dividends to NCI		-	-	-	-	-	-	(0.4)	(0.4)
Purchase of NCI	28	-	-	-	-	-	-	(0.3)	(0.3)
Balance at 31 December 2017		49.4	34.1	-	6.4	11.8	101.7	(0.4)	101.3
Profit for the period		-	-	-	-	23.2	23.2	-	23.2
Other comprehensive income		-	-	-	(0.2)	-	(0.2)	-	(0.2)
Total comprehensive income		-	-	-	(0.2)	23.2	23.0	-	23.0
Dividends to parent	27	-	-	-	-	(25.0)	(25.0)	-	(25.0)
Purchase of NCI	28	-	-	(1.2)	-	-	(1.2)	0.5	(0.7)
Balance at 31 December 2018		**49.4**	**34.1**	**(1.2)**	**6.2**	**10.0**	**98.5**	**0.1**	**98.6**

The foreign currency translation reserve is used to record cumulative translation differences on the goodwill and other intangible assets of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.

Non-controlling interests (NCI) represent the share of net assets allocated to minority shareholders for entities that are consolidated and the Group does not own 100% of the share capital.

The accompanying notes form part of these financial statements.

ISG PLC

CONSOLIDATED CASH FLOW STATEMENT | 12 months ended 31 December 2018

	Notes	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Cash flows from operating activities			
Operating profit for the period		27.6	9.4
Amortisation of intangible assets	13	11.8	14.4
Depreciation on property, plant and equipment	14	1.9	1.8
(Decrease)/increase in provisions	22	(7.2)	4.9
Decrease in inventories	15	0.1	0.2
Net movement in trade and other receivables		(193.4)	(30.0)
Net movement in trade and other payables		218.9	8.2
Cash generated from operations		59.7	8.9
Income taxes paid		(10.5)	(2.4)
Net cash inflow from operating activities		49.2	6.5
Cash flows from investing activities			
Net interest paid		(0.2)	(0.3)
Net payments for property, plant and equipment, and software	13/14	(7.9)	(3.3)
Net cash outflow from investing activities		(8.1)	(3.6)
Cash flows from financing activities			
Proceeds from borrowings	18	25.0	10.5
Repayment of borrowings	18	(11.4)	(30.4)
Dividends to parent company	27	(25.0)	-
Dividends to NCI	28	-	(0.4)
Transactions with NCI	28	(1.5)	(0.3)
Net cash outflow from financing activities		(12.9)	(20.6)
Net increase/(decrease) in cash and cash equivalents		28.2	(17.7)
Cash and cash equivalents at the beginning of the period		75.7	92.8
Effects of exchange rate changes on balances of cash held in foreign currencies		(1.1)	0.6
Cash and cash equivalents at the end of the period	18	102.8	75.7

The accompanying notes form part of these financial statements.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ISG plc (the Company) is a company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is Aldgate House, 33 Aldgate High Street, London, EC3N 1AG.

2. ADOPTION OF NEW AND REVISED STANDARDS

During the financial period, there are two new International Financial Reporting Standards (IFRS) or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time that have given rise to changes in the Group's accounting policies.

IFRS 15 'Revenue from contracts with customers'; effective 1 January 2018

The Group has reviewed the requirements of IFRS15 and identified two areas which may require different accounting: bid costs are to be recognised as incurred in the profit and loss account and revenue due to the warranty performance will be allocated and recognised over the warranty period. However on adoption no material changes were required to revenue accounting and as such no restatement was required. The additional disclosures required by this new standard are included in note 5.

IFRS 9 'Financial instruments: Classification and measurement'; effective 1 January 2018

The Group has reviewed the requirements of IFRS 9. The Group's principal financial assets are trade receivables and loans to related parties which will continue to be measured at amortised cost. However the Group has adopted the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs. This resulted in increased judgement being required in order to assess the requirement for an impairment provision due to the need to factor in forward looking information when estimating the appropriate amount of provisions. No material impairment provisions were recognised as a result of the adoption of IFRS 9 and the impact of this change was not material.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective.

- IFRS 16 'Leases'; effective 1 January 2019

Adoption of IFRS 16 will result in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Group has determined it will apply the modified retrospective approach in IFRS 16, and therefore will only recognise leases on balance sheet as at 1 January 2019.

At 31 December 2018 operating lease commitments amounted to £42.9m (see Note 23). The effect of discounting those commitments at a 10% discount rate is anticipated to result in right-of-use assets and lease liabilities of approximately £30.9m and £27.2m respectively being recognised on 1 January 2019.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported operating profit by the amount of its current operating lease cost for property and other leases. For the year ended 31 December 2018 this cost was approximately £10.7m (note this cost excludes the 2018 £0.1m expense for the hire of plant and machinery as this is generally leased for less than one year).

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

Basis of accounting

The annual consolidated financial statements have been prepared in accordance with IFRS adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial information set out in this report has been prepared under the historical cost convention. The presentational currency of the Group is Pounds Sterling.

Going concern

The financial statements have been prepared on a going concern basis. The directors have prepared cash flow forecasts for the Group for a period in excess of twelve months from the date of approval of these consolidated financial statements. These forecasts are based on the Group's existing forward order book and workload together with assumptions in respect of new business, and reflect an assessment of current and future market conditions and risks and uncertainties in the business, their impact on the Group's trading performance and the actions taken by management in response to current market conditions. The forecasts completed on this basis demonstrate that the Group will be able to operate within the current committed debt facilities and show continued compliance with the financial covenants. In addition, management has considered various mitigating actions that could be taken in the event that future market conditions deteriorate beyond their current assessment. Such measures include further improvements in working capital within management's control, further reductions in costs and capital expenditure and use of the Group's undrawn credit facilities. On the basis of the exercise described above, the directors have a reasonable expectation that the Group and company have adequate resources to continue operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements of the Group and the company.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiaries. Subsidiaries are all entities controlled by the company. Control exists when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the month end closest to the effective date of acquisition or to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All intra-group transactions, balances, unrealised gains and losses, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

– represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
– is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 'Operating segments'.

Impairment tests are performed annually by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where an impairment test is performed a discounted cash flow analysis is carried out based on the cash flows of the cash-generating unit compared with the carrying value of that goodwill. The discount rates are estimated as the risk-effected cost of capital for the particular cash-generating units.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits
- expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

The cost of intangible assets acquired in a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and is based on its fair values as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost and amortised over the estimated useful lives on a straight-line basis. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The categories of intangible assets and their estimated useful lives are as follows:

Trademark and licences	2-10 years
Customer relationships	3 years
Customer contracts	1-2 years
Software	3 years

The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense of intangible assets with finite lives is recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss has been recognised.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Property, plant and equipment

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

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

Leasehold improvements	Life of the lease
IT and office equipment	2-5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. The residual values and useful lives of all property, plant and equipment are reviewed and adjusted if appropriate at least each financial period.

Inventories

Inventories comprise stocks and property developments, which are valued at the lower of cost and net realisable value. Cost, where appropriate, is determined using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion. Provision is made for foreseeable losses.

Impairment of non-financial assets other than goodwill

The carrying amounts of the Group's non-financial assets are reviewed at each reporting period date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate with the individual cash generating unit cash flow forecasts risk adjusted.

Financial instruments

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

This accounting policy has been amended in 2018 to incorporate considerations for IFRS 9, whereas the 2017 policy utilised the incurred loss model under IAS39. This amendment has not led to a significant change in the policy.

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

(a) Trade and other receivables

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

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

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

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Cash and cash equivalents

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

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

(c) Trade payables

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

(d) Borrowings

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

Impairment of financial assets

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

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

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

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

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

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for onerous lease commitments on property contracts is based on an estimate of the net unavoidable lease and other payments in respect of these properties. These comprise rental and other property costs payable, plus any termination costs, less any income expected to be derived from the properties being sublet. The provisions are discounted at an appropriate rate to take into account the time value of money.

Share capital

The ordinary share capital of the Company is recorded at the proceeds received, net of directly attributable incremental issue costs.

Foreign currencies

Transactions in foreign currencies are translated into the parent company's functional currency (Pounds Sterling) at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Group's income statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of comprehensive income to the extent that they relate to a gain or loss on that non-monetary item.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill and intangibles are translated into Pounds Sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate of the transactions or average rates for the period. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are recognised in other comprehensive income and accumulated in the "foreign currency translation reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue recognition

Revenue represents the fair value of consideration received or receivable for goods and services provided to external customers, net of trade discounts and excluding value added tax and similar sales-based taxes. The Group recognises revenue based on when customers obtain control of goods or services. Where a contract with a customer contains multiple performance obligations the revenue for each is accounted for separately, applying the policies below to each obligation.

Long-term contracts

Revenue from long-term contracts (including construction contracts) includes the amount initially agreed in the contract, plus any variations in contract work to the extent that it is probable that the variation will result in revenue that can be reliably measured (usually when instructions have been received from the client), plus any claims recoveries to the extent that negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be reliably measured. Revenue relates to the creation or enhancement of construction assets which the customer controls as the asset is created.

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

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

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

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

Other services

Revenue from maintenance contracts is recognised by reference to the stage of completion, as measured by reference to services performed to date as a percentage of total services to be performed. This is in line with the total value of the contract and the programme of works agreed before commencing with customers.

Revenue from consulting works is measured on a time plus agreed expenses not exceeding the agreed total value with customers.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave are recognised when the service is performed by the employee, measured at the amount expected to be paid when the liabilities are settled.

Pensions

The Group operates defined contribution pension schemes. The assets of the schemes are invested and managed independently of the finances of the Group. Contributions to the defined contribution pension schemes are charged to the income statement as they become payable in accordance with the rules of the schemes.

Termination payments

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy.

Operating leases

Rentals under operating leases are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Finance income and costs

Finance income comprises interest income on the Group's cash and cash equivalents and other interest earned. Interest income is recognised as it accrues in the income statement using the effective interest rate method.

Finance costs comprise interest on bank overdrafts, the unwinding of discounts on contingent deferred consideration and the amortisation of prepaid bank facility arrangement fees and commitment fees charged by lenders on the undrawn portion of available bank facilities that have been amortised over the length of the associated facilities.

Taxation

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

The Group has made claims for repayable tax credits for qualifying research and development expenditure in the UK under the Finance Act 2013 ('RDEC') in prior years and it will continue to do so for the current and future years in accordance with the relevant HM Revenue and Customs regulations. The credit is calculated as a percentage of the qualifying research and development expenditure at a current rate of 12%. The credit is recorded as income within profit before tax (as part of cost of sales), netted against the relevant research and development expenditure.

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

Current tax and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the relevant tax is also accounted for within equity.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-underlying items

Non-underlying items are items of financial performance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Such items will affect the absolute amount of the results for the period and the trend of results. Non-underlying items include gains and losses on the disposal of businesses and investments, costs of restructuring and reorganisation of existing businesses, acquisition costs, impairment and amortisation charges on intangible assets arising on business combinations ('amortisation of acquired intangible assets'), impairment of goodwill and operations to be discontinued as well as the tax effect of the items above. These are examples, however, from time to time it may be appropriate to disclose further items as non-underlying items, in order to highlight the underlying performance of the Group. Where this is the case, the Group presents both current period and prior period balances consistently.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Revenue and profit margin recognition

The Group's revenue recognition and long-term construction and service contracts' policies are set out in Note 3 above. These policies are central to the way in which the Group values the work it has carried out at each reporting date and the estimation of the percentage completion of the contract. These policies require forecasts to be made of the outcome of long-term construction and service contracts, and require assessments and judgements to be made on the recovery and agreement of pre-contract costs, variations in work scopes, claim recoveries, expected contract costs to complete and the progress on contract programmes. The Group has appropriate control procedures in place to ensure estimates are calculated on a consistent basis. These assessments are validated by third-party surveyors on behalf of customers who certify the value of work performed. On a number of contracts, work is completed on a cost-plus basis, so the element of uncertainty is reduced.

Impairment of goodwill and other intangible assets

Determining whether goodwill or other intangible assets are impaired generally requires an estimation of the value in use of the intangible assets or the cash-generating units to which goodwill has been allocated. Judgement is also required in determining the cash-generating units to which goodwill is allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The key areas of judgement were the discount rates and the growth rates that were inputs into the impairment testing. The total value of goodwill was £173.3m (2017 £171.8m). Note 12 details the assumptions that have been applied in assessing impairment of goodwill.

Taxation

The Group is subject to tax in a number of jurisdictions and judgement is required in determining the worldwide provision for income taxes. The Group provides for future liabilities in respect of uncertain tax positions; such provisions are based upon management's assessment of exposures.

As set out in Note 3 above, deferred tax is accounted for on temporary differences using the balance sheet liability method, with deferred tax liabilities being provided for in full, and deferred tax assets being recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Note 19 details the unused tax losses for which deferred tax assets have not been recognised. £60.8m of tax losses were unrecognised as at 31 December 2018 (2017 £61.4m). At an average deferred tax rate of 17% these would create deferred tax assets of £10.8m (2017 £10.7m).

Provisions

The Group provides for ongoing legal and commercial claims. This generally requires an estimation of the expected cash outflow and likelihood of success for the claim. The Group has onerous property leases and provides for the lowest cost of exit. Judgement is normally applied over the exit period. The Group also has various restructuring provisions. Note 22 provides more detail on these areas.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE

All revenue arises from the provision of construction-related services.

Disaggregation of Revenue by country of destination:

Year to 31 December 2018	Construction £'m	Fit Out UK £'m	Engineering Services UK £'m	Engineering Services Europe £'m	Retail UK £'m	Asia £'m	Continental Europe £'m	Middle East /Brazil £'m	Total 2018 £'m
United Kingdom	506.1	709.7	49.2	-	322.0	-	-	-	1,587.0
Netherlands	-	-	-	71.5	-	-	-	-	71.5
Singapore	-	-	-	-	-	38.5	-	-	38.5
Hong Kong	-	-	-	-	-	52.3	-	-	52.3
UAE	-	-	-	-	-	0.6	-	47.2	47.8
Germany	-	-	-	-	-	-	85.0	-	85.0
France	-	-	-	-	-	-	34.0	-	34.0
Malaysia	-	-	-	-	-	22.4	-	-	22.4
Belgium	-	-	-	227.8	-	-	-	-	227.8
Spain	-	-	-	-	-	-	22.3	-	22.3
Other	-	18.9	-	32.9	-	0.8	5.6	8.8	67.0
Total revenue	506.1	728.6	49.2	332.2	322.0	114.6	146.9	56.0	2,255.6
Inter-company elimination	-	(2.9)	(7.4)	(7.7)	-	-	-	-	(18.0)
Revenue from external customers	506.1	725.7	41.8	324.5	322.0	114.6	146.9	56.0	2,237.6

Year to 31 December 2017	Construction £'m	Fit Out UK £'m	Engineering Services UK £'m	Engineering Services Europe £'m	Retail UK £'m	Asia £'m	Continental Europe £'m	Middle East /Brazil £'m	Total 2017 £'m
United Kingdom	489.2	479.8	56.2	-	317.6	-	-	-	1,342.8
Netherlands	-	-	-	58.6	-	-	-	-	58.6
Singapore	-	-	-	-	-	57.4	-	-	57.4
Hong Kong	-	-	-	-	-	34.0	-	-	34.0
UAE	-	-	-	-	-	1.3	-	44.1	45.4
Germany	-	-	-	-	-	-	25.8	-	25.8
France	-	-	-	-	-	-	49.4	-	49.4
Malaysia	-	-	-	-	-	20.9	-	-	20.9
Belgium	-	-	-	29.9	-	-	-	-	29.9
Spain	-	-	-	-	-	-	19.7	-	19.7
Other	-	-	-	0.2	-	3.7	12.8	8.2	24.9
Revenue from external customers	489.2	479.8	56.2	88.7	317.6	117.3	107.7	52.3	1,708.8

During both periods all revenue is recognised over time during the contract works phase.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue recognised in relation to Contract Liabilities:

	31 December 2018 £'m	31 December 2017 £'m
- Revenue recognised that was included in contract liability balance at the beginning of period	**28.2**	35.5

Remaining Performance Obligations:

At 31 December 2018	2019 £'m	2020 – 2022 £'m	Total £'m
- Revenue from contracts already secured and due to be recognised in future periods	1,231	179	1,410

6. OPERATING PROFIT

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Amortisation of intangible assets	**11.8**	14.4
Depreciation	**1.9**	1.8
Foreign exchange (profit)/loss	**(0.7)**	0.1
Acquisition-related expenses	**-**	(0.7)
Research and development expenses	**6.8**	7.5
Research and development expenditure tax credit	**(0.8)**	(0.2)
Restructuring costs	**-**	1.9
Rentals under operating leases:		
- Land and buildings	**9.8**	5.1
- Hire of plant and machinery	**0.1**	6.7
- Other operating leases	**0.9**	0.9

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	**0.1**	0.1
Fees payable to the company's auditor and its associates for other services to the Group:		
- Audit of the company's subsidiaries pursuant to legislation	**0.6**	0.5
- Services relating to tax	**0.1**	-
Total fees payable to Group's auditor	**0.8**	0.6

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Salaries and wages	**157.8**	145.2
Social security costs	**15.0**	16.5
Termination payments	**1.2**	3.8
Long-term benefits costs including defined contribution pension costs	**19.5**	5.2
	193.5	170.7

Certain subsidiary undertakings of the Group operate defined contribution pension schemes. The assets of the schemes were held separately from those of the Group by an independently administered fund. The only other pension contributions made by the Group are to employees' personal pension schemes under a salary waiver arrangement.

Employees	**12 months ended 31 December 2018 Number**	12 months ended 31 December 2017 Number
Average number of persons (including directors) employed by Group in the period:		
UK Construction	**677**	653
UK Fit out	**366**	388
Engineering services	**268**	249
UK Retail and Realys	**349**	353
Rest of world	**864**	873
Head office	**259**	143
	2,783	2,659

In the table above four directors are included in Head office for both periods.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 '*Related Party Disclosures*'. The remuneration of key management personnel excludes directors' emoluments as these are shown separately below.

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Short-term employee benefits	**1.0**	0.9
Post-employment benefits	**-**	0.1
	1.0	1.0

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Directors' emoluments

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Short-term employee benefits	**12.8**	5.8
Post-employment benefits	**0.1**	0.1
	12.9	5.9

Directors' emoluments (excluding social security costs) include £6.8m (2017 £3.0m) of short-term employee benefits and £nil (2017 £nil) post-employment benefits for the highest paid director. There was a bonus accrual of £15.5m for the directors of the Group as at 31 December 2018 (2017 £4.3m) based on the previous 24-month results of the Group. £11.3m is due to be paid in 2019, with the remainder £4.3m due to be paid in 2020. During the period three directors received contributions under a defined contribution scheme.

8. FINANCE INCOME

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Interest on bank deposits	**-**	0.3
Other finance income	**0.2**	0.2
Total finance income	**0.2**	0.5

9. FINANCE COSTS

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Interest on bank overdrafts and loans	**0.2**	0.4
Other interest costs	**0.2**	0.4
Total finance costs	**0.4**	0.8

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

a. Taxation charge

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
UK current tax		
UK corporation tax on profits for the period	**4.4**	3.0
Double tax relief	**(0.4)**	(0.2)
Adjustment in respect of prior periods	**(0.9)**	0.7
	3.1	3.5
Overseas current tax		
Overseas taxation on profits for the period	**3.3**	1.7
Adjustment in respect of prior periods	**(0.9)**	(2.2)
Total current tax	**5.5**	3.0
Deferred tax		
Origination and reversal of temporary differences arising in the period	**(1.7)**	(3.1)
Effect of change in tax rates	**0.4**	1.7
Total deferred tax (Note 19)	**(1.3)**	(1.4)
Total tax expense	**4.2**	1.6

UK Corporation tax is calculated at 19.3% (2017 20.0%) of the estimated taxable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

b. Taxation reconciliation for continuing operations

The charge for the period can be reconciled to the profit per the income statement as follows:

	2018 £'m	**2018 %**	2017 £'m	2017 %
Profit before tax	**27.4**		9.1	
Tax due if paid at the applicable UK corporation tax rate of 19.0% (2017 19.3%)	**5.2**	**19.0**	1.8	19.3
Adjusting items				
Adjustment relating to release of prior period corporation tax provisions	**(1.8)**		(1.5)	
Tax effect of utilisation of tax losses not previously recognised	**(0.7)**		(3.0)	
Effect of different tax rates of operations in other jurisdictions	**0.3**		(0.6)	
Tax effect of expenses that are not deductible in determining taxable profit	**2.2**		2.6	
Effect of current year losses not utilised	**1.0**		1.4	
Effect of movements in deferred tax	**0.4**		1.7	
Effect of deduction in relation to research and development expenditure	**-**		0.4	
Deferred tax not recognised	**(0.2)**		-	
Tax effect of income that is not taxable in determining taxable profit	**(2.2)**		(1.2)	
Income tax expense recognised in the income statement	**4.2**	**15.3**	1.6	18.5

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. NON-UNDERLYING ITEMS

	12 months ended 31 December 2018 £'m	12 months ended 31 December 2017 £'m
Amortisation of intangible assets	**(10.7)**	(13.4)
Acquisition-related expenses	-	0.7
Restructuring costs	-	(1.9)
Closure costs	**(0.4)**	(2.2)
Onerous lease	-	(2.3)
Total finance costs	**(11.1)**	(19.1)

The following items have been presented as non-underlying:

- Amortisation of the intangible assets created on acquisition of ISG Central Services Limited, a group restructure, of £10.7m (2017 £13.4m).
- £0.4m of cost for the closure of China (2017 £2.2m of closure costs for Italy, China and Qatar).

In the prior year non-underlying costs also included £1.9m of restructuring costs; £2.3m accounting for an onerous lease for Realys offset by £0.7m release of acquisition related contingent consideration.

12. GOODWILL

	£'m
Cost	
Balance at 1 January 2018	171.8
Net foreign currency exchange differences	1.5
Balance at 31 December 2018	**173.3**
Carrying amount	
As at 31 December 2018	**173.3**
As at 31 December 2017	171.8

Goodwill has been allocated for impairment testing purposes to the following businesses:

	2018 £'m	Basis	Discount Rate %	Growth Rate Applied %
UK Fit Out	**50.4**	Value in use	10.6	3
Engineering Services UK	**17.6**	Value in use	10.6	3
Engineering Services Europe	**21.3**	Value in use	10.6	3
UK Retail	**42.1**	Value in use	11.3	2.5
Asia	**25.4**	Value in use	12.8	3
Continental Europe	**11.2**	Value in use	11.6	3
Middle East	**5.3**	Value in use	12.7	3
	173.3			

The impairment tests were based on the latest management information from the annual budgeting process. This covered the 2019 and 2020 period. A growth rate as per the table was applied thereafter to the next three years. The discount rate and growth rates applied were similar to those used in the initial acquisition accounting in 2016 and were determined using a third-party expert. Sensitivities were applied by changing the discount and growth rate. The headroom arising on the impairment tests was £657.6m. A 1% increase in the discount rate reduces the headroom by £94.8m. A 1% decrease in the growth rate reduces the headroom by £65.1m.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. OTHER INTANGIBLE ASSETS

	Trademarks and licences £'m	Customer relationships £'m	Customer contracts £'m	Software £'m	Total £'m
Cost					
Balance at 1 January 2018	31.2	23.9	5.5	4.9	65.5
Net foreign currency exchange differences	0.2	0.1	-	-	0.3
Additions	-	-	-	2.7	2.7
Disposals	-	-	(5.5)	-	(5.5)
Balance at 31 December 2018	**31.4**	**24.0**	-	**7.6**	**63.0**
Accumulated amortisation					
Balance as of 1 January 2018	(5.5)	(14.1)	(5.5)	(1.0)	(26.1)
Charge for the period	(3.1)	(7.6)	-	(1.1)	(11.8)
Disposals	-	-	5.5	-	5.5
Balance at 31 December 2018	**(8.6)**	**(21.7)**	-	**(2.1)**	**(32.4)**
Carrying amount					
As at 31 December 2018	**22.8**	**2.3**	-	**5.5**	**30.6**
As at 31 December 2017	25.7	9.8	-	3.9	39.4

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'m	IT and office equipment £'m	Total £'m
Cost			
Balance at 1 January 2018	4.1	4.2	8.3
Additions	2.7	2.5	5.2
Disposals	-	-	-
Balance at 31 December 2018	**6.8**	**6.7**	**13.5**
Accumulated depreciation			
Balance at 1 January 2018	(0.5)	(1.5)	(2.0)
Disposals	-	-	-
Charge for the period	(0.9)	(1.0)	(1.9)
Balance at 31 December 2018	**(1.4)**	**(2.5)**	**(3.9)**
Carrying amount			
As at 31 December 2018	**5.4**	**4.2**	**9.6**
As at 31 December 2017	3.6	2.7	6.3

The Group does not have any of its property and equipment pledged as security over bank loans.

15. INVENTORIES

	2018 £'m	2017 £'m
Consumables and raw materials	-	0.1

The Board considers that the carrying amount of inventories approximates their fair value.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES

	2018 £'m	2017 £'m
Non-current		
Trade receivables (including retentions)	15.0	21.4
Other receivables	0.5	0.3
Total non-current trade and other receivables	15.5	21.7
Current		
Trade receivables (including retentions)	333.5	219.6
Less: provision for impairment	(1.9)	(2.2)
Trade receivables net	331.6	217.4
Other receivables	18.3	18.2
Prepayments	8.7	5.8
Total current trade and other receivables	358.6	241.4
Total trade and other receivables	374.1	263.1

The Board considers that the carrying amount of trade and other receivables approximates their fair value. The Group measures expected credit losses by division based on credit risk and the aging of these receivables. These are determined by, amongst other considerations, reference to past default experience, and specific provisions are raised as needed after taking an individual view to debt recoverability. Trade receivables amounting to £143.7m were pledged to BNP Paribas Commercial Finance (2017 £92.7m).

Due to the nature of the Group's operations, it is normal practice for customers to hold retentions in respect of contracts completed. Retentions held by customers as at 31 December 2018 were £86.8m (2017 £77.1m). Under the normal course of business, the Group does not charge interest on its overdue receivables.

17. CONSTRUCTION CONTRACTS

Contracts in progress at the balance sheet date:

	2018 £'m	2017 £'m
Amounts due from construction contract customers	167.3	84.9
Amounts due to construction contract customers	(112.4)	(31.2)
Carrying amount at the end of the period	54.9	53.7
Contract costs incurred plus recognised profits less recognised losses to date	4,385.4	4,494.6
Less: progress billings	(4,330.5)	(4,440.9)
Net work in progress	54.9	53.7

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. ANALYSIS OF NET CASH POSITION

	Balance at 31 December 2017 £'m	Cash flow £'m	Foreign exchange £'m	31 December 2018 £'m
Cash and cash equivalents	75.7	28.2	(1.1)	102.8
Loan from parent	-	(25.0)	-	(25.0)
Liquidity facility	(10.0)	10.0	-	-
Other borrowings	(1.8)	1.4		(0.4)
Net cash	63.9	14.6	(1.1)	77.4

The Group's exposure to interest rate and exchange risks and a sensitivity analysis for financial assets and liabilities is disclosed in Note 25. At 31 December 2017 the Group was subject to a claim in the Netherlands that placed a seizure on funds amounting to £1.8m. Funds up to this value were unavailable to utilise until the seizure was lifted in August 2018.

19. DEFERRED TAX

Deferred tax liabilities represent sums that might become payable in tax in future years as a result of transactions that have occurred in the current period. The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current reporting period.

Deferred tax assets

	Accelerated tax depreciation £'m	Other £'m	Tax losses £'m	Total £'m
Balance at 1 January 2017	1.8	1.7	2.2	5.7
(Charge)/credit to income	0.3	0.4	(0.4)	0.3
Balance at 31 December 2017	2.1	2.1	1.8	6.0
(Charge) to income	(0.5)	(0.4)	-	(0.9)
Balance at 31 December 2018	1.6	1.7	1.8	5.1

Deferred tax liabilities

	Intangible assets	Total £'m
Balance at 1 January 2017	(8.6)	(8.6)
Credit to income	1.1	1.1
Balance at 31 December 2017	(7.5)	(7.5)
Credit to income	2.1	2.1
Balance at 31 December 2018	(5.4)	(5.4)

Other deferred tax assets comprise movements on provisions and other short-term timing differences. At the balance sheet date, there were unused tax losses of approximately £71.6m (2017 £72.2m) that are available for offset against future profits. A deferred tax asset of £1.8m (2017 £1.8m) has been recognised in relation to £10.8m (2017 £10.8m) of these losses. The average tax rate applied to deferred tax is 17% (2017 17%). Unrecognised temporary differences totalled £1.1m (2017 £1.2m) and related to short term timing differences on contractual liabilities. There is an unrecognised deferred tax asset related to losses of £10.8m (2017 £10.7m).

The Finance Act 2016 reduced the main corporation tax rate applicable from 1 April 2020 to 17% when it received Royal Assent on 15 September 2016. This reduction has been reflected in the calculation of the deferred tax at the opening and closing balance sheet dates.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. BORROWINGS

	2018 £'m	2017 £'m
Non-current		
Loan from immediate parent	**25.0**	-
Total non-current	**25.0**	-
Current		
Bank loans	**0.4**	1.8
Liquidity facility	**-**	10.0
Total current	**0.4**	11.8
Total	**25.4**	11.8

The Group has an uncommitted £45.0m liquidity facility provided by BNP Paribas Commercial Finance, secured on UK and Belgium-based assets, with an interest margin of 1.75% over 1 month LIBOR. There are no financial covenants but available funds may be restricted based on operational parameters including debtor days and debtor concentration limits. Drawings on this facility at 31 December 2018 totalled £Nil (2017 £10.0m). In December 2018 the Group's parent provided an unsecured loan of £25.0m to the Group. This loan is due for repayment in 2026 and bears an interest rate of 3.07%. The Group also has total borrowings of £0.4m consisting of a number of smaller facilities for working capital purposes, acquired with Interior Services Group Iberia SL and ACE-Engenharia e Construções Ltda. The Group also has uncommitted overdraft facilities in Brazil, Germany and France. Covenants on debt facilities include total interest cover, net debt to earnings before interest, tax, depreciation and amortisation, cash flow cover and minimum annual earnings before interest, tax, depreciation and amortisation. There have been no breaches of bank covenants during the period.

There is no variance between the carrying amount and the fair value of the borrowings. The Group had no committed undrawn borrowing facilities as of 31 December 2018 (2017 £nil).

21. TRADE AND OTHER PAYABLES

	2018 £'m	2017 £'m
Non-current		
Trade payables (including retentions)	13.2	0.5
Other payables	0.1	7.9
Total non-current trade and other payables	13.3	8.4
Current		
Trade payables (including retentions)	202.4	198.2
Contract accruals	233.7	162.8
Other taxation and social security	8.2	7.8
Other payables	114.8	67.8
VAT	10.9	7.1
Accruals	38.0	31.5
Total current trade and other payables	608.0	475.2
Total trade and other payables	621.3	483.6

An analysis of the maturity of debt is given in Note 25.

The Group's policy is to fix payment terms when agreeing the terms of each transaction. It is the Group's general policy to pay suppliers according to the agreed terms and conditions, provided that the supplier has complied with those terms. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Therefore, under the normal course of business, the Group is not charged interest on overdue payables. The Board considers that the carrying amount of trade and other payables approximates their fair value.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PROVISIONS

	2018 £'m	2017 £'m
Balance at the beginning of the period	9.2	4.3
Provision created in the period	-	6.9
Utilisation of provision in the period	(7.2)	(2.0)
Balance at the end of the period	2.0	9.2

Analysis of provision	2018 £'m	2017 £'m
Non-current	1.3	1.9
Current	0.7	7.3
	2.0	9.2

Significant provisions included in the balance are as follows:

- £1.4m for onerous leases. £0.1m is expected to be utilised over the next year and £1.3m is expected to be utilised over the next 8 years.
- £0.6m for supplier claims all of which are expected to be utilised over the next year.

The prior year provisions related to supplier claims and restructuring costs were largely utilised during the current year.

23. CAPITAL AND OTHER COMMITMENTS

At 31 December 2018, the Group and the Company had no capital commitments (2017 £nil).

Operating leases

The Group's minimum commitments under non-cancellable operating leases are as follows:

	Sublease receivable 2018	Leases payable 2018		Sublease receivable 2017	Leases payable 2017	
	Land and buildings £'m	Land and buildings £'m	Other £'m	Land and buildings £'m	Land and buildings £'m	Other £'m
Operating leases which expire:						
Within one year	-	3.5	0.3	0.4	9.5	0.5
Within two to five years	0.5	10.9	0.2	0.4	12.5	0.8
After five years	-	28.0	-	-	28.0	0.2
	0.5	42.4	0.5	0.8	50.0	1.5

24. CONTINGENT LIABILITIES

There are Group cross guarantees from the company with certain subsidiaries with the Group's banks and surety lenders. No monies were outstanding as at 31 December 2018 (2017 £nil). In the normal course of business there are contingent liabilities including the provision of bonds in respect of completed and uncompleted contracts. Bonds are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the bond agreement. The total amount of such bank and surety bonds in issue at 31 December 2018 was £112.2m (2017 £75.4m).

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments
The principal financial instruments used by the Group from which financial instrument risk arises are shown in the table following.

Categories of financial instruments

	2018 £'m	2017 £'m
Financial assets (amortised cost)		
Trade receivables (non-current)	**15.0**	21.4
Other receivables (non-current)	**0.5**	0.3
Trade receivables (current)	**331.6**	217.4
Other receivables including related parties (current)	**18.3**	18.2
Amounts due from construction contract customers	**167.3**	84.9
Cash and cash equivalents	**102.8**	75.7
Total financial assets	**635.5**	417.9
Financial liabilities (amortised cost)		
Trade payables (non-current)	**13.2**	0.5
Other payables (non-current)	**0.1**	7.9
Contingent consideration (non-current)	**-**	-
Borrowings (non-current)	**25.0**	-
Borrowings (current)	**0.4**	11.8
Trade payables (current)	**202.4**	198.2
Other payables (current)	**114.8**	67.8
Contract accruals	**233.7**	162.8
Accruals	**38.0**	31.5
Amounts due to construction contract customers	**112.4**	31.2
Contingent consideration (current)	**-**	-
Total financial liabilities	**740.0**	511.7

Financial instruments not carried at fair value

The Board considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximate to their fair values, due to the short maturity of the instruments or because they bear interest at rates approximate to the market.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial risk management
The Group's activities expose it to a variety of risks, the key risks identified being:

- Market risk
- Credit risk
- Foreign currency risk
- Liquidity risk
- Interest rate risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and procedures for measuring and managing risk. Please refer also to the principal business risks on pages 12 to 14.

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

The Group's activities expose it mainly to the financial risks of changes in foreign currency exchange rates and changes in interest rates. The Board reviewed and agreed the policy for managing interest rate risk and foreign currency risk, and the potential impact of any significant economic changes are discussed at monthly Board meetings. Refer to both foreign currency risk and interest rate risk headings below.

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

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and contract assets, that represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

Cash and cash equivalents
The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies such as Standard and Poor's, Moody's and Fitch. No material credit exposure is permitted to a financial institution with a rating lower then BBB- or equivalent. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved financial institutions.

Trade receivables
Trade receivables consist of a large number of customers, spread across diverse geographical areas, and the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including default risk of the industry and country in which the customers operate, has less of an influence on credit risk.

The Group does not have any significant net credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments when there is objective evidence that the asset is impaired. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined by references to past default experience and historical data of payment statistics for similar financial assets.

Before accepting any new customer, the Group runs credit checks to assess the potential customer's credit quality. The Group monitors exposure to individual clients and all customers are subject to standard terms of payment for each division.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Ageing of trade receivables:

	2018 Gross £'m	2018 Impairment provision £'m	2017 Gross £'m	2017 Impairment provision £'m
Not past due	**284.7**	-	167.6	-
Past due 0 – 30 days	**28.0**	-	35.2	1.1
Past due 30 – 60 days	**5.6**	-	7.9	-
Past due 60 – 90 days	**5.4**	-	3.0	-
Past due 90 – 120 days	**2.8**	-	0.8	-
Past due greater than 120 days	**7.0**	**1.9**	5.1	1.1
	333.5	**1.9**	219.6	2.2

Trade receivables that are less than six months past due for payments are generally not considered impaired. Included in the Group's trade receivables are debtors with a carrying amount of £5.1m (2017 £4.0m) which are six months past due at the reporting date for which the Group has not made provision as there has not been a significant change in the credit quality and the amounts are considered recoverable.

External credit ratings

The credit quality of financial assets can be assessed by reference to external credit ratings as follows:

	2018 £'m	2017 £'m
Trade receivables		
A	**260.6**	142.9
B	**9.6**	15.3
Without credit rating	**61.4**	61.4
Total trade receivables	**331.6**	219.6
Cash at bank		
AAA	-	-
AA	**13.0**	23.9
A	**82.5**	48.6
BBB	**7.3**	3.2
Without credit rating	-	-
Total cash at bank	**102.8**	75.7

Movement in the provision for impairment:

	2018 £'m	2017 £'m
Balance at the beginning of the period	**2.2**	0.5
Increase in impairment provision recognised	**0.9**	2.1
Receivables written off as uncollectible	**(0.2)**	(0.3)
Amounts recovered during the period	**(1.0)**	(0.1)
Balance at the end of the period	**1.9**	2.2

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign currency risk
The Group has international operations and is exposed to foreign exchange risk. The rate that has the most impact on the results of the Group is primarily the Euro (EUR). The main risk is from net investments in foreign operations, recognised assets and liabilities and future trading transactions. A 10% increase/decrease in Pounds Sterling (GBP) against the EUR would have had a circa £0.3m (2017 £0.3m) impact on trading operating profits. This analysis assumes all other variables, in particular interest rates, remain constant.

The Group monitors the net balance sheet exposure to foreign currency movements and would consider hedging against any material exposure arising. During the period the Group decided not to hedge any exposure to fluctuations in the value of the EUR, SGD, HKD and AED against the GBP since it believed that the cost outweighs the benefit and it would not be in the interests of the Group.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, relating to operations carried out in local functional currencies, at the reporting date are as follows:

	2018 Assets £'m	2018 Liabilities £'m	2017 Assets £'m	2017 Liabilities £'m
GBP	**317.1**	**440.6**	256.4	389.4
EUR	**239.9**	**226.2**	95.7	87.4
AED	**28.2**	**26.3**	25.7	25.4
HKD	**29.8**	**17.6**	16.7	10.2
SGD	**20.7**	**10.6**	19.8	13.3
MYR	**8.5**	**7.4**	10.3	8.8
CNY	**1.4**	**4.2**	2.2	4.8
BRL	**3.9**	**3.7**	2.0	2.2
KRW	**0.8**	**0.7**	1.1	1.0
RUB	**0.4**	**0.2**	0.7	0.4
Other	**4.4**	**4.4**	0.6	0.3
	655.1	**741.9**	431.2	543.2

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by monitoring bank covenant compliance, forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 20 is a description of the additional undrawn facility that the Group has at its disposal to further reduce liquidity risk. Further details relevant to the Group's liquidity position and its status as a going concern are included within the directors' report on page 70.

The Group reviews its treasury position daily. A daily cash flow forecast for the next four weeks is prepared on a weekly basis and a six-month forecast is produced monthly. These forecasts are reviewed at a company and Group level. Additionally, there is a detailed review of the assumptions underpinning these forecasts by group finance. Minimum cleared cash levels have been imposed on each subsidiary company and actual balances are monitored against the minimum levels on a daily basis. In addition, the top and bottom ten cash contracts by company are reviewed at company and Group level on a monthly basis.

The Group maintains cash pooling structures with relationship banks in GBP and EUR to improve access to cash and to reduce liquidity risk.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Liquidity risk tables
The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities. The tables below have been drawn up based on the earliest date on which the Group can settle the debt. The tables include both interest and principal cash flows.

2018	Carrying amount £'m	Contractual cash flows £'m[1]	Less than 1 year £'m	1-2 years £'m	2-5 years £'m
Non-derivative financial assets					
Trade receivables (current and non-current)	346.6	346.6	331.6	15.0	-
Other receivables including related parties (current and non-current)	18.8	18.3	18.3	0.5	-
Amounts due from construction contract customers	167.3	167.3	167.3	-	-
Cash and cash equivalents	102.8	102.8	102.8	-	-
	635.5	635.5	620.0	15.5	-
Non-derivative financial liabilities					
Borrowings (current and non-current)	0.4	0.4	0.4	-	-
Borrowings from immediate parent (non-current)	25.0	25.0	-	-	25.0
Trade payables (current and non-current)	215.6	215.6	202.4	13.2	-
Other payables (current and non-current)	114.8	114.8	114.7	0.1	-
Contract accruals and accruals	271.8	271.8	271.8	-	-
Amounts due to construction contract customers	112.4	112.4	112.4	-	-
	740.0	740.0	701.7	13.3	25.0

2017	Carrying amount £'m	Contractual cash flows £'m[1]	Less than 1 year £'m	1-2 years £'m	2-5 years £'m
Non-derivative financial assets					
Trade receivables (current and non-current)	238.8	238.8	217.4	21.4	-
Other receivables (current and non-current)	18.5	18.5	18.2	0.3	-
Amounts due from construction contract customers	84.9	84.9	84.9		
Cash and cash equivalents	75.7	75.7	75.7	-	-
	417.9	417.9	396.2	21.7	-
Non-derivative financial liabilities					
Borrowings (current and non-current)	11.8	11.8	11.8	-	-
Trade payables (current and non-current)	198.7	198.7	197.8	-	0.9
Other payables (current and non-current)	75.7	75.7	67.8	7.9	-
Contract accruals and accruals	194.3	194.3	194.3	-	-
Amounts due to construction contract customers	31.2	31.2	31.2	-	-
Contingent consideration	-	-	-	-	-
	511.7	511.7	502.9	7.9	0.9

[1] Under IFRS 7 contractual cash flows are undiscounted and include any related future interest payments and therefore may not agree with the carrying amounts in the balance sheet.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument, or cash flows associated with the instrument, will fluctuate due to changes in market interest rates. The Group's only interest-bearing asset is cash.

The Group is exposed to interest rate risk primarily through borrowing funds at floating interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages interest rate risk on borrowings by ensuring access to diverse funding and through monitoring interest rate movements with monthly reports.

Interest rate risk is reviewed on a regular basis and if considered necessary a strategy to minimise any potential risk through interest rate swaps is discussed and implemented. Currently the effect of interest rate changes on net interest income and expense is immaterial to the Group. If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the period would neither increase nor decrease (2017 increase or decrease by £0.0m) in respect to exposure to the Group's borrowings.

Capital risk management
The Board is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. The Board manages its capital (cash, borrowings and reserves) to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders as well as sustaining the future development of the business.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to equity holders of ISG plc, comprising issued capital, reserves and retained earnings.

26. SHARE CAPITAL

	2018 Group and Parent Company Number	**2018 Group and Parent Company £'m**	2017 Group and Parent Company Number	2017 Group and Parent Company £'m
Ordinary shares of £1 each (2017 £1 each) allotted	**49,483,864**	**49.4**	49,483,864	49.4
Ordinary shares of £1 each (2017 £1 each) allotted and fully paid	**49,433,864**	**49.4**	49,433,864	49.4

The company has one class of ordinary shares that carries no rights to fixed income.

On 14 April 2016, 49,999 ordinary shares were issued to Cathexis Holdings LP and then transferred to Cathexis UK Holdings Limited. In consideration for the shares, Cathexis UK Holdings Limited gave an undertaking to pay the company the sum of £50,000 on 31 December 2020 or, if sooner, immediately upon written demand or demands by the company. On 6 September 2016 49,433,864 shares were issued at £1 per share. Total consideration was £83.5m resulting in share premium of £34.1m.

27. DIVIDENDS

During the period to 31 December 2018 the directors declared and paid an interim dividend of £25.0m (2017 £nil). No final dividend has been declared (2017 £nil).

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. NON-CONTROLLING INTERESTS

	2018 £'m	2017 £'m
Balance at the beginning of the period	(0.4)	(0.1)
Purchase of NCI	(0.3)	(0.3)
Share of profit for the period	-	0.4
Dividends to NCI	-	(0.4)
Other	0.8	-
Balance at the end of the period	0.1	(0.4)

During 2018 the Group purchased the remaining 42.41% of the shares in Interior Services Group Iberia SL for £1.5m resulting in a reduction to the NCI of £0.3m with the balance being recorded in Other reserves.
During the prior period the Group purchased 7.49% of the shares in Interior ISG Espana SA (subsequently merged into Interior Services Group Iberia SL during 2018) for £0.2m and the remaining 10% of Tecton Engineering GmbH shares for £0.1m. These transactions are shown as the purchase of NCI in the reconciliation above. The Group also purchased the remaining 21% of ACE-Engenharia e Construcoes Ltda and DRAW Servicos de Engenharia Ltda for £0.5m, reducing the deferred consideration on the balance sheet.

29. RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The UK subsidiaries are part of the UK tax group that includes the immediate parent, and as such, UK group relief is transferred between the UK subsidiaries and the immediate parent.

During the period the Group received a £25.0m loan from its immediate parent, the terms are as described in note 20. In the prior period the group repaid a £30.0m short-term loan to the parent. A £0.5m receivables balance carrying no interest and payable on demand was due to the Group from the parent entity as of 31 December 2018 (2017 £0.3m) and was recorded in other receivables.

The Group provides construction services to a fellow subsidiary of the Cathexis Group (Cathexis Luxembourg Sarl). During the year the Group charged £40.4m of which £27.6m was a balance outstanding in Trade debtors at 31 December 2018; there were no similar transactions or balances in 2017.

The Group also provides accounting services for another fellow subsidiary of the Cathexis Group (ISG Construction LP). The amount charged in the year to ISG Construction LP was £0.3m (2017 £0.1m), with a balance outstanding at the year-end of £0.5m (2017 £0.1m) included in other receivables.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. ADDITIONAL INFORMATION ON SUBSIDIARIES

The details of all of the subsidiary companies as at 31 December 2018 were:

Subsidiary undertakings	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
ACE-Engenharia e Construções Limiteda	Brazil	City of São Paulo, State of São Paulo, Rua General Furtado do Nascimento, 684, 4º andar, conjuntos 43/44, Alto de Pinheiros, CEP 05465-070	Fit out and refurbishment services	100	Indirect
Commtech (Asia) Limited	Hong Kong	17/F, 101 Kings Road, North Point, Hong Kong	Commissioning and testing management	100	Indirect
Commtech (Asia-Philippines) Branch, Inc.	Philippines	8F Sunlife Centre 5th Avenue Corner Rizal Drive BGC Taguig, Metro Manila, Philippines 1634	Commissioning and testing management	100	Indirect
Commtech Asia (Australia) Pty Limited	Australia	Suite 601, King York House, 32 York Street, Sydney, New South Wales 2000, Australia	Commissioning and testing management	100	Indirect
Commtech Asia Japan KK	Japan	5F MG Meguro Ekimae Building, 2-15-19, Kami Osaki, Shinagawa-ku, Tokyo 141-0021, Japan	Commissioning and testing management	85	Indirect
Commtech Asia (Singapore) Pte Limited	Singapore	12A Gemmill Lane, Singapore 069252	Commissioning and testing management	100	Indirect
Commtech Middle East Technology Services LLC*	UAE	M09A, BMI Building, Khalid Bin Al Walid Street, PO Box 120397, Dubai, UAE	Commissioning and testing management	49	Indirect
Commtech Testing Technology (Shanghai) Co. Limited	China	Rm 1406B, Suncome Cimic Tower, 800 Shang Cheng Road, Pudong New District, Shanghai, 200120 PRC	Commissioning and testing management	100	Indirect
Interior Services Group Iberia, S.L	Spain	Avenida. De Córdoba nº 21, 42º, puerta 3-B, 28026 Madrid, Spain	Fit out and project management	100	Indirect
Interior Service Group Netherlands BV	Netherlands	Business Center Eemshaven, Westereemsweg 5, 9979 XP Eemshaven, Netherlands	Fit out and project management	100	Indirect
Interior Services Group Spain SL	Spain	Avenida. De Córdoba nº 21, 42º, puerta 3-B, 28026 Madrid, Spain	Fit out and project management	100	Indirect
ISG (Schweiz) AG	Switzerland	Räffelstrasse 24, 8045 Zürich, Switzerland	Fit out and project management	100	Indirect
ISG (Thailand) Limited*	Thailand	57 Wireless Road, Level 18 Park Ventures Ecoplex Lumpini, Pathumwan, Bangkok 10330, Thailand	Fit out and project management	49	Indirect
ISG Asia (China) Limited	China	Room 412, Shanghai Xin Xin Business Centre, 286 Dongfang Road, Pudong New District, Shanghai, PRC	Fit out and project management	100	Indirect
ISG Asia (Hong Kong) Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Fit out and project management	100	Indirect
ISG Asia (Macau) Limited	Macau	Alameda Dr, Carlos D'Assumpcao, No 411 a 417 Editicio Dynasty Plaza, 4 andar B, C e D, em, Macau	Fit out and project management	100	Indirect
ISG Asia (Malaysia) Sdn Bhd	Malaysia	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8 Jalan Kerinchi, 59200, Kuala Lumpur, Malaysia	Fit out and project management	100	Indirect

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Subsidiary undertakings	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
ISG Asia (Singapore) Pte Limited	Singapore	1A Lorong Telok Singapore 049014	Fit out and project management	100	Indirect
ISG Asia Group Services Pte Limited	Singapore	1A Lorong Telok, Singapore, 049014	Group services	100	Indirect
ISG Asia Investment (Hong Kong) Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Holding company	100	Indirect
ISG Central Services Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Direct
ISG Construction Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Construction services	100	Indirect
ISG Construction Services SPRL	Belgium	Auguste Reyerslaan 80, 1030 Schaerbeek, Belgium	Fit out and project management	100	Indirect
ISG Deutschland GmbH	Germany	Am Hauptbahnhof 18, 60329, Frankfurt, Germany	Fit out and project management	100	Indirect
ISG Engineering Services Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Engineering	100	Indirect
ISG Engineering Services Nordic APS	Denmark	c/o PricewaterhouseCoopers, Strandvejen 44, 2900 Hellerup, Denmark	Engineering	100	Indirect
ISG Europe SAS	France	14 Rue Auber, 75009, Paris, France	Fit out and project management	100	Indirect
ISG Fit Out Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out	100	Indirect
ISG Interior Services Group Ireland Limited	Ireland	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	Fit out and project management	100	Indirect
ISG Middle East LLC*	UAE	Office 602 Sama Tower, Shaikh Zayed Road, Dubai, UAE	Fit out and project management	49	Indirect
ISG Olson CJSC	Russia	Floor 7, Schipok str. 18, Moscow, 115093, Russian Federation	Fit out	100	Indirect
ISG Retail Limited	England	Boleyn House, St Augustine's Business Park, Whitstable, Kent CT5 2QJ, United Kingdom	Fit out and refurbishment	100	Indirect
ISG Technology Solutions Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Technology consulting services	100	Indirect
Realys Group Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Holding company	100	Indirect
Realys Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Design-led project management	100	Indirect
Realys Pte Limited	Singapore	1A Lorong Telok, Singapore, 049014	Design-led project management	100	Indirect
Realys Sdn Bhd	Malaysia	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200, Kuala Kumpur, Malaysia	Design-led project management	100	Indirect
Tecton Engineering GmbH	Germany	Neumarkt 1c, 50667 Köln, Germany	Fit out and project management	100	Indirect

* The Group has control over these subsidiaries and consolidates them as the Group has more than 50% of the voting and dividend rights of the entity.

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following UK subsidiaries are exempt from the requirements under the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A of the Act.

Subsidiary undertakings (English company registration number)	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
Exterior International Limited (3454602)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out and building	100	Indirect
Interior Services Group Limited (4545988)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect
Interior Services Group (UK Holdings) Limited (4446413)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, United Kingdom	Holding company	100	Indirect
ISG Construction Holdings Limited (7272660)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect
ISG Developments Limited (1098081)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, United Kingdom	Property development	100	Indirect
ISG Interior Services Group UK Limited (2989004)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, United Kingdom	Fit out and project construction services	100	Indirect
ISG Jackson Limited (767259)	England	Eight Six, 86 Sandyhill Lane, Ipswich, Suffolk, IP3 0NA, United Kingdom	Construction services	100	Indirect
ISG Northern Limited (315305)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Construction services	100	Indirect
ISG Overseas Investments Limited (3791978)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect
ISG Pearce Limited (409459)	England	Ground Floor, Unit 1200, Park House, Parkway North, Newbrick Road, Stoke Gifford, Bristol, BS34 8YU, United Kingdom	Construction services	100	Indirect
ISG Retail and Leisure Limited (1346138)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Non-trading	100	Indirect
ISG South Limited (07276092)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Construction services	100	Indirect
ISG UK Fit Out Limited (7267349)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect
ISG UK Retail Limited (4491779)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect
Realys Holdings Limited (9059862)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The details of dormant companies as at 31 December 2018 were:

Subsidiary undertakings (English company registration number)	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
Commtech (UK) Limited (3006483)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
CMI Commtech Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Dormant	100	Indirect
ISG Asia Limited (7395385)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Asia (Korea) Limited	Cayman Islands	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-112, Cayman Islands	Dormant	100	Indirect
ISG Cathedral Limited (3151349)	England	Boleyn House, St Augustine's Business Park, Whitstable, Kent CT5 2QJ, United Kingdom	Dormant	100	Indirect
ISG Developments (Southern) Limited (1801647)	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Property development	100	Indirect
ISG Developments UK Holdings Limited (10618277)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Egypt Limited	Egypt	c/o Al Kamel Law Firm 17 Nabil El Wakad St., Dokki, Giza - Egypt	Dormant	100	Indirect
ISG Europe Limited (7662920)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Jackson Special Projects Limited (541763)	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Non-trading	100	Indirect
ISG Luxembourg S.a.r.l	Luxembourg	10A Rue Henri M, Schnadt, L-2530, Luxembourg	Dormant	100	Indirect
ISG Middle East Limited (7395542)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG UK Limited (5086130)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Propencity Limited (2517333)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Realys Europe Limited (9227207)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Realys France SAS	France	14 Rue Auber, 75009, Paris, France	Dormant	100	Indirect
Totty Developments Limited (3119754)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Realys Hong Kong Limited	Hong Kong	17/F, 101 Kings Road, North Point, Hong Kong	Dormant	100	Indirect

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Details of companies within the ISG Group that are no longer required and are therefore in the process of liquidation as at 31 December 2018:

Subsidiary undertakings (English company registration number)	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
ISG Italia Srl	Italy	Viale Sabotino, 19/2, 20135 Milan, Italy	In liquidation	100	Indirect
ISG Middle East LLC (Qatar)*	UAE	P.O. Box 47095, 5th Floor Regus Gath Building, Fereei Bin Mahmood South, Near Ramada Junction, Doha, Qatar	In liquidation	49	Indirect
Realys Group Construction and Design Consulting (Shanghai Company Limited)	China	Shanghai Hong Kong Plaza, 283 Huai Hai Middle Road, South Building, Floor 26 room 2607 - 37	In liquidation	100	Indirect
Realys GmbH	Germany	Wilhelm-Leuschner - Straße 68, 60329 Frankfurt, Germany	In liquidation	100	Indirect

* The Group has control over these subsidiaries and consolidates them as the Group has more than 50% of the voting and dividend rights of the entity.

The NCI of all subsidiaries that are not 100% owned by the Group is considered to be immaterial.

31. PARENT AND ULTIMATE PARENT

The immediate parent company is Cathexis UK Holdings Limited, a company incorporated and registered in the United Kingdom. At 31 December 2018, the company's ultimate parent company was Cathexis Holdings LP, a company incorporated in the United States. The largest group of undertakings for which group accounts are drawn up and of which the company is a member is the group headed by Cathexis Holdings LP. The smallest such group is the group headed by Cathexis UK Holdings Limited. Copies of the group financial statements of Cathexis UK Holdings Limited are available from Companies House. The ultimate controlling party is W B Harrison by virtue of his beneficial interests in the ultimate parent company.

ISG PLC
COMPANY BALANCE SHEET | At 31 December 2018

	Notes	2018 £'m	2017 £'m
Non-current assets			
Investments	4	**66.4**	66.4
Current assets			
Due from subsidiary		**25.0**	-
Total assets		**91.4**	66.4
Non-current liabilities			
Due to parent	5	**(25.0)**	-
Total liabilities		**(25.0)**	-
TOTAL NET ASSETS		**66.4**	66.4
Capital and reserves			
Called up share capital	6	**49.4**	49.4
Share premium account	6	**34.1**	34.1
Merger reserve		**(17.1)**	(17.1)
TOTAL SHAREHOLDER'S FUNDS		**66.4**	66.4

The financial statements of the company (company number 10081578) were approved by the Board of directors and authorised for issue on 29 March 2019. They were signed on behalf of the Board of directors. The profit for the period included within the financial statements of the parent company is £25.0m (2017 £nil). The accompanying notes form part of these financial statements.

P Cossell
Chief Executive Officer

M Stockton
Chief Financial Officer

ISG PLC
COMPANY STATEMENT OF CHANGES IN EQUITY | At 31 December 2018

	Share capital £'m	Share premium £'m	Merger reserve £'m	Retained earnings £'m	Total £'m
Balance as of 1 January 2018	**49.4**	**34.1**	**(17.1)**	**-**	**66.4**
Dividends received from subsidiary	-	-	-	25.0	25.0
Dividends paid to parent	-	-	-	(25.0)	(25.0)
Balance at 31 December 2018	**49.4**	**34.1**	**(17.1)**	**-**	**66.4**

The merger reserve was created on the acquisition of ISG Central Services Limited in 2016. The merger reserve comprises the difference between the value of shares issued and the carrying value of investments arising from a group reconstruction under common control. The accompanying notes form part of these financial statements.

ISG PLC
NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Financial Reporting Standard 100 (FRS100) Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements have been prepared on a historical cost basis. The presentation currency used is Pounds Sterling and amounts have been presented in millions. The Group consolidated financial statements are also prepared in accordance with International Financial Reporting Standards, the principal accounting policies adopted are the same as those set out in Note 3 to the consolidated financial statements in so far as they are relevant to the parent company financial statements. The Company is included within the consolidated financial statements of ISG plc.

Disclosure exemptions adopted

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

- the effect of future accounting standards not yet adopted.
- disclosure of related party transactions with other wholly-owned members of the Group headed by ISG plc.

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

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

Investments

Investments are carried at cost, net of any recognised impairment.

2. PARENT COMPANY PROFIT AND LOSS ACCOUNT

The Company has taken advantage of section 408(3) of the Companies Act 2006 and has not presented its own profit and loss account. The profit for the period was included within the financial statements of the parent company and was £25.0m (2017 £nil). A dividend of £25.0m (2017 £nil) was declared and paid in the period.

3. CASH FLOW STATEMENT

The Company had no bank account or cash flows during the period and therefore, has not prepared a cash flow statement.

4. INVESTMENTS

	2018 £'m	2017 £'m
Cost		
Balance at the beginning of the period	**66.4**	66.4
Acquired in the period	**-**	-
Balance at the end of the period	**66.4**	66.4

See Note 30 of the Group accounts for details of the subsidiary undertakings.

5. BORROWINGS

See Note 20 of the Group accounts.

6. SHARE CAPITAL

See Note 26 of the Group accounts.

7. STAFF COSTS

There were no employees during the period.

Officers and professional advisors

Directors

W Harrison (Chairman)

P Cossell (Chief Executive Officer)

M Stockton (Chief Financial Officer)

R Hubbard (Chief Marketing Officer)

J Falconer* (Chief Human Resources Officer)

M Blowers* (Chief Operating Officer – Fit Out)

G Kew* (Chief Operating Officer – UK Construction)

P Weaver (Chief Operating Officer – Engineering Services)

J Friedman

J Moy

Company Secretary

N Heard

Registered office

Aldgate House
33 Aldgate High Street
London
EC3N 1AG

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Solicitor

CMS Cameron McKenna LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Bank

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

BNP Parisbas
10 Harewood Avenue
London
NW1 6AA

Country and date of incorporation

United Kingdom
23 March 2016

* J Falconer, M Blowers and G Kew were appointed as directors of ISG plc on 31 January 2019

ISG plc

Aldgate House, 33 Aldgate High Street,
London EC3N 1AG

T +44 (0)20 7247 1717
E email@isgplc.com

Find @isgplc on LinkedIn, Twitter, Instagram,
Facebook and YouTube
isgplc.com

Fit out | Construction | Engineering Services | Development

ISG2569 (03/2019)