Annual Report 2022

A balanced approach


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

Key achievements

Supporting our people

This year we continued our mission to support our people and make ISG a rewarding and safe place to work. We placed 14th in the Best Companies™ Top 25 Best Big Companies to Work For list in the UK, our highest placing to date. We also reviewed our family-friendly policies to help ensure our maternity and paternity leave policies are industry leading and our Helping Hand Fund helped employees through the cost-of-living crisis.

Reaching into a new sector

This year saw us win the circa £600m Sunset Waltham Cross Studios expansion in Broxbourne, UK. It's the latest win for us in the growing film studios industry and further recognition of our expertise on hyperscale, complex projects.

Winning industry recognition

We were delighted to see our projects and people win a range of awards during the year. This was topped off with success at the 2022 Building Awards, where we were named Major Contractor of the Year (over £500m) and also took home the Delivering Social Value Award (see page 19).

Stepping up for communities

This year ISG raised over £457,000 for charities around the world including £329,000 during our annual Move for Charity fundraising week alone. We also had a busy year of rolling up our sleeves and volunteering, with our Board leading the way by transforming the garden at Gellinudd Recovery Centre in Swansea, UK.

Continuing our outstanding customer service

With an average customer satisfaction score of 87% and a Net Promoter Score of +86, we continue our focus on industry-leading customer experience. In 2022 we evolved our customer experience (CX) programme further to enable us to understand and deliver on customer expectations throughout the project life cycle, and across multiple projects for our growing number of repeat-business clients.

Putting purpose at the heart of our strategy

In July we launched our new business strategy – 'Right thing first'. It was developed collaboratively with input from across the business, creating a cohesive strategic framework which is all about setting new standards for our industry, and balancing profit with purpose.

Performance at a glance

Financial

£2.2bn
revenue
(2021: £2.2bn)

£36.9m*
underlying EBITDA
(2021: £43.4m)

£104.7m
net cash position at year end
(2021: £119.9m)

£11.5m
profit before tax
(2021: £18.5m)

£1.9bn
forward order book at year end
(2021: £1.6bn)

Customers

87%
customer satisfaction score
(2021: 89%)

+86
Net Promotor Score (NPS)
(2021: +84)

70%
revenue from repeat customers
(2021: 67%)

Employees

14th
Best Companies™ Top 25 Best Big Companies to Work For list
(2021: 16th)

4.4
rating on Glassdoor

1 star
Best Companies™ accreditation

Silver
UK Armed Forces Covenant status

1.51
Accident Incident Rate (AIR)
(2021: 1.57)

* Underlying EBITDA is an alternative performance measure used by management to monitor the underlying performance of the Group. See the Business review section on page 14.

Environment

98.6%
diversion of construction and demolition waste from landfill (UK)

60%
renewable electricity use (UK)

Planet Mark Award for Stakeholder Engagement
recognising our successful sustainable procurement implementation

21%
reduction in construction waste (UK)
(2022: 1.73t/£100,000; 2021: 2.2t/£100,000)

Social

£179m
additional social and local economic value created (as measured by the Social Value Portal)

2,400
apprenticeship weeks

£457,000
raised for charities worldwide

304
skills events reaching
12,300 attendees

Governance

Gold
EcoVadis accreditation

92%
of employees completed anti-bribery and corruption training

Strategic report

Message from our CEO

My first year as CEO at ISG has drawn to a close and I am pleased to report that we finished the year in good health, having hit our financial plan, secured some of the biggest projects in our history, secured a record forward order book, and achieved widespread industry recognition.

Our blend of specialisms stood us in good stead, and while our revenue and underlying EBITDA performance were slightly down on 2021, we hit our forecasted figures with revenue of £2.2bn (2021: £2.2bn), underlying EBITDA of £36.9m (2021: £43.4m) and profit before tax of £11.5m (2021: £18.5m), and ended the year with zero debt, a strong cash position and a record forward order book.

The year wasn't without its challenges. As the world emerged from the shadow of COVID-19, we started the year in a robust position with a strong order book. But political and economic issues in the UK, including high inflation and a subsequent increase in interest rates, alongside conflict in Ukraine, resulted in some projects being put on hold or scaled back.

We continued to perform strongly in our traditional markets across fit out and construction. At the same time, our burgeoning reputation for delivering hyperscale projects saw us grow in the datacentre, logistics and distribution, and semiconductor sectors. A real high point of the year was when we won the Sunset Waltham Cross Studios development in Broxbourne, UK. We have since built on that, and recently secured appointment on a vaccines manufacturing plant for a global pharmaceutical firm in Teesside, UK.

We continued to be guided by our 'All 4 by 24' corporate goals, but this year started on the journey to build and evolve our business strategy. Our new strategy, 'Right thing first', was developed with input from people across the business and launched in July 2022, coming into effect from 1 January 2023. Our focus on all our internal and external stakeholders remains, but we are now turning up the dial when it comes to environmental, social and governance (ESG) issues. We are currently finalising our long-term 'Right thing first' key performance indicators (KPIs) and roadmap, and once completed, this strategy will carry us all the way to 2028 and establish us as a bold innovator in our sector. One that believes construction can – and needs to – be both different and better.

In September we were delighted to hear we had been awarded gold status accreditation by EcoVadis. This puts us in the top 5% of our industry when it comes to our environmental, social and ethical impact and is a fantastic endorsement of our ESG ambitions.

GOLD
2022
ecovadis
Sustainability
Rating

Our customer experience remains first rate, with industry-leading customer satisfaction levels of 87% and a high repeat-business rate of 70%. This year we followed up our award-winning 'The power of place' research and insight report with a second, 'The power of place: The true cost of inaction', helping our customers to understand the greatest risks to their assets so they can take steps to overcome them, achieve long-term return on investment, and mobilise for the challenges of tomorrow.

We continued to invest in our people, improving our family-friendly policies to be industry leading, and introducing supportive measures, including our new Helping Hand Fund which provided financial support for those struggling with the cost-of-living crisis. With skills in short supply, we are focused on offering an unbeatable employment experience that attracts and retains the diverse talent our industry needs. This is reflected in our Glassdoor rating of 4.4 out of 5.0.

Continually improving how we deliver our projects is the focus for our Operational Excellence team, which is now embedded as a core function in the business. The team is on hand to support our project teams and functions in efficiency, precision and consistency.

Giving something back is important to everyone in ISG, and this year we took it to new levels. We are focused on supporting charities that are committed to solving the crisis we have in our industry. Our annual fundraising week – Move for Charity – raised a record amount of over £329,000 for charities around the world, including our corporate charitable partner in the UK, Mental Health UK. Overall, we raised over £457,000 for charities during 2022. We increased our focus on volunteering – encouraging our people to take time out of work to volunteer for worthy causes; and we delivered over £179m in additional social value during the year (see page 43).

The icing on the cake in my first year as CEO came in November, when we were named as Major Contractor of the Year (over £500m) at the 2022 Building Awards. This is a fantastic acknowledgement from our industry. It is also recognition of the brilliant work our people are doing day in and day out to make ISG a company that people want to work with and for.

All this hard work and success stands us in great stead for the future. The world in which we operate remains unpredictable, but our balanced portfolio of sectors, talented people and purpose-led focus will help ensure we look to the future as a strong, robust and dynamic company.

Matt Blowers
Chief Executive Officer
21 April 2023

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About ISG

ISG is a dynamic global construction services company. We have had a hand in some of the world's most impactful and recognisable places, but our legacy is about far more than buildings. Across Europe, the Middle East and Asia, we deliver places where people and businesses make memories, forge new experiences, and reach their goals. In short, we deliver the places that enable people and businesses to thrive.

Our leadership and business structure

Matt Blowers
Chief Executive Officer

Karen Booth
Chief Financial Officer

Richard Hubbard
Chief Marketing Officer

Jane Falconer
Chief Human Resources Officer

Zoe Price
Chief Operating Officer

Tom Smith
Chief Commercial Officer

In January 2022, Matt Blowers took up the role of CEO following Paul Cossell's decision to step down from his post as CEO and take up a Vice Chairman position.

In July 2022, we took the decision to simplify our structure and bring all our business units together under one Chief Operating Officer.

This simplified model means we can be more agile when it comes to decision-making and governance processes, as well as enabling us to share best practice and talent more effectively.

Our vision and values

Our vision

Every day our talented people deliver exceptional outcomes for our customers. We do this by upholding our vision and brand promise, committing to our corporate goals, and living our values and behaviours.

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

Our values

Our core values underpin our activities and drive our behaviours. They are deeply embedded in our business, and our people own and live them every day.

Dream smart

We encourage new thinking and bold ideas backed by knowledge, sound decision-making and first-rate implementation.

Speak frankly

We value clarity and honesty, and we are open and straightforward in all of our dealings. We never shy away from tough conversations.

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 customers, 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.

Our corporate goals

During 2022, while we continued to be guided by our 'All 4 by 24' corporate goals, we took action to build on these goals and evolve our strategy to one with a greater focus on environmental, social and governance (ESG) issues.

Developed collaboratively with input from across the business, the new 'Right thing first' business strategy was launched internally in July. It sets out ambitious goals and provides a cohesive strategic framework which is all about balancing profit with purpose.

Under our new strategy, our overarching ambitions are:

CUSTOMERS
To be **the trusted partner**, adding long-term value and supporting customer ambitions

EMPLOYEES
To be an **outstanding employer**, inspiring and empowering people to be the best they can be

ENVIRONMENT
To be the first **carbon-negative** contractor in our sector

SOCIAL
To be a **force for good**, putting people's futures first wherever we work

GOVERNANCE
To be the **most ethical** company for all stakeholders

We are in the process of finalising our long- and short-term key performance indicators (KPIs) for each of these workstreams, along with our roadmap for achieving our ambitions.

Our services

We work across 10 key sectors – central and local government; education; financial and professional services; healthcare; advanced technology facilities and production; life sciences, pharmaceutical and research; logistics and distribution; real estate and development; retail, hospitality and leisure; and technology, media and telecommunications – offering two core services:

Construction

Internationally, we deliver hyperscale, technically complex and highly engineered construction projects for a range of multinational clients. Our projects in this area include hospitals and scientific labs, datacentres, advanced technology facilities, film studios, pharmaceutical manufacturing plants, and logistics and distribution hubs.

In the UK specifically, we are one of four strategic suppliers to the public sector and deliver a full spectrum of construction projects across sectors, and at a range of scales from small and bespoke to hyperscale.

Fit Out

Our origins as a business are in fit out, and we have a highly competitive track record in this field. We deliver at every scale in sectors such as offices, retail and hospitality – across Europe, the Middle East and Asia.

Our 2022 performance

CFO's report

Karen Booth
Chief Financial Officer

	2022	2021
Revenue	£2.2bn	£2.2bn
Underlying EBITDA*	£36.9m	£43.4m
Profit before tax	£11.5m	£18.5m
Forward order book at year end	£1.9bn	£1.6bn
Net cash position at year end**	£104.7m	£119.9m

Financial review

We closed 2022 in a strong financial position, with revenue at £2.2bn in line with 2021, and underlying EBITDA at £36.9m and profit before tax at £11.5m, reflecting the challenges in the political and economic landscape, and our continued investment in people and operational excellence.

We also reported a £19.6m profit from discontinued operations. This is disclosed separately in the financial statements but not included in the profit before tax figure of £11.5m. This relates to the ESS Group which was transferred in December 2022 to report directly into Cathexis. Notes 26 and 27 to the financial statements detail the acquisition and subsequent transfer to Cathexis.

In March 2022, ISG acquired a majority shareholding in Kardomagh Holdings Ltd (ESS Group), a modern methods of construction (MMC) specialist headquartered in Dublin, Ireland. ISG recognised an opportunity to unlock significant growth potential and value from this underperforming business through simplification of the ESS offer and realising efficiencies in the manufacturing and on-site delivery processes. Detailed market analysis identified that operation under direct Cathexis ownership would enhance ESS' growth trajectory through whole market contractor collaborations, and the decision was therefore taken to transfer ESS Group to Cathexis. ISG continues to work in partnership with ESS on key public sector frameworks, with ESS also exploring opportunities to collaborate with peers both in the UK and overseas.

We moved into 2023 with a healthy cash balance, zero debt and our best-ever forward order book. This position of financial strength will set us up for success as we target growth across many of our markets at a time of economic uncertainty in the UK and beyond.

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* Underlying EBITDA is an alternative performance measure used by management to monitor the underlying performance of the Group. See the Business review section on page 14, which explains the components of this measure. ISG's financial statements are prepared under IFRS. Management considers several alternative performance measures (APMs) important to improve the transparency and relevance of our published results, as well as the comparability of our results with other companies. APMs do not have a standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other companies.

** Net cash is defined as our cash balance less our borrowings; it excludes our lease liabilities.

Balance sheet

The consolidated balance sheet at 31 December 2022 shows growth and further strengthening of the Group's financial position over 2022. Net assets increased to £156.3m (2021: £135.8m) and net current liabilities reduced to £50.0m (2021: £61.1m). We continue to focus on working capital management to continue the trend of decreasing net current liabilities in 2023.

Strong cashflow

ISG's reported net cash** balance was £104.7m on 31 December 2022, with zero debt. This was a slight reduction on 2021, reflecting the slippage in start date of two large projects.

ISG is committed to continual improvement in our systems and processes, and ensuring that vendors are paid in line with target dates. In support of this, we have invested in a new source-to-pay system and upgraded our enterprise resource planning (ERP) system. Once fully implemented, the new systems will significantly improve our ability to increase automation and efficiency for the benefit of our supply chain. However, in the short term the implementation has resulted in a slip in payment performance while the system beds in.

Net cash outflow from investing activities of £5.3m comprised investment in IT and system improvements. Net cash outflow from financing activities was driven by the payment of operating lease liabilities.

Bond facilities

The Group continues to have bonding facilities with a range of UK and international banks and UK insurance companies. These facilities allow us to issue performance bonds on certain projects in line with market practice in our industry. As our projects grow in size and number, we work to increase our capacity on these facilities to meet future global operating plans. During the year, we increased the bonding lines by £15.3m to £396.6m at 31 December 2022 (2021: £381.3m), of which 39% was utilised (2021: 40.9%).

Foreign exchange

During the year, we made a gain of £2.6m (2021: £1.0m loss) on foreign exchange.

The effect of volatile short-term currency movements on profits is reduced, as the Group accounts for foreign profits using average exchange rates.

ISG looks to match its cash inflows and outflows in the same currency to reduce any exposures. In addition, we review suitable hedging instruments as appropriate and monitor our currency risk on a regular basis.

Looking ahead

Our record forward order book of £1.9bn provides a strong basis as we move into 2023, and we continue to lay the foundations for growth by making targeted investments to deliver operational excellence. These include recruiting the best talent to support business growth, investing in software solutions and centres of excellence, a continual-improvement approach to service delivery, training and educating on improved compliance, and stress-testing our strategic direction to ensure we are always investing for the longer term.

Business review

2022 was a year of challenging economic conditions, yet ISG continues to improve both its employee and customer experience and focus on a more effective organisational design and delivery model.

The Group achieved revenue of £2.2bn, underlying EBITDA of £36.9m, and ended the year with a forward order book of £1.9bn.

The financial information in the review below follows the Group's internal measures: Using an EBITDA (earnings before interest, tax, depreciation and amortisation) profit measure and excluding non-underlying items (as these are not attributable to the results of the service lines); see the presentation of the income statement for management purposes on page 104.

This year we are reporting our results through two service lines: Fit Out, which encompasses our global fit out and retail business, and Construction, which is made up of our traditional UK construction business as well as our international major projects, datacentres, logistics and distribution, and advanced technology facilities business.

The underlying results are broken down by our service lines as follows:

£'m	Year	Fit Out	Construction*	Group
Underlying revenue	**2022**	**988.7**	**1,196.4**	**2,185.1**
	2021	1,030.0	1,196.9	2,226.9
Underlying EBITDA	**2022**	**32.1**	**4.8**	**36.9**
	2021	39.5	3.9	43.4
Forward order book	**2022**	**576.2**	**1,323.1**	**1,899.3**
	2021	478.1	1,092.6	1,570.7

* 2021 Construction figures are adjusted in line with our new service line reporting and incorporate Construction, Engineering Services, and logistics and distribution. Fit Out now excludes logistics and distribution.

London Waterloo, London, UK

Fit Out

Our Fit Out business achieved revenue of £988.7m (2021: £1,030.0m), EBITDA of £32.1m (2021: £39.5m) and ended the year with a forward order book of £576.2m (2021: £478.1m).

2022 review

Despite the challenging economic climate, our international Fit Out business remained robust in 2022, recording a slight decrease in revenue but an increased forward order book position and a strong pipeline of work.

In the UK, our fit out teams continue to deliver projects for some of the world's most recognisable banking, legal, retail, technology and property companies.

Our major projects team, which focuses on large-scale, high-value fit out and refurbishment projects in the commercial office sector, had a positive year, completing some of the UK's highest-profile fit out and refurbishment projects across a variety of sectors, predominately in London. The team also successfully secured some significant schemes that are due to start in 2023.

Our Agility business, which focuses on smaller, fast-moving commercial office sector projects, continued to show the value of a customer-focused offer, in both the private and public sectors. The team's aftercare service, which provides clients with a complete solution to their ongoing needs once occupied, continues to grow.

During 2022 our Fit Out business launched a further offer to our prospective clients – low-carbon retrofit (see page 51).

In the retail sector, we were reappointed on the frameworks of each of our five long-term financial services customers, and continue to diversify our offer to meet their requirements as their market shifts. We maintained our focus on maximising opportunities from our existing customer relationships while diversifying into new sectors to increase our business resilience in the longer term. An example of this has been our entry into the electric vehicle charging sector in the year.

In continental Europe, the fit out market saw a continued flow of large-scale fit out projects in the global technology, media and telecom (TMT) sector. These schemes made up the mainstay of ISG's fit out sales and revenue. However, increased diversification across more sectors is planned in 2023, with large schemes also visible within the finance and pharmaceutical office sectors, providing resilience and growth potential.

Axel Arigato, Selfridges, London, UK

Roxy Cinemas, Dubai Hills Mall, Dubai, UAE

In the Middle East, Dubai Expo was a continued source of revenue, and we were delighted to be awarded a Taqdeer Award in recognition of our excellence in health and safety. The Expo offered further decommissioning works in 2022, with potential for further legacy projects in 2023. We also successfully completed the delivery of Roxy Cinemas at Dubai Hills Mall, which features the largest screen in the Middle East and North Africa (MENA) region. The completion of our refurbishment work at the Mina A'Salam hotel in Dubai underpinned a successful year.

In Asia, our operations in Singapore continued to deliver a resilient blend of offices, hospitality, finance, banking, and media and tech projects for local and global clients. The market saw increased activity in the second half of 2022, providing a strong finish to the year and a positive outlook for 2023.

Looking ahead

2023 will see us focus on a long-term strategy around potential expansion and diversification of our fit out and retail proposition. Our focus will be on the future requirements of our current and potential new private and public sector clients, as well as exploring new sectors in line with the wider ISG Group to enable long-term resilience and growth.

Despite the turbulence in the UK economy in terms of inflation and the projected medium-term recession, the pipeline of opportunities across many sectors and geographies remains buoyant, and we start 2023 with a strong secured and anticipated forward order book.

Construction

Our Construction business achieved revenue of £1,192.2m (2021: £1,196.9m), EBITDA of £4.8m (2021: £3.9m) and ended the year with a forward order book of £1,323.1m (2021: £1,092.6m).

2022 review

2022 saw a return to greater normality for our Construction teams, with the disruptions and uncertainty caused by COVID-19 now behind us. The UK Construction business recorded a further increase in profit margins, and a host of project and framework appointments meant we finished the year with a record forward order book.

We successfully completed the redevelopment of London Waterloo's former Eurostar terminal, which opened to the public in June 2022. We also completed our Sky Innovation Centre project in London. Work continues on a number of major developments including the Interchange project in Cardiff for Rightacres, the revamp of Millennium Bridge House in Central London, and the modernisation of the National Cycling Centre in Manchester.

Consolidating our science and health expertise

In 2022 we combined our London and specialist science and health teams under new leadership to consolidate our expertise and enable us to better serve our customers in that market. The team is working on several major projects including The Royal Marsden's Oak Cancer Centre and UCL's Institute of Neurology, and is targeting further work following our successful appointment on the ProCure23 framework – the Crown Commercial Service's new construction framework in partnership with NHS England and NHS Improvement.

Strong pipeline

In addition to our ProCure23 appointment and aligned to our ongoing strategy of targeting public sector work, we also secured reappointment on the North West Construction Hub's High Value Framework, and have been appointed to deliver the HMP Birmingham expansion for the UK government's Ministry of Justice, along with reappointment to its Constructor Services Framework. Other significant project wins include a distillery on Islay, Scotland, and a commercial development in the City of London.

Sky Innovation Centre, London, UK

National Cycling Centre, Manchester, UK

Hyperscale construction

Our datacentres business continues to expand, with a focus on broadening its customer base. We are now working with six different multinational clients with live sites across four countries, delivering some of the world's largest and most technically complex projects in the sector. The forward order book at the end of 2022 is testament to the performance of the business and its ability to demonstrate our capability.

Our logistics and distribution team delivered in excess of £130m of work for online retailers. This was in addition to the £180m of work we delivered for developers and funds, including new and existing customers in this space.

During 2022 we developed our advanced technology facilities and major projects offer to focus on the key sectors of battery manufacture, film studios, semiconductors, automotive and specialist manufacturing.

We are delivering projects in each of these sectors following key appointments such as the Sunset Waltham Cross Studios expansion in Broxbourne, UK, and our recent appointment to deliver a vaccines manufacturing plant in Teesside, UK. This growing portfolio of work is helping us demonstrate our market-leading technical expertise and secure strategic relationships with key clients which we envisage will become long-term partners.

Looking ahead

With £1.3bn of work already confirmed and our positions on key public sector frameworks secured, 2023 is looking to be a strong one for ISG's Construction business.

Our focus on growing our public sector work has proved successful and we will carry on building on this, targeting key frameworks and expanding further into the health and defence sectors, where we see considerable growth opportunity.

Our strategy around datacentres, advanced technology facilities and major projects will remain, with an ongoing focus on key growth sectors and taking our capability into new markets. In continental Europe, we will continue to make calculated decisions to expand into new territories where there is an identifiable pipeline which will benefit from our expertise and skills.

Environmental and social considerations will remain centre stage this year, with social value plans now required on all our projects. We have also expanded our carbon reduction plan requirements with an even greater focus on key performance indicators (KPIs) and increased use of hydrotreated vegetable oils and renewable energy.

Our increased focus on environmental and social considerations was rewarded this year when our **social, emotional and mental health (SEMH) schools programme for Manchester City Council** took home the win in the Delivering Social Value Award at the 2022 Building Awards.

We delivered three new SEMH schools via the North West Construction Hub framework to provide high-quality education for young people with SEMH needs. By engaging extensively with the local community, the programme achieved exceptional social value outcomes. Highlights included using locally sourced supply chain to ensure we were investing in the local economy, volunteering time and materials to support the local community, promoting skills and jobs for local disadvantaged and under-represented people, and introducing a range of initiatives to protect the environment and enhance biodiversity.

Our stakeholders

Stakeholder needs and engagement

Our ambition to create places that help people and businesses thrive is far more holistic than simply being related to our construction projects. It encompasses our operations and all those impacted by them i.e. our many and varied stakeholders.

The Board stands fast to its conviction that how we define success as a business is influenced by the needs of our stakeholders. These vital third parties continue to play a key role in informing our decisions and strategy.

We revisited and reworked our 2018 materiality assessment to incorporate an up-to-date 2022 stakeholder group, as identified by the Group Director of Sustainable Operations. This provided a barometer of the issues that influence their businesses and therefore impact on ISG. As a result, we were able to align our new business strategy (see page 11) with materially important issues, strengthening our approach to environmental, social and governance (ESG) and highlighting the need to broaden our outlook when it comes to good governance.

This section provides an overview of how we have engaged with our stakeholders, the feedback we have received, and the outcomes of that feedback on ISG's policies, processes and procedures.

Stakeholder	Engagement interactions	Outcomes from engagement
Customers and consultants (see page 42)  In addition to absolute certainty of delivery, our customers seek specialist expertise, an agile service and business insight to thrive and remain competitive in their markets. Consultants defer to ISG to provide expert design input, buildability advice, value engineering support and a collaborative, partnership approach to project delivery.	■ Investment in the creation of an online customer experience (CX) management dashboard, giving all teams group-wide 24/7 access to CX data and trends, to identify improvement and training requirements. ■ Directing guidance to our operational, supply chain and win work teams on implementing approach as per customer and consultant expectations. ■ Training and development of new group-wide CX champions. ■ Supporting customers and consultants with their net zero carbon commitments as part of the design process. ■ Supporting customers with community and social value initiatives throughout their construction programmes. ■ Launch of new low-carbon retrofit offer. ■ Engagement in relation to our Performing Places initiative which focuses on ensuring buildings perform as designed.	■ CX engagement across the key stages of the customer journey including before and after project award. ■ Group-wide e-learning modules on how to start CX engagement to set up for a successful customer journey. ■ Continued development of CX dashboards to show trends analysis and sentiment. ■ Group-wide CX workshop forum to continue embedding a customer-centric approach. ■ Customer-specific lessons learned and improvement workshops. ■ A Net Promoter Score (NPS) of +86. ■ A customer satisfaction rating of 87%. ■ Potential for Board members to attend CX reviews. ■ Customer strand of the 'Right thing first' strategy.

Move for Charity 2022

Stakeholder	Engagement interactions	Outcomes from engagement
Employees (see page 38)  Our people want to work for a business with a clear and compelling vision, shared values, a mission which focuses on purpose and planet, as well as profit, and in an environment that keeps them healthy and safe and enables them to grow both personally and professionally.	■ Annual employee engagement survey, as well as an annual pulse check. ■ Robust internal communications including CEO emails and videos, MD newsletters, live broadcast town halls, online news hub, employee intranet, manager briefing packs, regular business unit updates and end-of-year communications events. ■ Annual employee awards event. ■ Bi-annual Global Leadership Conference for senior leaders across the business. ■ Annual Performance Development Review (PDR) process and mid-year check-ins for all employees. ■ Targeted communications with employees regarding changes in regulations and opportunities within the business. ■ Corporate and local charity partner activity, and ongoing volunteering, community and charitable engagement initiatives. ■ Matched funding on charity fundraising from both ISG (up to £250 per employee) and our owner (in full). ■ Focus on mental well-being and helping to raise awareness through our partnership with Mental Health UK (now in its fourth year), webinars, resources and training, as well as giving something back through volunteering, community and fundraising activities. ■ Activities supporting our approach to drive more preventative measures around well-being e.g. Future Leaders well-being project which is now being trialled across 12 projects. ■ Significant enhancements to our UK maternity, paternity and adoption policies, with more to come as we review our other geographies.	■ High-level data insight session held with the Board and our senior leaders to gain awareness and commitment. ■ Action plans developed at Group level and locally from the survey insight. ■ HSQE campaigns focused on issues raised, development of training and changes in policies and procedures. ■ Involving employees in giving back to our local and global communities, and providing opportunities for skills development where possible, including to become mental health first aiders. ■ Record levels of involvement and fundraising in our main global charity fundraising event – Move for Charity. ■ Involving employees in shaping and delivering the outcomes needed to improve operational excellence. ■ Development of our health and well-being strategy and initiatives to drive positive change, including ongoing partnership with ISG's UK charity partner, Mental Health UK, exemplifying ISG's commitment to changing the conversation around mental health and supporting our people's mental health. ■ Ongoing investment into and delivery of a comprehensive learning and development curriculum through ISG's training hub, to allow our people to fulfil their potential.

Stakeholder	Engagement interactions	Outcomes from engagement
Supply chain and suppliers (see page 40) Our supply chain and key suppliers seek to build strong, long-term, trusted partnerships with us that enable their own sustainable growth. They want us to work collaboratively and respectfully and establish mutual understanding and shared expectations.	■ Supply chain pre-qualification and ongoing management process. ■ Regular meetings between ISG's supply chain team, senior management and supply chain partners to discuss performance, review potential opportunities and upskill through ISG's core enabling departments. ■ Close engagement with supply chain partners, enabling us to track and monitor global risks within the supply chain including supply disruptions. ■ Implementation of strategic supply chain partner approach in continental Europe, with redefined service level agreements and a relationship charter. ■ Ongoing engagement with project teams from pre-construction to post-completion. ■ Targeted topical communications regarding market updates and changes in regulations. ■ Specific engagement through supply chain forums on ESG topics, including modern slavery, and in the future, carbon reduction. Further detail can be found in the sustainable procurement and risk sections of this report.	■ Approved supply chain that meets local compliance, and is assessed financially, monitored, and evaluated by the HSQE team in the UK. Outside the UK further compliance assessment is utilised. ■ Improved compliance, driving increased spend through fewer companies, and mitigating risks associated with poor performance, quality and financial stability. ■ Upskilling supply chain partners in modern slavery, right to work, social media, customer experience, ESG, and health and safety. ■ Supporting business growth in new territories by investigating supply chain opportunities across new sectors. ■ Tender and preconstruction meetings supporting collaboration and innovative solutions to come forward. ■ Construction and post-construction meetings supporting lessons learned and performance improvement. ■ Sharing ISG's strategy, plans and expectations with our supply chain through regular communications.

Stakeholder	Engagement interactions	Outcomes from engagement
End users End users are those we wish to thrive in the spaces we create. In a post-pandemic world, this entails delivering COVID-19 safe environments, as well as maximising opportunities for ESG, ensuring that green infrastructure and building performance is optimal for energy use, heating, cooling and water consumption.	■ If our client is the end user, then engagement is before, during and after the construction period, ensuring that the experience is the best it can be when delivering the new space. ■ If the client is not the end user, engagement is initiated through our soft landings process, ensuring that both the end user and its stakeholders have the training, competence and experience to manage the building post construction.	■ Repeat business as a result of a good customer experience and Net Promoter Score. ■ Better-performing buildings which consume less energy as we ensure that the design intent is delivered.

Stakeholder	Engagement interactions	Outcomes from engagement
Communities (see page 43) The communities where we work have a vested interest in the quality of the spaces we deliver and the way in which we deliver them. They benefit from engagement, communication and the creation of opportunities that, if we manage them correctly, will last long beyond the construction programme.	■ Consultations with local authorities, and commercial and residential stakeholders, through planning, stakeholder needs analysis and throughout construction and beyond. ■ Discussions with key community stakeholders in the development of social value plans. ■ Engagement and support of educational establishments, providing work experience and curriculum support. ■ Outreach to local charities and community organisations. ■ Engagement with new, diverse and local supply chain and employment and training providers. ■ Employment of local graduates and apprentices as part of our early careers programmes. ■ Engagement with armed forces charities to support service leavers interested in a career in construction. ■ Collaboration with the Ministry of Justice and our supply chain to deliver a construction skills and employability programme, providing rehabilitation opportunities to ex-offenders.	■ Forming project programmes and construction methods to minimise impacts on neighbours, ensuring regular and meaningful communication throughout. ■ Identifying community needs e.g. targeted investment, employment, training, engagement etc. ■ Supporting the development of our early careers talent pipeline and that of our supply chain. ■ Delivering social value to local communities by using local, diverse suppliers and upskilling and employing local people. ■ Sharing our knowledge and expertise on net zero carbon, circular economy principles and water and biodiversity management with communities. ■ Involving our people in creating value through volunteering, mentoring, charitable giving, pro bono and gifts in kind.

Stakeholder	Engagement interactions	Outcomes from engagement
Industry bodies The construction industry has evolved slowly over the past few decades and is ripe for innovation. It seeks strong, strategic and values-driven leadership that will help to position it as a positive and effective force for the future.	■ Membership of 45 different organisations that range from covering supply chain, to health and safety, to sustainability, as well as professional standards and bodies. These include the British Safety Council, Build UK, CHAS (CAS), the Chartered Institution of Building Services Engineers (CIBSE), the UK Green Building Council (UKGBC) and the Considerate Constructors Scheme (CCS) (founder member). ■ Consultation with legal advisors and industry professionals. ■ Attendance at industry conferences and marketing events. ■ Conducting interviews with industry media and providing thought-leadership pieces.	■ Tackling industry issues, such as achieving net zero carbon and the circular economy, fire safety, prompt payment, labour shortages, material costs and subcontractor insolvencies. ■ Reviewing and developing our management systems. ■ Growing our own knowledge of industry issues and how to solve them, and developing our understanding of technologies, and how to adopt them for mutual benefit e.g. digital processes and our Platform approach for Design for Manufacture, Assembly and Disassembly (P-DfMA+D). ■ Sharing knowledge and collaborating on thought leadership with our industry colleagues.

Stakeholder	Engagement interactions	Outcomes from engagement
Financial institutions Banks, bondsmen and credit insurers seek to understand ISG's performance and outlook so they can provide financial services to our business and supply chain.	■ Regular meetings with banks, bondsmen and insurers by ISG's CFO and the Treasury team. ■ Informal conversations with each institution during the year, covering a range of topics. ■ Annual meetings with banks, bondsmen and insurers to present strategy and forward-looking plans in addition to monthly performance reporting.	■ Opportunities to discuss the industry landscape and market environment. ■ Banks, bondsmen and insurers able to broaden their understanding of ISG's performance and operations. ■ Continued support from the institutions.

Stakeholder	Engagement interactions	Outcomes from engagement
Investors ISG is part of the Cathexis Group, a US-based investment group. Cathexis supports our vision and is invested in the long-term growth of ISG.	■ Regular communication with ISG's ultimate parent Cathexis Holdings V LP. ■ Bi-annual strategy discussions. ■ Monthly business updates.	■ Involvement in key strategic decisions of the Group, aligning with investor expectations and risk profile.

Materiality

We conducted our first formal materiality assessment in 2018 to help identify and assess the issues that are most important to our stakeholders. In 2022 we performed a full materiality review and update to ensure our business strategy remains closely aligned with our stakeholders' economic, environmental, social and governance drivers.

This year we have revamped the methodology to better align with the Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosure (TCFD) guidance. We aim to complete a full materiality assessment every three years, with annual Board reviews of materiality-related stakeholder feedback.

In 2021 we started to align our sustainability reporting with the GRI Standards to communicate our environmental, economic and social impacts in a more transparent way with reference to a globally recognised framework. We continued this work in 2022, and our GRI content index with reference to GRI Standards can be found in Appendix 1.

Four-stage methodology

1. Identification of actual and potential impacts which were categorised to relevant topics for the survey. This included workshops with a wide range of employees, as well as identification of impacts on the economy, environment and people across ISG's activities and business relationships. In total, 29 topics were identified in five categories (customers, employees, environment, social and governance).

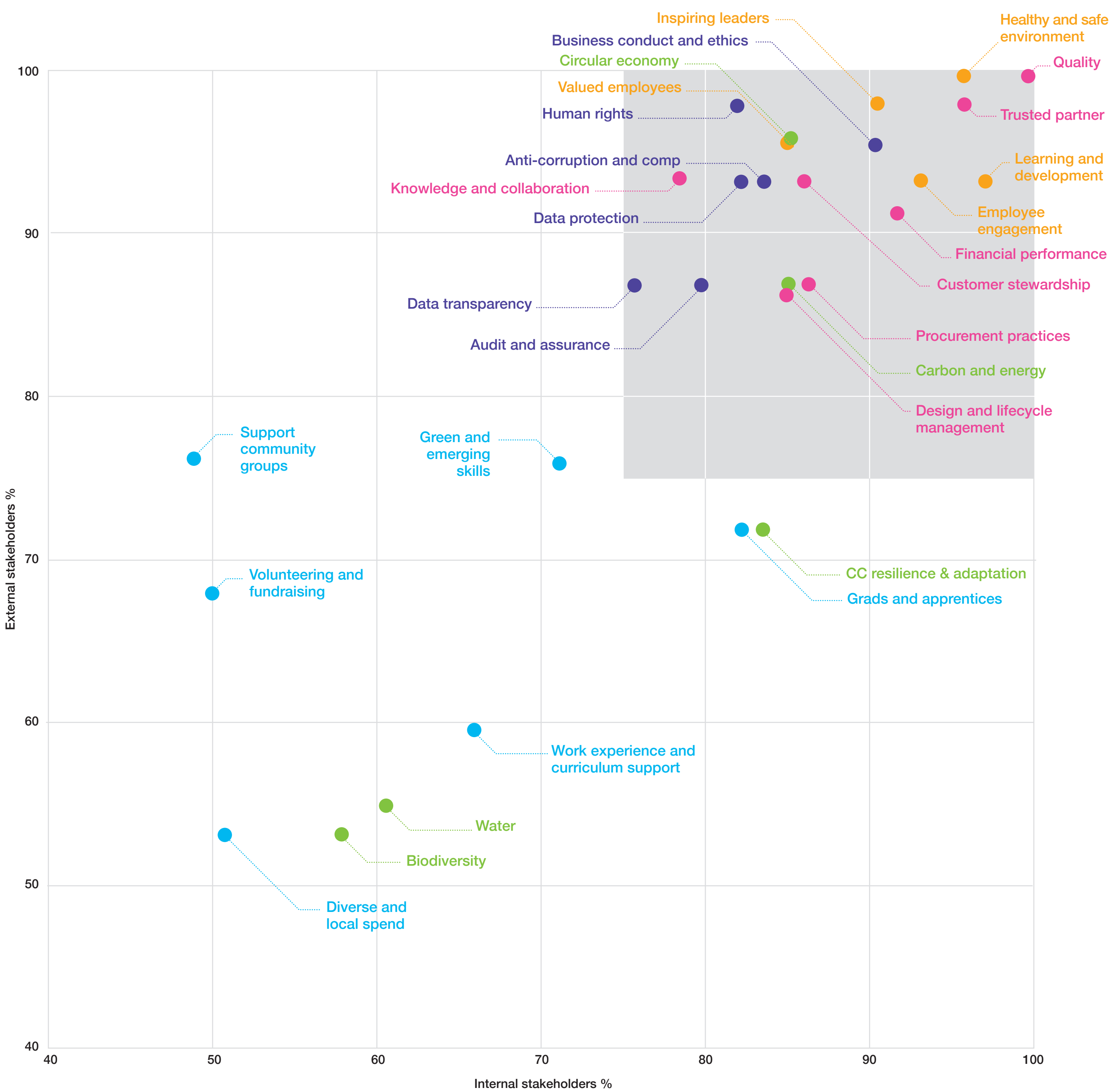
2. Stakeholder engagement: We developed an online materiality survey based on the identified topics. In total, 307 surveys were sent out to nine different stakeholder groups (176 to internal stakeholders and 131 to external stakeholders) including people from our early careers programmes, commercial leads, strategic project leaders, supply chain, customers, consultants and investors / owner.

3. Prioritisation of material topics according to proportionally, how very or extremely important they were to stakeholders. The Board analysed the survey results and assessed their importance to ISG in a business context for each topic.

4. Results and materiality matrix: We classified the material topics into two categories (high importance and focus areas) and presented the results in a materiality matrix. In addition to ranking closed topics, stakeholders were also asked to introduce further topics that they felt were missing from our survey. Key topics raised by stakeholders included the balance of ESG requirements and cost, modern methods of construction (MMC) and training.

Materiality matrix

Our materiality matrix is the output of our 2022 materiality assessment* and shows the proportion of topics rated as very or extremely important to our stakeholders and to ISG.



* Changes to material topics since the last review in 2021 largely reflect topics being broken down into more detailed subtopics. For example, social value in 2021 is now broken down into six topic areas including grads and apprentices, volunteering and fundraising, etc.

Notes: Carbon and energy relates to ISG's direct emissions, whereas climate change relates to ISG's ability to be resilient and adaptable to the results of climate change. A trusted partner is seen as a collaborator and advisor to our clients, whereas as a customer steward we are taking responsibility for creating products that meet and exceed our clients' expectations.

Governance and risk management

Governance

ISG's Board – alongside the various sub-committees including the Risk Committee – is the primary governance and oversight body for the business, and its responsibilities include providing entrepreneurial leadership.

As noted elsewhere in this report, ISG is led by our CEO, Matt Blowers, who assumed this role on 1 January 2022, taking over from Paul Cossell, who moved to the role of Vice Chairman on the same date. Matt is supported by all members of the Board in taking overall responsibility for ISG, our strategy and our subsidiary undertakings across the world. Details of ISG's Board of Directors can be found on page 10.

The Board is supported by enabling teams that are responsible for strategy development, implementation and performance reporting across core functions including health and safety, finance, legal, governance, business assurance, compliance, data privacy, supply chain management, HR, IT, marketing and communications, business development, quality, sustainability and social value.

The Board leads our efforts to achieve our corporate goals (see page 11), and is responsible for developing and implementing strategy with the support of our enabling departments and operational teams.

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. This is one of the pillars of our new business strategy (see page 11).

Understanding the importance of talent within our business, we also have personal development and succession-planning structures in place to secure our leadership into the future, and to support our ability to create value in the short, medium and long term.

Code of ethics and business conduct

ISG's code of ethics and business conduct (the Code) provides a clear set of standards for all our employees to follow. It covers the principles governing our behaviour and decision-making processes, both now and in the future.

At the heart of our Code is the basic principle that we always follow the laws of the countries in which we operate. Beyond the law, we must always be guided by our values and ensure that we do the right thing for our stakeholders – including fellow employees, customers, suppliers (and their supply chains) and the wider community; this can often mean going further than the law may require.

Our Code lets others know what they can expect when dealing with ISG, and the ethical standards we embrace and expect from all stakeholders we work with. We should seek to hold each other to account and to challenge when we feel standards are being undermined, or our reputation is being put at risk.

Our Code covers subjects such as anti-bribery, anti-slavery, competition law, health and safety, the environment, sustainability, equal opportunities, data protection, learning and development, quality, procurement, right to work compliance and tax. Generally, each section of the Code is underpinned by more detailed policies, which are regularly reviewed by the relevant subject-matter experts and the Risk Committee.

Governance training

Our employees are required to undertake specific training on a regular basis in relation to key governance policies linked to our Code, such as health and safety, anti-bribery, conflict of interest, anti-slavery, competition law, data protection and information security.

We provide training in various formats, via face-to-face workshops, webinars and e-learning. Training completion rates for our core governance training plans are reviewed on a regular basis, by members of the Board and our managing directors and senior leadership.

Anti-bribery

At ISG, we believe that corrupt acts are wrong under any circumstances; they expose the company and our employees to the risk of prosecution, fines, debarment from tendering for business and other penalties, as well as damaging reputations and increasing the cost of doing business.

The Board does not tolerate any form of bribery or corruption. Our intention and commitment is to ensure that all areas of our business comply with the UK's Bribery Act 2010 (the Act), to take measures to operate and carry out business in an open, honest and fair manner, and to adopt a zero-tolerance policy towards bribery and corruption. We also expect our supply chain partners and their supply chains to embrace the same principles as ISG.

As part of the Group's anti-bribery measures, we require all parts of the business to adhere to the ISG gifts and hospitality policy. This is designed to prevent any actual or perceived instances of such activity influencing decisions like choice of supplier, client appointments, or the terms of a contract. Regular internal audits are carried out within the business to ensure adherence to this policy. The gifts and hospitality policy also includes instructions for employees to follow regarding charitable donations and sponsorship.

If any breaches (or potential breaches) of our anti-bribery, gifts and hospitality, or conflict of interest policies are identified either through our internal audit programme or our whistleblowing procedure, they are acted upon and investigated, with any significant findings being brought to the attention to the Risk Committee.

Conflict of interest

ISG must avoid actual or perceived conflicts of interest, which means we should avoid being in a position where we (or close relations) can personally gain from, or be influenced by, a personal or business relationship or interest while performing our duties for ISG. Where there is any such risk, it must be reported, to allow decisions to be taken to avoid any conflict risk.

Processes have been enhanced during the past 12 to 18 months to ensure that the Board and ISG's senior management team are aware of any conflicts of interest that may exist between the business and outside activities of our employees, so that we can understand and act on these as may be necessary.

Speak up (whistleblowing)

A clear and well-communicated whistleblowing policy is an important part of ISG's governance processes.

As part of this policy, we have various routes for employees and other stakeholders to report concerns, including an externally facilitated whistleblowing reporting line, where matters can be raised anonymously. All concerns raised are investigated, with progress, updates, conclusions and lessons identified being contained within ISG's Serious Incident Group, which is a designated committee of the Board and operates to an agreed Terms of Reference.

As part of our plan to make continual improvements to our governance processes, in 2023 we will carry out a review of our current whistleblowing arrangements, to ensure that the methods we use to investigate matters, outcomes and lessons identified are robust, as well as looking at the various reporting routes available for stakeholders to raise concerns.

A copy of ISG's whistleblowing policy can be found on our website and is also available from the Company Secretary upon request.

To date, around 900 ISG employees have been requested to complete our Register of Interests questionnaire to better understand any potential conflicts, and plans are in place to continue this work through 2023.

Where a potential conflict is identified, we work with the individual to remove or mitigate it.

ISG's Group Governance team maintains ISG's Register of Interests with updates, being provided to the Risk Committee as deemed necessary by the Company Secretary and Head of Business Assurance. During the past 12 months, specific training workshops have also been provided around this subject, to members of ISG's senior management team.

Climate change and sustainability

The Board reviews, guides and monitors sustainability issues in a number of ways.

The Board has ultimate oversight of all ISG's policies including the sustainability, travel and environmental policies which all capture climate-related issues. These are reviewed and signed by the CEO annually.

Our sustainability leadership team provides regular sustainability updates to business unit management boards. This includes business unit level risk registers which are then fed into the central Risk Committee every quarter. The Board monitors these overarching risks through the lens of the impact to the Group.

The CEO has ultimate accountability for sustainability at ISG. The Chief Marketing Officer (CMO) reports to the CEO on matters relating to sustainability and climate change and is the Board sponsor for sustainability.

The CMO is supported by the Group Director of Sustainable Operations, who has direct responsibility for managing climate change information and related issues at Group level. As the most senior subject-matter expert at ISG, the Group Director of Sustainable Operations' role includes directing and driving both the sustainable business strategy and sustainability business plan, setting Group policy, engaging the leadership around the strategy, and reporting to the Board on sustainability performance key risks and opportunities.

The Group Director of Sustainable Operations holds regular meetings with the Head of Sustainability for each business unit, at which performance against strategy is discussed. This includes a review of lessons learned and mitigating actions. Performance against strategy is also then presented regularly at business unit senior management meetings.

Situation in Ukraine

Following the outbreak of war in Ukraine in February 2022, we carried out a review of our supply chain and client base and created a new working group comprising subject-matter experts across the business to assess and manage impacts on our various stakeholder groups. We have identified no significant exposure to Ukraine or Russia through our operations, but will continue to monitor escalating energy prices and the potential further impact on supply chain costs more generally.

Managing our risks

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 Board and its senior management team is to safeguard and increase the value of the Group and its assets.

It is the responsibility of the Board to set appetite levels for risk 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 relevant responses are regularly monitored at a central level by the Board, and monitored at a local business unit level by business unit senior management.

As a business we continually horizon-scan our industry, legislation, our supply chain, and the socio-economic conditions of the geographies and sectors in which we work. Operational business units and central enabling departments complete monthly reports on all aspects of performance and highlight any risks in the current operations.

The 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 our CFO convenes on a quarterly basis to review risks, identifying the appropriate mitigation measures or actions to be taken. Investment requirements to effectively address matters in the short, medium and long term are then considered via our Change Investment Board and / or Operational Excellence team, as necessary.

The Risk Committee reports directly to the Board and has strong links with other key forums such as the Change Investment Board and the Commercial and Legal Meeting (CALM) to advise on change management from a risk mitigation perspective.

The Risk Committee:

- Identifies key business risks via risk registers, and ensures registers are accurately maintained and regularly reviewed.
- Seeks to understand the impact that changes in regulations and legislation have on our risk profile.
- Ensures high risks are appropriately managed, with effective mitigations, resource, timescales and owners agreed; progress is monitored and challenged on a regular basis.
- Monitors the output of the Business Assurance function in accordance with the Board's prioritisation on emerging issues.
- Reviews policies that are included in the Group's Key Policy Framework, together with their associated communication and training plans.
- Reviews the adequacy and effectiveness of the Group's compliance procedures, including monitoring the whistleblowing reporting.
- Reviews external-facing risk reporting.
- Reports progress and makes recommendations to the Board.

It should be noted that the Group's procedures help to reduce certain risks, rather than eliminate them entirely. Some issues identified may be, to a greater or lesser extent, beyond the Group's influence or control.

A summary of the principal risks and uncertainties, that have been identified by the Group that could impact on its performance, is shown in the table on the following pages, together with details of the mitigation actions that are being taken. These identified risks and uncertainties are specific to the Group and exclude overarching risk that will impact most businesses e.g. macro-economic, political, financial market and climate change risks. These overarching risks are monitored by the Board and the various management forums through the lens of the impact to the Group.

Risks and impact	Mitigation
Supply chain, procurement and labour practices 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. 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.	We have various checks and balances in place to ensure the Group is not dependent on, or exposed to any single, or a small number of, subcontractors or other suppliers. The financial stability of each subcontractor is monitored daily through Dun & Bradstreet, with automated emails triggered by fluctuations in report scores, late filings and legal proceedings. In addition, appropriate retentions are held. Parent company guarantees, third-party bonds, and / or other appropriate security is required from subcontractors or suppliers. We also carry out a thorough pre-qualification process before appointing new subcontractors or suppliers. This involves financial checks and a full competency assessment. We also regularly monitor their performance through key performance indicator (KPI) reviews completed at site level both by operational and commercial teams. This is supported by robust management procedures and training for our employees and suppliers. ISG has corporate policies in place to 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. Our supply chain must commit to all of these in writing before the order is raised. In the UK, existing and potential new subcontractors are required to sign up to our anti-slavery and human trafficking supply chain commitment (the Supply Chain Commitment) as part of the subcontractor approval process. We are currently aligning our continental Europe supply chain to the same standard. 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 through site inductions, bespoke workshops where appropriate, and awareness materials displayed on site.
Recruitment, development and retention of employees A high-calibre workforce is crucial to delivering the Group's strategy and 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 and talent reviews ensure we can build the pipeline of talent we need to meet business requirements. A robust talent acquisition process, with line managers trained to make the best hiring decisions and onboarding processes, ensures new starters are integrated into the business effectively. Our Performance Development Review (PDR) process 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 academy 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.

Risks and impact	Mitigation
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, cashflows, health and safety, and other non-financial metrics. Appropriate Group risk registers are maintained and reviewed frequently. Enhanced management and supervision are implemented when 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. During 2022 we continued to develop ISG's Advanced Audit and Assurance (AAA) process in relation to site-related activities; designed to measure project delivery and quality of service / product.
Health, safety and well-being of stakeholders 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. Globally, the Group adheres to the 'Working with ISG: Health and safety standards', which provide clear expectations of performance across all our operations. The safety of the Group's employees, supply chain and members of the public is of paramount importance. A comprehensive policy and framework are in place (to include regular audits, site visits, the recording of accidents, near miss and hazard reporting). Leading and lagging key performance indicators (KPIs) are monitored closely in all business units. The Board also reviews these 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 leadership forum, co-chaired by the CEO and the Group Health and Safety Director, 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.

Risks and impact	Mitigation
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 taking every reasonable measure to conduct its business activities in a safe and responsible manner. ISG is well versed in protecting the environment, and aims to minimise negative impact and provide positive enhancements in line with our 'net gain' sustainability strategy wherever possible. 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 has 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.
Overreliance on key customers	ISG monitors the levels of work with each customer and actively seeks a balanced portfolio of work within public and private sectors, and across geographies and industry sectors. The nature of our projects can result in high trading levels with single customers in a specific financial year, however, when reviewed on a longer-term basis, a more balanced level of work is seen across the customer portfolio.
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. ISG's code of ethics and business conduct (the Code) 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, as a minimum, 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, which includes employees, customers, suppliers, shareholders and the wider community.

Risks and impact	Mitigation
Data protection and information security breaches Potential increased risk of the Group and / or a member of our supply chain being the victim of cybercrime. Failure to protect key company and employee data or other confidential information due to a breach of security. This risk has the potential to cause reputational harm, or large fines / prosecution, as well as having an operational impact in restricting the Group's ability to carry on business-critical activities.	ISG makes significant investments in infrastructure and governance that enhances IT security, information management and cyber-security training. We aim to protect our clients, ISG and the general public from major cyber and privacy risks. We also work with our supply chain to understand its challenges and manage risks appropriately. ISG has comprehensive IT, information security, privacy and risk policies in place. The privacy, cyber and risk teams regularly brief the Risk Committee on the cyber and privacy risks identified. Selected risks are then escalated to the Board. ISG's Group IT team maintains our Cyber Essentials Plus accreditation and works with the National Cyber Security Centre (NCSC) and industry partners to identify new threats in the cyber landscape. We constantly review the adequacy of our IT security technology and associated controls, adopting a defence in depth (DiD) strategy. ISG regularly reviews its cyber, phishing and privacy training and communications protocols to ensure our people are aware of emerging threats and the measures they can take to protect ISG from cyber threats. No notice phishing simulation is used to enhance phishing awareness.

Climate-related risks

Risk type	Risk	Impacts	Time horizon*	Mitigation
Legal (current and emerging regulation)	■ Failure to meet enhanced emissions reporting requirements	■ Fines ■ Reputational damage	Short term	■ Dedicated resource to manage ■ External support on compliance ■ Regular legislation updates through Waterman's Legal Register
Emerging regulation	■ Mandatory post-construction building performance monitoring	■ ISG liability for performance failure ■ Reputational damage	Short term	■ Dedicated resource to support post-construction reporting ■ Phased implementation of Performing Places system ■ Strengthening process and procedure through delivery phase ■ Training and upskilling for key roles in the business
Current regulation	■ Introduction of carbon pricing mechanisms e.g. Carbon Border Adjustment Mechanism within the EU	■ Fines ■ Reputational damage ■ Increased costs	Short term	■ Dedicated resource to manage ■ External support on compliance ■ Regular legislation updates through Waterman's Legal Register ■ ISG targets aligned with the Science Based Targets initiative (SBTi), with work to commit and validate ongoing in 2023

* Short term: 0-5 years, these timelines have been selected to fall in line with ISG's corporate strategy and business planning.
Medium term: 5-12 years, these are set in line with the UK ambition to be net zero by 2050.

Risk type	Risk	Impacts	Time horizon*	Mitigation
Policy	■ Failure to meet carbon reduction targets, both ISG and client-led targets	■ Increased offsetting costs as demand for initiatives increases ■ Reputational damage, leading to a loss of work	Short term	■ Dedicated resource to manage ■ ISG targets aligned with the SBTi, with work to commit and validate ongoing in 2023 ■ Regular supply chain forums, engaging on upskilling and lessons learned ■ Innovation portal to identify and embed low-carbon technologies in our operations ■ Training programme on Task Force on Climate-related Financial Disclosures (TCFD) and net zero carbon to be rolled out, starting with the Board and delivered across the business and supply chain
Physical (chronic and acute)	■ More extreme weather patterns will cause disruption and potential damage across projects	■ Added cost due to project delays ■ Resource availability e.g. water use in areas at high risk of water scarcity ■ Increased insurance costs or difficulty obtaining insurance ■ Design and procurement challenges in delivering projects for future extreme weather scenarios ■ Higher costs from negative impacts on the workforce, e.g. higher daily temperatures requiring a further level of control	Medium term	■ TCFD climate scenario analysis in 2023/2024 ■ Project-level environmental aspect / impact assessments ■ Regular dialogue and engagement with insurers on potential future risks ■ Collaboration with design consultants to ensure future climate scenarios are considered / modelled on high- and medium-risk projects ■ Regular engagement and collaboration with supply chain through forums and workshops to discuss and review climate-related impacts on service or resource availability

Climate-related opportunities

Opportunity	Description	Time horizon*	Strategy
Current regulation on energy efficiency	■ Regulation such as ESOS in the UK provides opportunities for ISG to improve efficiency and reduce operating costs across the business	Short term	■ Review of action plans resulting from ESOS recommendations ■ Integration of recommendations into business planning in order that investment and timescales can be agreed and signed off
Development of new low-carbon products and services	■ Respond to emerging stakeholder and legislative requirements around carbon reduction through new service offerings across key sectors	Short term	■ Creation of new low-carbon retrofit service ■ Incorporating innovation and research and development (R&D) into delivery ■ Embedding the BL3 Innovation portal across ISG's supply chain ■ Continuing industry collaboration

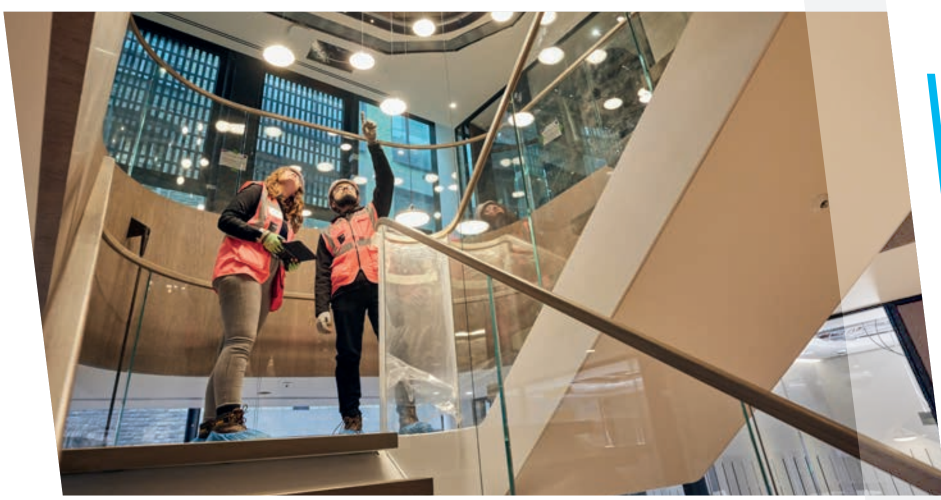
Outlook

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

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 review of our material issues, we ensure flexibility in the goals we set and the business model to achieve them in the short, medium and long term.

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.



* Short term: 0-5 years, these timelines have been selected to fall in line with ISG's corporate strategy and business planning.
Medium term: 5-12 years, these are set in line with the UK ambition to be net zero by 2050.

People

Employees

Employee experience in numbers

76%
employees would recommend ISG as a great place to work

14th
Best Big Company to Work For in the UK

3,148
employees total, with
847
new employees hired during 2022

56
new apprentices and graduates

2.5
training days delivered per employee annually

95%
CEO approval rating on Glassdoor

4.4
rating on Glassdoor, and a
77 (high)
Indeed Work Happiness Score

Our people are what makes ISG special, and we want them to thrive in an inclusive, diverse environment.

Throughout 2022 we continued to build the deep foundations of an unbeatable employment experience, achieving a 4.4 out of 5.0 rating on Glassdoor. We achieved a one-star Best Companies™ employer classification, ranking 14th in the Best Companies™ Top 25 Best Big Companies to Work For list in the UK. We also made it onto nine UK regional listings and placed seventh in the Construction and Engineering sector list.

Three areas have been integral to our success:

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

Attracting talent and enabling business growth

Employer of choice

In 2022 we invested heavily in our Talent Acquisition function, developing a sourcing team and strategy to attract top talent and create new opportunities for our existing employees. Despite a challenging labour market, we continued to attract 75% of our talent directly to our business, with nearly 20% coming through referrals from our employees.

In 2022 we hired 847 new employees and continued to invest in developing potential future leaders through our early careers programmes. We welcomed 56 new graduates, apprentices and industry placement students, bringing our total in formal programmes to 178. Our commitment to early careers has been recognised with Gold membership of The 5% Club. We are the number one construction apprentice employer and 16th best overall apprentice employer (up from 17th in 2021).

Move for Charity 2022

We continued our focus on the candidate and employee experience, ensuring an engaging and smooth beginning through our onboarding hub. The hubs guide our hiring managers and new starters through their first six months at ISG. Our CEO, Matt Blowers, meets all new starters to give an overview of working at ISG and take questions. We are measuring our new joiner experience with a new listening strategy carried out during their first 30 days, which so far indicates that over 95% of new starters are proud to work for ISG, they would recommend ISG as a great place to work to their family and friends, and they feel that their role is good for their own personal growth.

Retaining and developing talent to build organisational resilience

Supporting the well-being of our people

Our well-being approach focuses on three key areas: Equipping our managers to help their people; providing specialist support as necessary; and guiding our people to help themselves. To support this, we launched a new e-learning module to teach all employees about ISG's approach to, and expectations around, health and well-being.

Other well-being-focused initiatives include trialling a new way of working to help balance effective on-site project delivery with well-being. This is currently being adopted by several projects and will roll out more broadly in 2023. We also have local action plans in place that address areas of improvement identified from the annual employee engagement survey.

Looking after our people and nurturing a culture where everyone feels recognised and supported is important to us. This year we reviewed our UK family-friendly policies and made significant enhancements to our maternity, paternity and adoption policies, with more to come as we review our other geographies.

In response to the cost-of-living crisis, we supported over 250 people from across all regions through our Helping Hand Fund. This temporary fund offered grants to help people pay down debts, pay off big, unexpected bills, and cope with rising energy bills. This was in addition to bringing forward our annual salary review by three months.

Personal growth

We want to inspire and empower our people to be the best they can be. Our new careers hub gives employees a dedicated information centre which provides inspiration for potential career journeys, clarity on the diverse range of roles available in the business, and guidance on what it takes to grow your career at ISG. This is backed up with a dedicated development programme for individual contributors, giving them the self-awareness and skills to reflect on their performance and effectively plan their development.

We have also invested in our management capability, rolling out our enhanced management training programme, and creating a management hub to act as a central information and support resource for all things line management. This ensures that our managers can coach and support their teams and drive their personal growth effectively.

We have also launched a mentoring programme to match people across the business for additional advice and career development support.

Giving something back

We have a strong social conscience, as do our people, who take part in community volunteering and fundraising activities. ISG and our owner also offer matched funding to give an additional boost to employee efforts. As a result, in 2022 we raised over £457,000 for charities around the world including £329,000 during our annual Move for Charity fundraising week alone.

As a business, we focus on raising awareness and funds to support mental health charities around the world. In the UK, we have been in partnership with Mental Health UK for four years, with the value of our partnership sitting at over £707,700, and we have also used our expertise to improve some of Mental Health UK's own facilities.

Diversity, equity, inclusion and belonging

We have continued to have a strong focus on creating a diverse business and accelerating our workforce balance at all levels. We have invested in this agenda by recruiting our first Head of Inclusion and Well-being, and are developing a diversity, equity and inclusion (DEI) roadmap and new policy. We have continued to make progress on reducing our gender pay gap. We are proud that we now have a 50% gender split on our Board.

Optimising our performance

Developing our project management capability

We are embedding a consistent way of delivering our projects by investing in and equipping our project teams. Our key focus has been on building a strong project delivery community through the establishment of our strategic project leadership forum. The forum aims to foster best practice sharing and brings diverse project leadership experience together to influence and inform current and future projects.

Supply chain

Supply chain forum, London, UK

Supply chain experience in numbers

51.2%
procurement through ISG's key supply chain partners (UK)

1,885
suppliers pre-qualified through IntegrityNext (2021: 1,340)

47%
of orders placed with businesses local to ISG projects

94%
of our pre-qualified supply chain are micro, small and medium-sized enterprises (MSME)

2,012
training modules completed through the Supply Chain Sustainability School

Our supply chain is integral to everything we do. Without it, not a single project would be won or delivered – that's why we go the extra mile to build long-term relationships with all our supply chain partners. In 2022 we further developed our relationships with our strategic partners, focusing on upskilling and developing innovation by:

Maintaining strategic compliance at over 50%

Our relationships with our strategic supply chain partners enable consistent, high-quality delivery, while also reducing risk and ensuring the highest standards. In 2022 51.2% of our UK procurement was with our strategic supply chain partners. Global supply chain pressures meant we did not quite match our 2021 performance in this area, but we exceeded our 2020 performance, and expect this to increase significantly in 2023 and beyond.

Supply chain forums

During 2022 we held three supply chain forums, each attended by over 50 of our strategic supply chain partners. Through these forums, specialists from across ISG delivered over 243 hours of training to upskill our supply chain on critical issues such as health and safety, customer experience, social media and marketing, right to work, environmental, social and governance (ESG) and supply chain.

Right to work

By the end of 2022, our Compliance team had audited 38 suppliers, chosen due to their level of spend and trade risk categorisation. The team provided feedback to the companies on areas that needed improvement or support, and where there were significant concerns, they engaged with the supplier immediately to develop and agree an improvement plan.

Improved data and information

In 2022 we improved our internal supply chain information portal to share data and market intelligence about our supply chain across our teams. We now include metal price fluctuation reports from the London Metal Exchange (LME) and commodity price reports from the Office for National Statistics (ONS). This enables us to identify raw material fluctuations in the industry and provide this risk data to our project and estimating teams in real time.

From a supply chain sustainability perspective, we have collected and managed data in a number of ways, including through our justice, equity, diversity and inclusion (JEDI) and social value survey, ESG questionnaire, supply chain geographical mapping, and MSME data.

Digitised procurement

SmartSource is ISG's source-to-pay platform which we have started to roll out across the business. It is the way we will continue to improve the management of our procurement activity including vendor qualification, selection, collaboration and payment. The platform provides users with a familiar and simple shopping experience, while at the same time enabling us to have the right governance, controls and auditability. In 2023 we will extend its use to vendors across our remaining business units, with subcontractor roll-out to follow.

SmartSource integrates with IntegrityNext, which enables companies to monitor their suppliers for sustainability and compliance to meet regulatory requirements and reduce risk.

Innovation hub

In April 2022 we launched our new innovation hub to capture and share innovations and best practice from our supply chain and external stakeholders to adopt on our projects. So far, we have received over 80 responses, of which 13 have been implemented in the business. These innovations are recorded in the hub, which is accessible to everyone in ISG. Our innovation outreach approach also includes fortnightly innovation masterclasses.

Sustainable procurement

In 2022 we created a sustainable procurement policy and supply chain charter, setting the governance foundations to implement sustainable procurement across ISG. In line with this, we created an ESG risk map to understand which trade categories are associated with which ESG risks. This risk map takes our material topics and provides a more granular view of risk across each specific subcontractor that we rely on for construction delivery. We also partnered with Action Sustainability, which aligned us to the ISO 20400 sustainable procurement standard, and provided sustainable procurement training for 72 stakeholders across the business comprising a total of 172 hours of online learning over six sessions. Our successful sustainable procurement implementation was recognised by Planet Mark in January 2023, when we won the Stakeholder Engagement award at the Planet Mark Awards 2022.

Supplier upskilling – Supply Chain Sustainability School (SCSS)

In 2022 ISG partnered with the SCSS to provide training to 358 suppliers (representing 56.04% of our total UK spend). Our supply chain has been exemplary in engaging with the SCSS, completing 2,012 e-learning modules in 2022, equating to 1,769 hours of Continued Professional Development (CPD) training. Our partnership has allowed our supply chain to calculate its carbon emissions using the SCSS's free carbon-reporting tool – a key step in lowering our supply chain's emissions in line with net zero targets.

Stakeholder Engagement award, Planet Mark Awards 2022

Customers

Customer experience in numbers

87%
customer satisfaction score

70%
revenue from repeat customers

+86
Net Promoter Score (NPS)

Our customers play a key role in shaping our business. As a result, we have been developing our approach to customer experience (CX) through our CX programme for seven years.

In 2022 we continued to evolve and enhance the programme. We developed systems, processes and behaviours to encourage a CX mindset across ISG, and ensure we understand and deliver on customer expectations throughout.

Operational excellence through the customer lens

To deliver a truly unbeatable customer experience, it is important that we are not only improving our customer-facing delivery and relationship management, but also informing our approach to winning work, quality, ESG and marketing. We have provided more actionable insight and trends to influence decisions on strategy, demonstrating lessons learned both on and off site.

Customer champions

To drive an effective culture change, and a consistent CX process across all our regions and teams, we have continued developing and training our network of CX champions. These champions work with project teams to manage CX engagement at a local level, in line with the global account and customer engagement plan.

Single customer view

We designed and built an integrated group-wide solution into our Customer Relationship Management (CRM) system, providing better connectivity and visibility of CX engagement and data across the various gateways of the customer journey.

This includes:

- CX administration
- Conducting reviews
- Managing corrective actions
- Customer insight and key themes
- Full CX reporting dashboard with sentiment analysis using artificial intelligence (AI)

Social value

"ISG has been groundbreaking in offering opportunities within the construction industry through being an inclusive employer. The team has been fantastic in supporting his development during his placement. I hope to continue our partnership and offer further opportunities to individuals in the future."

Dan Biddle, NDEAS (part of The ANI Group)

Our social value in numbers

£327,200
raised for Mental Health UK

2,400
apprenticeship weeks for
116 apprentices

304
skills events reaching
12,300 attendees

£179m
additional* social and local economic value created (as measured by the Social Value Portal)

2022 saw the 15-year anniversary of ISG's first formal strategy focused on demonstrating our dedication to people, purpose and the planet. Since then, we've grown a sustainability team, evolved our strategies year on year and, most importantly, learned so much from our peers, clients and stakeholders about how to be a truly responsible business.

Striving for inclusive social value

Removing barriers for those that face additional challenges, so that our opportunities and impact is accessible to all, is a pivotal part of our social value strategy. Our Interchange project in Cardiff, UK, broke new ground in 2022, offering one employee, whose predominant communication method is British Sign Language, a six-week paid placement, which has turned into full-time employment with ISG. We worked with The National Diversity Employment and Advisory Service Ltd (NDEAS) to harness its expertise and advice to make this happen.

Tackling societal challenges at source

Towards the end of 2022, we launched our first Chapter One (formerly TutorMate) programme with fourteen volunteers from all levels and parts of ISG. Statistics tell us that 36% of children aged 11, who are from disadvantaged backgrounds, are unable to read adequately, and that one in eight children from disadvantaged backgrounds in the UK don't own a single book. We want to make sure all children have literacy support, to open up a brighter future for them. Our 17 volunteers spend 90 minutes per week, every week, for a year, providing one-to-one reading support to a child from Bonner Primary School in Mile End, London, UK. It's early days but so far, we've completed 90 reading sessions and 2,223 minutes of reading time.

Going beyond the construction phase

We are the only contractor investing and taking part in the Social Procurement Connect pilot with Social Enterprise UK, working alongside five other cross-sector organisations. We have developed an initiative that uses our time during the construction phase to map how the finished asset can increase spending with local social businesses, connecting clients and end users with accessible providers of goods and services.

Awards

- ISG has been awarded Gold membership via The 5% Club's 2022-23 Employer Audit Scheme. This award recognises our significant contribution to the continued development of all our employees through 'earn and learn' schemes such as apprenticeships, graduate schemes and sponsored students course placements.
- At the Considerate Constructors Scheme (CCS) Leading Lights Awards 2022, ISG was recognised in the Workforce Awards, which promote well-being and diversity within the workforce. Our award was in the Physical Well-being category and was for the COVID-19 education app we developed for our Welsh school project, Ysgol Gymraeg Bro Morgannwg, for Vale of Glamorgan Council.
- Our increased focus on environmental and social considerations was recognised at the 2022 Building Awards. ISG won the Delivering Social Value Award for our work on the social, emotional and mental health (SEMH) schools programme for Manchester City Council, UK. Three new SEMH schools were delivered, providing high-quality education for young people with SEMH needs.

Looking forward

In 2022 we became members of Social Value UK (SVUK) and Social Value International (SVI), to help create an ethos of needs-based, quality-assured social impact across all our projects. We will be working with SVUK and SVI to assure our performance for 2023, including an increased focus on the number of people we reach with true, demonstrable positive impact.

* As part of our journey towards well-being-focused social impact measurement, we've focused on reporting our 'additional' social value for 2022, which recognises the outcomes beyond baseline contract requirements, that have been delivered by ISG and our supply chain.

Health and safety

ISG is committed to safeguarding the immediate and long-term health, safety and well-being of all the people we reach. This includes our employees, supply chain, customers and communities. As leaders in the construction industry, we continue to strive for excellence – raising the standards for our people, providing consistent and strong leadership, embedding a safety culture, and setting the bar high for our industry.

In 2021 our global Accident Incident Rate (AIR) was 1.57. In 2022 this reduced to 1.51, which represents a significant improvement. From 2020 we have prioritised reducing the number of high-potential incidents, improving from 46 in 2020, to 42 in 2021, and 41 in 2022.

There were zero incidents of occupational illness in 2022. In 2023 we will be examining the potential for ill health more closely as part of our longer-term health and safety strategy.

On 20 May 2022, at an ISG project site in Europe, a 360 telehandler (Manitou MRT 1840) with the boom raised to 49° overturned while ascending a 23° incline. As a result of this incident, the vehicle operator tragically suffered fatal crush injuries.

Following the incident, a thorough investigation was completed, and a comprehensive improvement plan developed and swiftly implemented.

Lessons learned from this tragic incident have been captured and communicated across our global business operations to underline our focus and commitment on the core duty of care that we have as an organisation to ensure the safety and well-being of every individual that works alongside us.

Achievements in 2022 include the production of a new set of 'Working with ISG: Health and safety standards', separated into three key areas of life critical standards, foundation standards and common standards.

A total of 2,173 ISG employees attended some form of health and safety training in 2022, including 261 completing the CITB Site Management Safety Training Scheme, and 105 completing the CITB Director's Role for Health and Safety course.

	2018	2019	2020	2021	2022
Working hours on site	35.7m	41.0m	32.4m	37.2m	35.4m
AIR	1.62	1.74	0.82	1.57	1.51
High potentials	–	–	46*	42	41
RIDDOR recordable injuries (AIR)	22	27	10	22	19
Fatalities	0	0	0	0	1
Fatality rate**	0.00	0.00	0.00	0.00	0.028
Recordable work-related injuries (number and rate*) – OSHA recordable accidents**	104 (of which 79 were lost time injuries) Rate: 0.58	130 (of which 105 were lost time injuries) Rate: 0.63	93 (of which 75 were lost time injuries) Rate: 0.57	150 (of which 125 were lost time injuries) Rate: 0.80	107 (of which 80 were lost time injuries) Rate: 0.60

* Six-month period of July to December 2020.
** Fatality rate per 1,000,000 hours.
*** Rate calculated based on 200,000 hours worked. Working hours cover both employees and subcontractors. No workers have been excluded.

2022 Awards

4 Royal Society for the Prevention of Accidents (RoSPA) Gold Awards – Construction

3 RoSPA Order of Distinction – Fit Out

2 British Safety Council International Safety Awards – Fit Out

1 RoSPA Order of Distinction – Construction

1 RoSPA President's Award – Construction

Planet

Our sustainability policies and targets

During 2022 we embedded our commitment to sustainability by putting environmental, social and governance (ESG) as a targeted driver of our new 'Right thing first' business strategy (see page 11). This has therefore absorbed the requirements of our 'net gain' sustainability strategy. The environmental focus of the new business strategy encompasses our approach to climate change and carbon, circular economy and environmental management.

We are developing short-, medium- and long-term carbon and environmental impact reduction targets. These are aligned with the UK ambition to be net zero by 2050 as well as meeting the requirements of the Task Force on Climate-related Financial Disclosures (TCFD). See Appendix 3 on page 110.

We have continued to deliver against existing sustainability targets in line with previously developed roadmaps and actions plans. Our sustainability targets are as follows:

Environmental management

1. Reducing water consumption by targeting on-site and office use – target to be set in 2024.
2. Aiming for net gain biodiversity outcomes on projects over £20m by 2030.

Climate change and carbon

1. For all projects to be contributing to an internal carbon investment fund by 2024.

Circular economy

1. Reducing water consumption by targeting on-site and office use – target to be set in 2024.
2. All Building Information Modelling (BIM) projects with a level of development over 500 to compile an ISG materials passport by 2030.

We continue to make good progress against the delivery of these targets. We have:

- Improved the number of projects reporting, and the quality of data reported, in relation to water consumption.
- Set up two major projects which are coming to site in 2023 to trial the use of the UK government's Department for Environment, Food & Rural Affairs (DEFRA) Biodiversity Metric tool.
- Calculated the cost of carbon offsets based on our 2022 emissions and presented this at the 2022 Winter Global Leadership Conference in order to start the conversation on how this money could be used to research and develop low-carbon solutions.
- Implemented an internal materials storage and reuse platform in our UK retail business, with the trial of an online inventory and advertising solution in 2023.
- Developed an approach to materials passporting through industry collaboration which we have included in a bid for a major fit out project due to be submitted in Q1 2023.

See page 48 for further details on performance against our carbon reduction targets.

As part of our approach to embracing a wider range of ESG principles, we have signed up as partners of the United Nations Global Compact, and continue to look to expand what we measure, incorporating more of the Global Reporting Initiative (GRI) framework. Our goal is to begin to report our environmental and social impact in compliance with renewed governance, building on the accountability, authenticity and credibility required to be a leader in this space.

WE SUPPORT UN GLOBAL COMPACT

2022 Winter Global Leadership Conference

Environment

Overall, 2022 was a good year environmentally across all our sites globally. We did have one serious environmental incident reported, but ISG was not prosecuted by the environmental authorities due to the proactive reaction of the site team and the processes and procedures we enacted to prevent further harm and ensure that this incident could not reoccur.

We are currently reviewing our environmental management system for efficiency and effectiveness of use. All environmental inspections are now captured via our online portal, EcoOnline, allowing detailed trend analysis and reporting.

We continue to make progress with collating water use data, although we are not ready to benchmark and set targets against performance. A temporary services policy will be launched in Q2 2023 mandating the use of temporary water meters regardless of who pays for the supply.

We have adopted the DEFRA Biodiversity Metric tool and will trial this methodology on two of our major projects where this has been integrated as part of the Pre-Construction Services Agreement period.

Climate change and carbon

The carbon emissions of our own operations are indicated in the table below:

	2019	2022
Absolute totals (tCO_2e)	12,401	17,709
Normalised totals (tCO_2e/£1m)	4.8	8.1*

Progress against our carbon reduction targets stalled in 2022, resulting in a slight increase against our target.

In 2022, measures to help us reduce emissions across our projects included:

- Our hybrid working policy, which has led to lower energy consumption at offices and sites.
- An increased proportion of larger, higher-value, longer-duration projects has resulted in:
  - Faster connection to grid energy and reduced reliance on diesel-powered site generators / plant.
  - More delivery staff dedicated to single sites rather than travelling to multiple projects.
- Increased use of hybrid / electric plant and machinery on sites.
- Incorporating renewable technologies for temporary power on project sites.
- Increased use of fuels from renewable feedstocks such as hydrotreated vegetable oil (HVO).
- Continued procurement of renewable grid energy.

Despite this, we ended the year with increased carbon emissions that can be attributed to two key factors:

1. An increased workload across our logistics and distribution business. A greater proportion of large-scale projects in more rural locations has provided challenges in terms of grid connections and the use of Renewable Energy Guarantees of Origin (REGO) backed renewable tariffs through the construction phase. These large-scale projects have therefore had a greater reliance on generators and liquid fuel to power operations, which ultimately has increased our scope 1 footprint.
2. A large-scale warehouse and factory project in Europe. As the project entered its commissioning phase in 2022, the energy required to commission a building of this type resulted in an increase to our scope 2 footprint. This was augmented by site location environmental factors and ensuring welfare standards relating to heating were met for a large workforce during construction.

In both cases, the changing nature of our portfolio in comparison to that of our 2019 footprint has resulted in more power-hungry projects in more-challenging locations.

In 2023, we will implement various actions to mitigate against these factors, including:

- Mandating the use of HVO to power all ISG projects.
- Due diligence over energy supply contracts, ensuring REGO tariffs do not move to deemed tariffs once contracts are up.
- Research and trial of alternative low- or zero-carbon fuels.

Our Streamlined Energy and Carbon Reporting (SECR) information is reported in Appendix 2.

For calculating the carbon emissions reported, we used the internationally recognised Greenhouse Gas Protocol Corporate Accounting and Reporting Standard from the World Resources Institute and World Business Council for Sustainable Development, known as the GHG Protocol Corporate Standard. Our figures have undergone independent third-party verification (limited assurance) in accordance with the requirements of ISO 14064-3:2019, carried out by Achilles.

Our reporting approach

ISG has historically taken the financial control approach to the consolidation of its organisational boundary. This approach was influenced by our origins as a fit out contractor, where electricity supplies on site are provided by our clients, but we recognise the need to capture a greater sphere of influence in terms of our carbon footprint. The second reason for re-baselining is due to the changing nature of our business as we move into new sectors with larger-scale projects in more-remote locations. We initially set out to capture our emissions in line with an operational control approach in 2020. However, the onset of the COVID-19 pandemic meant this was put on hold until we transitioned to our 'new' normal way of operating. We therefore plan to use our 2022 footprint to re-baseline our carbon footprint across a broader set of scopes under operational control.

When target setting, we have taken the data collected under a financial control approach and aligned it with our move to an operational control approach, targeting reductions based on a 2022 baseline. This 2022 baseline will be used to set deeper reduction targets in 2023, but given the timeframes involved for this new baseline, we have used our 2019 baseline to set targets for 2023 operations, and have realigned the scopes as if they were reported under an operational control approach. Doing this allows us to model a reduction trajectory and set targets in line with methodology developed by the Science Based Targets initiative (SBTi).

Regarding scope 3 emissions reduction targets, we will be setting these against a wider boundary using a greater scope of data collected across our 2023 operations.

With the exception of non-UK electricity, conversion factors from the UK government's Department for Business, Energy & Industrial Strategy (BEIS) have been used to convert activity data into emissions and also to convert fuel and distance units in kWh where required. For non-UK electricity, conversion factors from the International Energy Agency (IEA) have been used to convert kWh of electricity into tCO_2e emissions.

* 2022 totals are not like for like with our 2019 baseline and include the following extra emissions data sets: Employee commuting, home-working, water, electricity transmission and distribution, trains, and flights.

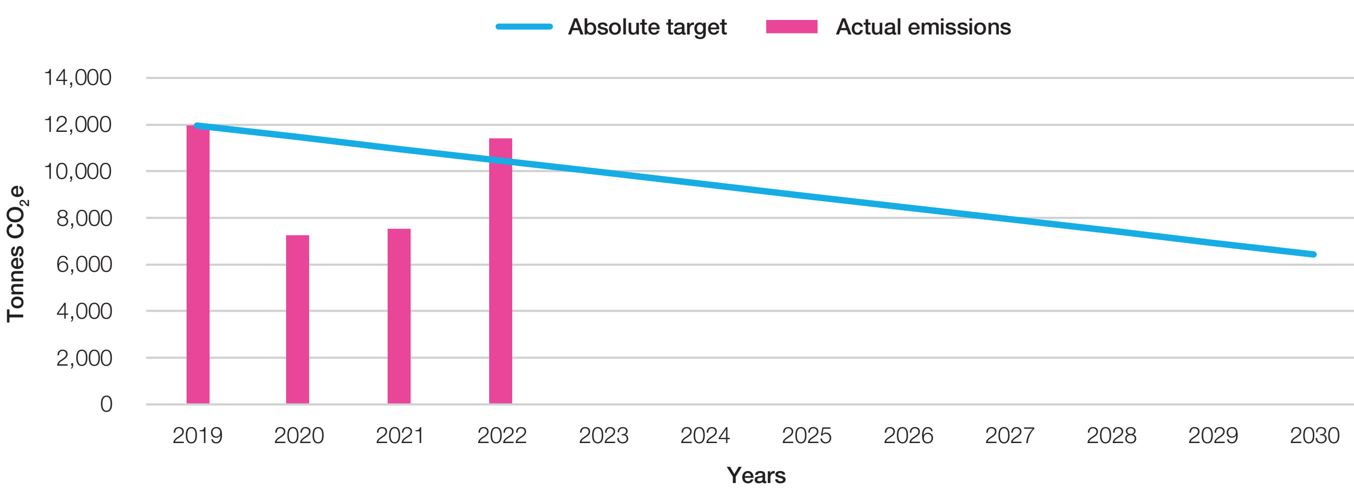
Global ISG emissions data 2022 (operational control approach)

Scope	Location-based	Market-based
Scope 1 emissions (tCO_2e)	6,580	6,580
Scope 2 emissions (tCO_2e)	1,830	2,433
Scope 3 emissions (tCO_2e)	8,695	8,695
Total emissions (tCO_2e)	**17,105**	**17,709**

Global ISG energy consumption 2022 (kWh)

	Renewable	Non-renewable	Renewable+Non-renewable
Fuel consumption**	1,133,255	25,476,478	**26,609,733**
Purchased electricity	2,831,398	4,839,784	**7,671,182**
Total	**3,964,653**	**30,316,262**	**34,280,915**

Absolute emission target (1.5 degrees scenario)



** Renewable fuel used includes woodchips used in biomass boilers and HVO. Non-renewable fuel consumption includes fuel used in generators, construction equipment, boilers and vehicles controlled by the organisation.

Memberships and certifications

2022 was the ninth year ISG has voluntarily responded to the CDP climate change programme. Our 2022 submission saw us score a B and aligning with the construction industry average score and staying ahead of the global average of a B-.

This year we continued with our Planet Mark certification, demonstrating year-on-year carbon reductions in line with the programme. Through this partnership we are also fully committed to the UN Race to Zero.

Other process and certification actions that we started in 2022, and will continue in 2023, include:

- Independent verification of our emissions annually by Achilles.
- Voluntary submission to CDP and completion of supply chain modules for clients.
- Sponsorship of the UK Green Building Council (UKGBC) Advancing Net Zero programme.

South Point Primary School, Vale of Glamorgan, UK

Supporting our clients' carbon reduction goals

Alongside reducing carbon in our own operations, 2022 was a year in which we increasingly supported our clients' net zero carbon aspirations. Some of the key projects we delivered in 2022 include:

- South Point Primary School, Vale of Glamorgan, UK – Wales' first school designed as net zero for operational energy when in use.
- Two Rivers CofE Primary School, Keynsham, UK – designed and certified to Passivhaus Plus.
- Delivering a deep retrofit to EnerPHit standards at The Entopia Building for the University of Cambridge's Cambridge Institute for Sustainability Leadership (CISL), Cambridge, UK.

Further to the delivery of these industry-leading projects, we embedded the learning from delivering these projects into a number of other projects, including:

- Two Bridges School, Thornbury, UK – a net zero in operation and low embodied carbon special educational needs and disabilities (SEND) school.
- Tempo, Maidenhead, UK – a net zero carbon retrofit to an existing commercial office space targeting NABERS certification for Legal & General Investment Management (LGIM) Real Assets.
- Reigate Priory Junior School, Surrey, UK – a new build school which will be net zero in operation and will share the site with the local council's main offices.

As well as supporting at a project level, we have engaged more widely as a trusted partner on some key frameworks. As part of the SCF's Climate Emergency Response Group (CERG), along with other framework contractor partners, we have delivered early decision-making guidance for clients through the SCF's Biodiversity Net Gain Guidance tool.

Two Rivers CofE Primary School, Keynsham, UK

The Entopia Building, Cambridge Institute for Sustainability Leadership, Cambridge, UK

Tempo, Maidenhead, UK

Low-carbon retrofit

2022 has seen the advent of our low-carbon retrofit offer, specifically created to support our customers to convert their estates and future-proof for a lower-carbon future.

The new offer provides a data-driven and practical approach to removing carbon from existing building stock.

It enables owners and occupiers of building portfolios of any scale to successfully decarbonise their estates by developing and implementing cost-effective and programme-optimised net zero solutions, and ensure buildings stay ahead of energy use legislation.

Waste reduction and circular economy

We continue to focus on reducing waste and segregating at source to maximise diversion from landfill. With the shift to our new ‘Right thing first’ business strategy (see page 11), we have retained our waste reduction and diversion targets. We are currently reviewing our metrics on waste segregation and materials reuse to align to our more ambitious carbon reduction target. These will be introduced in Q2 2023.

We have progressed the delivery of our circular economy objectives including:

- Establishing a process for the reuse of materials in our UK retail business.
- Introducing the capability to capture reuse of materials data.
- Identifying a number of circular economy partners to support reuse of materials to third parties.
- Joining an industry group specifically focused on delivering a materials passport process.
- ESS joining our parent company’s portfolio, allowing us the opportunity to begin discussions on the potential for design for deconstruction with experts in modern methods of construction (MMC).

The main ambitions for 2023 are to identify a viable, digital solution for identifying, transporting, storing and advertising reusable materials, and to proving the concept of a materials passport on a live construction project.

ISG waste 2022

	Total waste (tonnes)	Diverted from landfill (tonnes)
Non-hazardous waste	**234,753**	**225,018**
Construction	32,986	32,252
Demolition	25,615	25,519
Excavation	170,422	161,599
Other (e.g. canteen, septic tank)	5,731	5,648
Hazardous waste	**3,082**	**1,714**
Construction	33	7
Demolition	19	10
Excavation	3,029	1,696
Other (e.g. canteen, septic tank)	–	–
Construction and demolition non-hazardous (ISG KPI)	**58,601**	**57,771 (98.6%)**

The above figures include waste generated by UK business units only.


Chris

Annual financial statements

ISG Limited
DIRECTORS' REPORT

The directors of ISG Limited present their annual report and the audited financial statements for the year ended 31 December 2022.

Principal activities
ISG is an international construction services company, operating from two service lines: fit out and construction. 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 Europe, the Middle East and Asia.

Business review
A review of the Group's activities during the year, 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 4 to 5, Chief Executive Officer's review on page 8, the business review on pages 14 to 19, the financial review on page 12 and the managing risk section on pages 30 to 36.

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 and, although they believe that 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 the factors that are likely to impact the future prospects of the Group, are included within various sections of the strategic report, including Chief Executive Officer's review on page 8, the material issues section on pages 26 to 27, and the managing risks section on pages 30 to 36. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the financial review on page 12. In addition, the consolidated financial statements on page 63 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 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. 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 with its available resources. In addition, management has considered various mitigating actions that could be taken if future market conditions deteriorate beyond their current assessment.

As explained on page 29, following the outbreak of war in Ukraine, the Group carried out a review of its supply chain and client base. A sub-committee of ISG's Risk Committee was established up to monitor specific risks to ISG and our supply chains but has since been stood down. We identified no significant exposure to Ukraine or Russia through our operations but will continue to monitor the ongoing escalation of energy prices and the potential further impact on supply chain costs generally.

Based on the exercise described above, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in 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.

Governance
The Group continues monitor the potential impact of the UK Government's corporate governance reforms. External advisers have been appointed to work with ISG to develop its governance arrangements and to ensure that it can continue to comply with any future legislation. In the meantime, the group continues not to apply a formal corporate governance code but is governed by its own guidelines which are broadly consistent with the Wates Code. For more information regarding current governance arrangements within the group, see the governance section of the strategic report on page 28 onwards.

Section 172 (1) Statement
In all decisions the Board has taken during the year ended 31 December 2022, the directors have acted in the way they consider to be in good faith, most likely to promote the success of the Group and the Company for the benefit of its members as a whole, and in doing so have regard to:

a. The likely consequences of any decision in the long term
b. The interests of the company's employees
c. The need to foster the company's business relationships with suppliers, customers and others
d. The impact of the company's operations on the community and the environment
e. The desirability of the company maintaining a reputation for high standards of business conduct, and
f. The need to act fairly as between members of the company.

ISG Limited
DIRECTORS' REPORT

See the Stakeholder engagement section of the strategic report on pages 20 to 24.

Results and dividends
Revenue for the year ended 31 December 2022 was £2.2bn (2021: £2.3bn); underlying EBITDA amounted to £36.9m (2021: £43.4m) and statutory profit before tax amounted to £11.5m (2021: £18.5m). No dividends have been paid or are proposed for the financial year ended 31 December 2022 (2021: £nil).

Share capital
The Company has one class of shares, being ordinary shares of 1p each, that carry no rights to fixed income.

Directors
The directors who held office throughout the financial year ended 31 December 2022 and to the date of this directors' report unless otherwise stated were:

W Harrison
P Cossell
R Hubbard
J Falconer
M Blowers
B Korink (resigned 1 July 2022)
Z Price
K Booth
T Smith
J S Rinando III

Directors' indemnities
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 provide cover in the event that a director is proved to have acted dishonestly or fraudulently.

Employees
Employment of disabled persons
At ISG, we are fully committed to equality in the workplace and engage, promote, and train staff on the basis of their capabilities, qualifications, and experience without discrimination of any kind. This is underpinned by the policies and practices embedded within the Company. All employees receive equal opportunity to progress within the Company ensuring we have access to the widest talent pool. We make reasonable adjustments to the business premises and working arrangements for disabled applicants and employees, including employees who become disabled during their employment.

Employee Involvement
At ISG, employee engagement is very important to us and we actively seek the views and opinions of our staff through our global employee engagement survey. Staff participation is encouraged at many levels, such as choosing our UK Charity Partner or recognising colleagues for our global values awards. Our Company intranet provides a wider platform to share information throughout the business and we have in place multiple communication channels which allows us to ensure information flows freely throughout the organisation. We also encourage employees to support both their local and our global community and we endeavour to do this by promoting apprenticeships with our supply chain partners and within our own operations, engaging with schools, colleges and universities to promote and support, learning and employability, targeting hard to reach groups to promote social inclusivity and targeting under-represented groups to enhance diversity in the industry. To support the above aims we offer volunteering opportunities and matched charity funding to permanent employees.

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 year. It is essential that we take all reasonable measures to conduct our business to ensure the health, safety and wellbeing of all our employees and all other persons who may be affected by our activities, including members of the public, customers and our supply chain that we work with. Our commitment to health and safety is demonstrated by our Accident Incident Rate which during the year was 1.51 (2021: 1.57).

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.

ISG Limited
DIRECTORS' REPORT

Streamlined Energy and Carbon Reporting (SECR)
The requirements are reported on pages 48 to 51 in the Climate change and carbon section of the strategic report.

Political donations
The Company made no political donations during the financial year ended 31 December 2022 (2021: £nil). Charitable donations to our charitable partners for the year totalled £68k (2021: £82k).

Disclosure of information to the auditor
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the 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
Following authorisation of the 2021 financial statements, BDO LLP resigned as auditors and, pursuant to section 489 (3) (c) of the Companies Act 2006, on 9th September 2022 the directors appointed MHA MacIntyre Hudson as the Group's auditor.

Approval
By order of the Board.

N Heard
Company Secretary
21 April 2023

ISG Limited
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 financial statements in accordance with United Kingdom adopted international accounting standards; and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Standards 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 or Company for that period.

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether they have been prepared in accordance with United Kingdom adopted international accounting standards for the group financial statements and United Kingdom Generally Accepted Accounting Standards for the company, 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 and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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

M Blowers
Chief Executive Officer
21 April 2023

K Booth
Chief Financial Officer
21 April 2023

ISG Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISG LIMITED

Opinion on the financial statements

We have audited the financial statements of ISG Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statements, Parent Company balance sheet, Parent Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Financial Reporting Standards (IFRSs), as applied in accordance with the provisions of the Companies Act 2006.

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

ISG Limited
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISG LIMITED

Other 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the 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 Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the 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.

Auditors responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiry of management, internal audit and the Group's in-house legal advisors around actual and potential litigation and claims;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

ISG Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISG LIMITED

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.

Andrew Moyser FCA FCCA (Senior Statutory Auditor)
For and on behalf of MHA MacIntyre Hudson, statutory auditor
London
21 April 2023

MacIntyre Hudson LLP is a limited liability partnership registered in England and Wales

ISG Limited

CONSOLIDATED INCOME STATEMENT | for the year ended 31 December 2022

	Notes	2022 £'m	2021 £'m
Revenue	5	**2,185.1**	2,263.7
Cost of sales	7	**(2,035.2)**	(2,112.2)
Gross profit		**149.9**	151.5
Administrative expenses		**(139.2)**	(132.6)
Operating profit[1]	6, 7	**10.7**	18.9
Finance income	8	**2.4**	0.5
Finance costs	9	**(1.6)**	(0.9)
Profit before tax		**11.5**	18.5
Taxation	10	**(8.1)**	(6.7)
Profit after tax from continuing operations		**3.4**	11.8
Profit from discontinued operations, net of tax	27	**19.6**	-
Total profit for year continuing and discontinued		**23.0**	11.8
Attributable to:			
Owners of the company		**29.2**	11.8
Non-controlling interests	25	**(6.2)**	-
		23.0	11.8

The accompanying notes form an integral part of these financial statements.

[1] Including impairment losses on trade and other receivables of £7.3m (2021: £13.3m). See Note 22.

ISG Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME │for the year ended 31 December 2022

	Notes	**2022** **£'m**	2021 £'m
Profit for the year		**23.0**	11.8
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**8.4**	(3.2)
Total comprehensive income for the year		**31.4**	8.6
Attributable to:			
Owners of the company		**37.6**	8.6
Non-controlling interests	25	**(6.2)**	-
		31.4	8.6

The accompanying notes form an integral part of these financial statements.

ISG Limited

CONSOLIDATED BALANCE SHEET | as at 31 December 2022

	Notes	2022 £'m	2021 (as restated) £'m
Non-current assets			
Goodwill	11	**167.3**	162.1
Other intangible assets	12	**17.0**	19.1
Property, plant, and equipment	13	**24.7**	27.1
Deferred tax assets	16	**10.2**	5.7
Other receivables	14	**3.6**	2.0
		222.8	216.0
Current assets			
Current tax assets		**0.6**	4.5
Trade and other receivables	14	**400.0**	326.6
Due from customers for contract work	19	**215.9**	185.9
Cash and cash equivalents	15	**104.7**	119.9
		721.2	636.9
Total assets		**944.0**	852.9
Current liabilities			
Lease liabilities	17	**(6.5)**	(6.3)
Current tax liabilities		**(9.2)**	(2.2)
Trade and other payables	18	**(710.3)**	(671.8)
Due to customers for contract work	19	**(45.2)**	(17.7)
		(771.2)	(698.0)
Non-current liabilities			
Lease liabilities	17	**(14.0)**	(15.8)
Deferred tax liabilities	16	**(2.5)**	(3.1)
Other payables	18	**(0.0)**	(0.2)
		(16.5)	(19.1)
Total liabilities		**(787.7)**	(717.1)
TOTAL NET ASSETS		**156.3**	135.8
Equity			
Called up share capital	23	**0.5**	0.5
Foreign currency translation reserve		**6.4**	(2.0)
Retained earnings		**149.3**	137.2
Equity attributable to owners of the company		**156.2**	135.7
Non-controlling interests	25	**0.1**	0.1
TOTAL EQUITY		**156.3**	135.8

The consolidated financial statements of ISG Limited (company number 10081578) were approved by the Board of directors and authorised for issue on 21 April 2023. They were signed on behalf of the Board of directors. The accompanying notes form an integral part of these financial statements.

M Blowers
Chief Executive Officer

K Booth
Chief Financial Officer

ISG Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | for the year ended 31 December 2022

	Notes	Share capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		£'m	£'m	£'m	£'m	£'m	£'m
Balance at 1 January 2021		0.5	1.2	125.4	127.1	0.1	127.2
Profit for the year		-	-	11.8	11.8	-	11.8
Other comprehensive income		-	(3.2)	-	(3.2)	-	(3.2)
Total comprehensive income for the year		-	(3.2)	11.8	8.6	-	8.6
Balance as at 31 December 2021		0.5	(2.0)	137.2	135.7	0.1	135.8
Profit for the year		-	-	29.2	29.2	(6.2)	23.0
Other comprehensive income		-	8.4	-	8.4	-	8.4
Total comprehensive income for the year		-	8.4	29.2	37.6	(6.2)	31.4
NCI share at acquisition		-	-	-	-	(10.9)	(10.9)
Acquisition of NCI		-	-	(17.1)	(17.1)	17.1	-
Balance at 31 December 2022		**0.5**	**6.4**	**149.3**	**156.2**	**0.1**	**156.3**

The foreign currency translation reserve is used to record cumulative translation differences on 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 an integral part of these financial statements.

ISG Limited

CONSOLIDATED CASH FLOW STATEMENT │ for the year ended 31 December 2022

	Notes	2022 £'m	2021 £'m
Cash flows from operating activities			
Operating profit for the year		**10.7**	18.9
Amortisation of intangible assets	12	**5.0**	5.2
Loss on disposal of property, plant, and equipment		**-**	-
(Profit)/loss on disposal of subsidiaries	27	**(0.7)**	7.0
Depreciation on property, plant, and equipment	13	**9.2**	8.7
Movement in trade and other receivables		**(84.6)**	(76.4)
Movement in trade and other payables		**66.2**	95.4
Cash generated from operations		**5.8**	58.8
Income taxes paid		**(4.1)**	(8.9)
Net cash inflow from operating activities- continuing		**1.7**	49.9
Net cash (outflow) from operating activities – discontinued		**(0.8)**	-
Cash flows from investing activities			
Payments for intangible assets	12	**(2.8)**	(1.6)
Payments for property, plant and equipment	13	**(2.5)**	(3.0)
Acquisition of subsidiary	26	**(8.8)**	-
Cash disposed with subsidiaries	27	**-**	(19.9)
Interest received		**2.4**	-
Net cash outflow from investing activities		**(11.7)**	(24.5)
Cash flows from financing activities			
Interest paid		**(0.9)**	(0.1)
Payment of lease liability interest	17	**(0.7)**	(0.8)
Payment of principal lease liabilities	17	**(5.9)**	(5.4)
Net cash outflow from financing activities		**(7.5)**	(6.3)
Net (decrease)/increase in cash and cash equivalents		**(18.3)**	19.1
Cash and cash equivalents at the beginning of the year		**119.9**	101.5
Effects of exchange rate changes on balances of cash held in foreign currencies	3	**3.1**	(0.7)
Cash and cash equivalents at the end of the year	15	**104.7**	119.9

The accompanying notes form an integral part of these financial statements.

ISG Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

1. GENERAL INFORMATION

ISG Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Aldgate House, 33 Aldgate High Street, London, EC3N 1AG.

2. BASIS OF PREPARATION

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and in line with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Functional and presentation currency

The financial information set out in this report has been prepared under the historical cost convention. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. The amounts stated are denominated in millions and rounded to the nearest £0.1m (£m)

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 which secures a significant amount of forecast revenue through 2022 and 2023. Together with this forward order book the board has considered assumptions in respect of new business, as well as including assessments of current and future market conditions and other risks and uncertainties in the business. The forecasts completed on this basis demonstrate that the Group will be able to operate within is current resource of cash reserves, and no external borrowing is currently planned.

In addition, the Board has also considered downside scenarios including revenue decline and increase in cost base. Whilst the cash flow of these scenarios will be different to the current forecast, mitigating actions have also been reviewed. These mitigating steps include cash management within management's control to improve working capital, reduction, or deferral strategies for operating and capital expenditure. With these factors considered the Board believes that the Group is well placed to manage the current business risks.

On the basis of the exercise described above, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

At the date of authorisation of the financial statements, there are a number of minor amendments to financial reporting standards that are effective for the current year.

The Group has reviewed and concluded that these amendments do not have an impact on the year-end financial statements of the Group.

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The table below shows a number of standards and interpretations which had been published but not yet effective:

Description	Effective Date
IFRS 17 Insurance Contracts	Periods beginning on or after 1 January 2023
Amendments to the following standards: IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Disclosure of Accounting Policies) IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) IAS 12 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	Periods beginning on or after 1 January 2023
Amendments to the following standards: IFRS 16 Leases (Liability in a Sale and Leaseback) IAS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current) IAS 1 Presentation of Financial Statements (Non-current Liabilities with Covenants)	Periods beginning on or after 1 January 2024

Similarly, the Group has assessed the impact of the future amendments and has determined that the application of these amendments and interpretations in current and future periods will not have a significant impact on its financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all 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 relevant activities of the entity. The results of subsidiaries are fully consolidated from the date that control commences until the date that control ceases. They are deconsolidated from the date that control ceases. A change in the ownership interest of a subsidiary without a change in control is accounted for as an equity transaction.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those of the parent entity. 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.

Discontinued operations

A discontinued operation is a part of the Group that has either been sold or has been categorised as held for sale, and which:

- represents a major line of business or a geographical area of operations,
- is part of a single coordinated plan to dispose of a separate, major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

If an operation is classified as a discontinued operation, the consolidated statement of comprehensive income as well as the data relating to it for the comparative year is adjusted so that it was as if the operation had been discontinued from the start of the comparative year.

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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 profit and loss 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 pre-tax discount rates are estimated as the risk-adjusted 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. Where a subsidiary is part of a CGU, a portion of that CGU's goodwill is attributed to that subsidiary if appropriate, in proportion to the subsidiary as part of the CGU.

Other intangible assets

The assessment of criteria of capitalisation is carried out by considering stages of internally developed products: the preliminary project stage, the product's development stage, and the post-implementation stage.
The preliminary projects stage costs are related to making planning decisions such as; should project be undertaken, determining product performance requirements, timescales, budget authorisation and selection of vendors and consultants to aid implementation
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.

The preliminary projects stage costs and post implementation costs such as training, and maintenance are recognised in the consolidated profit or loss 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
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 and adjusted as appropriate on a prospective basis. 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 asset's 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.

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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 on a straight-line basis over the estimated useful lives of the 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.

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 of disposal 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 classification of financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets and liabilities are classified as subsequently measured at amortised cost. 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.
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 the transaction price which approximates the fair value, and are subsequently measured at amortised cost, less any impairment.

In relation to trade receivables, an allowance for expected credit losses is made based on an expected credit loss model (simplified approach, as detailed under impairment of financial assets). The amount of the loss is recognised within the consolidated income statement. Impaired debts are derecognised when they are assessed as uncollectible.
If collection is expected in more than one year, other receivables are classified as non-current assets and are adjusted for the time value of money.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term highly-liquid investments that are readily convertible (with a maturity of three months or less from inception) 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) Contract assets and liabilities

When the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, the amount of revenue associated with the transfer of goods or services is accrued and presented as a contract asset in the balance sheet (excluding any amounts presented as a receivable). A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

Contract assets are reduced by appropriate allowances for expected credit losses calculated using the simplified approach (as with trade receivables).

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If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the amount is presented as a contract liability on the balance sheet. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due from the customer.

(d) Trade payables

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

(e) 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 Group's business model for managing the financial assets and the contractual terms of the cash flows. 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 (e.g., trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less expected credit losses.

Impairment provisions for 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, then the 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.

Leases

At inception of a contract the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset, this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to use the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the

commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payments including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, are initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an option renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured where there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

Contingent Liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will only be confirmed by future uncertain events that are not wholly within the Group's control, or present obligations where it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be reliably measured. If the outflow of economic resources is not considered remote, contingent liabilities are disclosed but not recognised in the financial statements.

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 individual subsidiary company's functional currency 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.

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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 the Group's presentational currency (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.

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates.

Revenue recognition

Revenue represents the amount of the transaction price received or receivable, which approximates the fair value, 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. Contracts are typically accounted for as a single performance obligation; even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract given that each is highly interdependent on the other.

Long-term contracts
Revenue from long-term contracts (including construction contracts) includes the amount initially agreed in the contract, plus any variations in contract work to the extent that it is highly probable that the variation will result in revenue that can be reliably measured (usually when instructions have been received from the client), plus any claim recoveries to the extent that negotiations have reached an advanced stage such that it is highly probable that the customer will accept the claim and the amount can be reliably measured. Management does not expect a financing component to exist. Revenue relates to the creation or enhancement of construction assets, which the customer controls, as the asset is created.

The 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.

Allowances for expected credit losses, in line with IFRS 9, are made for all known or expected losses on individual contracts immediately, once such losses are foreseen.

The amount due from customers for contract work is shown as a receivable. The 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. Retentions are recognised on invoicing of the associated trade receivable. Any payments received in excess of revenue recognised are recognised as contract liabilities within trade and other payables.

Other services
Revenue from maintenance contracts is satisfied overtime and 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.

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Recoveries from claims against third-parties

The recognition of expected recoveries resulting from certain third-party claims are assessed against the requirements of IFRS 15 and revenue for variations or claims is recognised when it is highly probable to be agreed which involves judgements around the Group's entitlement to revenue. Any amount of revenue recognised is restricted to the amounts that the Group considers is highly probable of not being subject to significant reversal and adjustments are made for any expected contractual delay deductions.

Contract costs

Costs to obtain a contract are expensed unless they are incremental, i.e. they would not have been incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered. Costs to fulfil a contract are expensed unless they relate to an identified contract, generate or enhance resources that will be used to satisfy the obligations under the contract in future years and the contract is expected to be sufficiently profitable for them to be recovered, in which case they are capitalised to the extent they will be recovered in future periods. If the contract becomes loss-making, all capitalised costs related to that contract are immediately expensed.

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.

Government grant income

Government grant income is considered compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity and is recognised in profit or loss of the period in which it becomes receivable. During 2021 the Group took advantage of the Government Coronavirus Job Retention Scheme, which are not repayable, and reported these amounts as a deduction against staff cost. During 2022, the Group has received income from Education and Skills Funding Agency ESFA for staff training. Amounts received as grant income are disclosed in Note 6.

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, lease liabilities, 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. Where this amount is an asset the Group have made payments on account in accordance with the requirements of a specific jurisdiction.

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 13.0%. 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 and laws 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 other comprehensive income or equity, in which case the relevant tax is also accounted for within other comprehensive

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income or equity respectively. Current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

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 and assumptions. 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 assumptions to be made on the recovery and agreement of pre-contract costs, variations in work scopes, claim recoveries, expected contract costs to complete and the progress on contract programmes. These forecasts require a degree of estimation.

The estimation of final contract value may include assessment of the recovery of variations or claims which are not yet agreed with the customer. These are assessed against the requirements of IFRS 15 and revenue for variations or claims is recognised when it is highly probable to be agreed which involves judgements around the Group's entitlement to revenue. Any amount of revenue recognised is restricted to the amounts that the Group considers is highly probable of not being subject to significant reversal and adjustments are made for any expected contractual delay deductions. On a number of contracts, work is completed on a cost-plus basis, so the element of revenue and profit margin uncertainty is reduced for these contracts.

The Group has appropriate control procedures in place to ensure revenue and cost estimates are calculated on an appropriate basis for each contract. In many cases revenue assessments are validated by third-party surveyors on behalf of customers who certify the value of work performed. There remains an element of estimation uncertainty over the agreement of final accounts in relation to both revenue and costs but this is reduced by the experience of the management teams in place and the internal review processes relating to individual contracts.

Contract accruals

Contract accruals relate to contract cost where an invoice has not been received prior to the year end. The Group has appropriate control procedures in place to ensure any estimates are calculated on an appropriate basis for each contract.

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. An assessment 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 assumption were the discount rates and the growth rates that were inputs into the impairment testing. The total value of goodwill was £167.3m (2021: £162.1m). Note 11 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 estimates and assumptions are 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. Estimation of future taxable profits is determined through cash flow forecasts and Board approved budgets. Note 16 details the unused tax losses for which deferred tax assets have not been recognised.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

5. REVENUE

All revenue arises from the provision of construction-related services and amounts receivable from and payable under construction contracts are included in Note 14 and Note 18.

Disaggregation of Revenue by country of destination:

Year ended 31 December 2022	**Fit Out**	**Construction**	**Total 2022**
	£'m	**£'m**	**£'m**
United Kingdom	**785.7**	**1,055.0**	**1,840.7**
Netherlands	**-**	**10.0**	**10.0**
Belgium	**-**	**9.8**	**9.8**
Germany	**36.4**	**37.4**	**73.8**
Singapore	**33.5**	**-**	**33.5**
Spain	**57.1**	**47.9**	**105.0**
UAE	**45.5**	**-**	**45.5**
Other	**30.5**	**36.3**	**66.8**
Total revenue	**988.7**	**1,196.4**	**2,185.1**
Revenue from external customers	**988.7**	**1,196.4**	**2,185.1**

Year ended 31 December 2021	Fit Out	Construction	Total 2021
	£'m	£'m	£'m
United Kingdom	771.4	1,028.3	1,799.7
Netherlands	-	0.9	0.9
Belgium	-	1.2	1.2
Germany	64.7	63.2	127.9
Singapore	32.3	-	32.3
Spain	76.6	40.7	117.3
UAE	49.8	-	49.8
Other	69.6	65.0	134.6
Total revenue	1,064.4	1,199.3	2,263.7
Revenue from external customers	1,064.4	1,199.3	2,263.7

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

In the prior year, revenue was disaggregated by the service lines Fit Out, Construction and Engineering. During the year, an adjustment was made to service line reporting and Construction figures are adjusted to now incorporate both Construction and Engineering Services. The prior year comparatives have been restated to reflect the new service line reporting.

Revenue recognised in relation to Contract Liabilities:

	2022	2021
	£'m	£'m
- Revenue recognised that was included in contract liability balance at the beginning of period	**17.7**	18.4
- Revenue recognised from performance obligations satisfied in previous periods	**-**	-

Remaining Performance Obligations:

At 31 December 2022	**2023**	**2024 – 2025**	**Total**
	£'m	**£'m**	**£'m**
- Revenue from contracts already secured and due to be recognised in future periods	**1,603.6**	**295.7**	**1,899.3**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

6. OPERATING PROFIT

Operating profit for the year is stated after charging/(crediting):

	2022 **£'m**	2021 £'m
Amortisation of intangible assets	**5.0**	5.2
Depreciation	**9.2**	8.7
Foreign exchange (profit)/loss	**(2.6)**	1.0
Staff costs (note 7)	**265.6**	252.1
Research and development expenses	**27.1**	16.8
Research and development expenditure tax credit	**(3.5)**	(2.9)
Short-term lease expense	**0.3**	0.4
Low value lease expense	**-**	0.1
Government grant income	**(0.1)**	(0.1)

In 2022, the Group received grant income from Education and Skills Funding Agency ESFA for staff training. In 2021, the Group has received government grants in various countries in which it operates relating to assistance for employers during the COVID-19 pandemic.

	2022 **£'m**	2021 £'m
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's financial statements	**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	**0.8**	0.7
Total fees payable to Group's auditor	**0.9**	0.8

The 2021 auditor's remuneration for audit-related fees relate to amounts paid to BDO LLP. The 2022 amounts relate solely to fees paid to MHA MacIntyre Hudson.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

7. STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

	2022 £'m	2021 £'m
Salaries and wages	**225.8**	220.9
Social security costs	**28.2**	21.8
Termination payments	**3.4**	1.9
Long-term benefits costs including defined contribution pension costs	**8.2**	7.5
	265.6	252.1

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	**2022 Number**	2021 Number
Average number of persons (including directors) employed by Group in the year:		
Construction	**1,300**	1,128
Fit Out	**1,406**	1,520
Head office	**373**	334
	3,079	2,982

In the table above eight directors are included in Head office for 2022 (2021: seven).

Remuneration of key management personnel

All key management personnel are directors of the Group. The remuneration of key management personnel is included in the directors' emoluments disclosure shown below.

Directors' emoluments

	2022 £'m	2021 £'m
Short-term employee benefits	**8.6**	8.7
Post-employment benefits	**0.1**	-
	8.7	**8.7**

Directors' emoluments (excluding social security costs) include £2.5m (2021: £2.5m) of short-term employee benefits and £nil (2021: £nil) post-employment benefits for the highest paid director. As at 31 December 2022, the outstanding directors' bonus accrual was £3.8m, all due to be paid within 12 months, (2021: £2.5m, paid within 12 months). During the year seven directors received contributions under a defined contribution scheme (2021: four).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

8. FINANCE INCOME

	2022 £'m	2021 £'m
Other finance income	**2.1**	-
Interest receivable from immediate parent	**0.3**	0.5
Total finance income	**2.4**	0.5

9. FINANCE COSTS

	2022 £'m	2021 £'m
Interest on bank overdrafts and loans	**0.4**	-
Interest expense on lease liabilities	**0.7**	0.8
Interest payable to immediate parent	**0.4**	-
Other interest costs	**0.1**	0.1
Total finance costs	**1.6**	0.9

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

a. Taxation charge

	2022 £'m	2021 £'m
UK current tax		
UK corporation tax on profits for the year	11.4	6.6
Adjustment in respect of prior years	0.5	(2.2)
	11.9	4.4
Overseas current tax		
Overseas taxation on profits for the year	**1.5**	2.0
Adjustment in respect of prior years	**(0.3)**	(0.6)
Total current tax	**13.1**	5.8
Deferred tax		
Origination and reversal of temporary differences arising in the year	**(2.9)**	(1.2)
Adjustment in respect of prior years	**(0.4)**	2.5
Effect of change in tax rates	**(1.7)**	(0.4)
Total deferred tax (Note 16)	**(5.0)**	0.9
Total tax expense	**8.1**	6.7

UK Corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

b. Taxation reconciliation for continuing operations

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

	2022 £'m	**2022 %**	2021 £'m	2021 %
Profit before tax	**11.5**		18.5	
Tax due if paid at the applicable UK corporation tax rate of 19.0% (2021: 19.0%)	**2.2**	**19.0 %**	3.5	19.0%
Adjusting items				
Adjustment relating to release of prior year corporation tax provisions	**0.2**		(2.8)	
Recognition of tax losses previously unrecognised	**(1.4)**		(2.0)	
Tax effect of utilisation of tax losses not previously recognised	**(0.1)**		(0.1)	
Effect of different tax rates of operations in other jurisdictions	**0.1**		0.2	
Tax effect of expenses that are not deductible in determining taxable profit	**1.7**		2.0	
Effect of current year losses not utilised	**7.5**		3.8	
Effect of prior year movements in deferred tax	**(0.4)**		2.5	
Tax effect of changes in tax rate	**(1.7)**		(0.4)	
Tax effect of income that is not taxable in determining taxable profit			-	
Income tax expense recognised in the income statement	**8.1**	**70%**	6.7	36%

11. GOODWILL

	£'m
Cost	
Balance at 1 January 2021	164.4
Net foreign currency exchange differences	(2.3)
Balance at 31 December 2021	162.1
Additions in the year (note 26)	25.7
Disposals in the year (note 27)	(25.7)
Net foreign currency exchange differences	5.2
Balance at 31 December 2022	**167.3**
Carrying amount	
As at 31 December 2022	**167.3**
As at 31 December 2021	162.1

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

	2022 £'m	**Basis**	**Discount Rate %**	**Growth Rate Applied %**
Fit Out	**128.7**	Value in use	10.24	2
Construction (previously Engineering Services)	**38.6**	Value in use	12.62	2
	167.3			

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The recoverable amounts of goodwill are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. The directors estimate discount rates using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations on future changes in the market.

The impairment tests were based on the latest management information from the annual budgeting process. This covered the period 2023 to 2025 period, and it considered all known factors that would impact on future growth. After this period, cash flows have been extrapolated using a growth rate of 2.0 per cent (2021: 2.0 per cent) which does not exceed the long-term growth rate for the relevant markets. The cash flow forecasts have been discounted using a pre-tax discount rate of 10.24 per cent in Fit Out CGU and 12.62 per cent for Construction (previously Engineering Services) CGU (2021: 10 per cent Fit Out, and 12.4 per cent in Engineering Services). Sensitivities were applied by changing the discount and growth rate. The headroom arising on the impairment tests was £626.2m. A 1% increase in the discount rate reduces the headroom by £88.9m. A 1% decrease in the growth rate reduces the headroom by £61.5m.

Following the impairment reviews performed by the Group, no impairment charge was recorded in the year ended 31 December 2022.

12. OTHER INTANGIBLE ASSETS

	Trademarks and licences £'m	Customer relationships £'m	Software £'m	Total £'m
Cost				
Balance at 1 January 2021	31.4	23.8	11.4	66.6
Net foreign currency exchange differences	(0.3)	-	-	(0.3)
Additions	-	-	1.6	1.6
Disposals	-	-	-	-
Balance at 1 January 2022	31.1	23.8	13.0	67.9
Net foreign currency exchange differences	0.4	-	0.1	0.5
Additions	-	-	2.5	2.5
Fully amortised assets	-	-	(2.2)	(2.2)
Balance at 31 December 2022	**31.5**	**23.8**	**13.4**	**68.7**
Accumulated amortisation				
Balance as of 1 January 2021	14.6	23.8	5.2	43.6
Charge for the year	3.0	-	2.2	5.2
Disposals	-	-	-	-
Balance as of 1 January 2022	17.6	23.8	7.4	48.8
Charge for the year	3.0	-	2.0	5.0
Net foreign currency exchange differences	-	-	0.1	0.1
Fully amortised assets	-	-	(2.2)	(2.2)
Balance at 31 December 2022	**20.6**	**23.8**	**7.3**	**51.7**
Carrying amount				
As at 31 December 2022	**10.9**	**-**	**6.1**	**17.0**
As at 31 December 2021	13.5	-	5.6	19.1

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'m	IT and office equipment £'m	Total £'m
Cost			
Balance at 1 January 2021	34.6	12.8	47.4
Additions	4.3	1.8	6.1
Disposals	(0.5)	(1.4)	(1.9)
Impact of modification of lease terms	-	-	-
Net foreign currency exchange differences	0.2	-	0.2
Balance at 1 January 2022	38.6	13.2	51.8
Additions	1.9	5.1	7.0
Disposals	(0.2)	(0.1)	(0.3)
Impact of modification of lease terms	-	(0.1)	(0.1)
Transfers from accumulated depreciation	1.5	0.3	1.8
Net foreign currency exchange differences	-	(0.1)	(0.1)
Balance at 31 December 2022	**41.8**	**18.3**	**60.1**
Accumulated depreciation			
Balance at 1 January 2021	11.0	6.4	17.4
Disposals	(0.6)	(1.0)	(1.6)
Charge for the year	4.8	3.9	8.7
Net foreign currency exchange differences	0.1	0.1	0.2
Balance at 1 January 2022	15.3	9.4	24.7
Disposals	(0.1)	(0.2)	(0.3)
Charge for the year	6.1	3.1	9.2
Transfers from cost	1.5	0.3	1.8
Net foreign currency exchange differences	-	-	-
Balance at 31 December 2022	**22.8**	**12.6**	**35.4**
Carrying amount			
As at 31 December 2022	**22.0**	**5.7**	**24.7**
As at 31 December 2021	23.3	3.8	27.1

Right-of-use assets

Included within tangible assets are right-of-assets, which consist of assets arising from lease arrangements accounted for under IFRS 16:

	Leasehold improvements £'m	IT and office equipment £'m	Total £'m
Carrying amount at 1 January 2022	16.9	1.3	18.2
Additions	1.5	3.3	4.8
Disposals	-	(0.1)	(0.1)
Depreciation charge for the year	(4.6)	(1.1)	(5.7)
Modification to lease terms	-	(0.1)	(0.1)
Foreign exchange movement	(0.2)	0.1	(0.1)
Carrying amount at 31 December 2022	**13.6**	**3.4**	**17.0**

Short-term lease expense, low value lease expense and expense relating to variable lease payments not included in the measurement of lease liabilities are disclosed in Note 6. Interest expense on lease liabilities are detailed in Note 9. Lease liabilities are disclosed in Note 17. The accounting policy for leases is disclosed in Note 3.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

14. TRADE AND OTHER RECEIVABLES

	2022 £'m	2021 £'m
Non-current		
Other receivables	**3.6**	2.0
Total non-current receivables	**3.6**	2.0
Current		
Trade receivables (including retentions)	**343.8**	305.9
Less: impairment allowance	**(7.3)**	(13.3)
Trade receivables net	**336.5**	292.6
Other receivables	**19.3**	8.8
Receivable from related parties	**35.4**	18.0
Prepayments	**8.8**	7.2
Total current trade and other receivables	**400.0**	326.6
Total trade and other receivables	**403.6**	328.6

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 £155.4m were pledged under a Cathexis Group loan arrangement, (2021: £122.8m).

Due to the nature of the Group's operations, it is normal practice for customers to hold retentions in respect of contracts completed. Retentions are balances typically payable at the end of a construction project, when all contractual performance obligations have been met, and are therefore received over a longer period of time. Retentions will be collected in the normal operating cycle of the Group and are therefore shown as a current asset. £43.4m (2021: £48.2m) of the retention receivable is due more than one year from the balance sheet date. Retentions due from customers within one year of the balance sheet date were £72.8m (2021: £64.7m). Under the normal course of business, the Group does not charge interest on its overdue receivables.

15. ANALYSIS OF NET CASH POSITION

	Balance at 1 January 2021 £'m	Cash flow £'m	Foreign exchange £'m	Balance at 31 December 2021 £'m	Cash flow £'m	Foreign exchange £'m	Balance at 31 December 2022 £'m
Cash and cash equivalents	101.5	19.0	(0.6)	119.9	**(18.5)**	**3.3**	**104.7**
Net cash	**101.5**	**19.0**	**(0.6)**	**119.9**	**(18.5)**	3.3	**104.7**

The Group's exposure to interest rate and exchange risks and a sensitivity analysis for financial assets and liabilities is disclosed in Note 22.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

16. 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 year or prior years. The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current reporting year.

Deferred tax assets

Net of deferred tax liabilities where there is a legally enforceable right of offset, with assets and liability related to the same tax authority and the group intending to settle on a net basis in future periods.

	Accelerated tax depreciation £'m	Right-of-use assets £'m	Lease liability £'m	Other £'m	Tax losses £'m	Total £'m
Balance at 1 January 2021	1.3	(4.5)	5.3	2.7	2.0	6.8
(Charge)/credit to income	(0.7)	(0.3)	-	(2.0)	1.2	(1.8)
Credit due to change in tax rate	0.1	0.1	-	0.0	0.5	0.7
Balance at 1 January 2022	0.7	(4.7)	5.3	0.7	3.7	5.7
(Charge)/credit to income	(0.2)	(0.1)	-	1.7	1.4	2.8
Credit due to change in tax rate	-	-	-	0.7	1.0	1.7
Balance at 31 December 2022	**0.5**	**(4.8)**	5.3	**3.1**	**6.1**	**10.2**

Deferred tax liabilities

	Intangible assets £'m	Total £'m
Balance at 1 January 2021	(3.3)	(3.3)
Charge due to change in tax rate	(0.3)	(0.3)
Credit to income	0.5	0.5
Balance at 1 January 2022	(3.1)	(3.1)
Charge to income	0.6	0.6
Balance at 31 December 2022	**(2.5)**	**(2.5)**

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 £126m (2021: £90m) that are available for offset against future profits. A deferred tax asset of £6.1m has been recognised in relation to £25.1m of these losses. Recognised temporary differences total £3.1m of which £1.7m (2021: £0.6m) relates to unpaid bonuses with the balance relating to short term timing differences on contractual liabilities.

The average tax rate applied to deferred tax is greater than the current UK mainstream rate of 19%. This is in line with the substantively enacted UK tax rate at 31 December 2022. Following the substantive enactment of the 2021 Finance Bill on 24 May 2021, of the increase to the main rate of corporation tax, a tax rate of 25% has been applied to all timing differences that are expected to reverse on or after 1 April 2023. This has meant a credit to the tax expense of £1.7m (2021: £0.4m).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

17. LEASE LIABILITIES

	2022	2021
	£'m	£'m
Lease liabilities included in the balance sheet		
Current	**6.5**	6.3
Non-current	**14.0**	15.8
Total	**20.5**	22.1
Reconciliation of carrying amount		
Carrying amount at 1 January	**22.1**	24.6
Additions	**4.7**	3.6
Interest expense	**0.7**	0.8
Disposals	**-**	(0.5)
Modification to lease terms	**(0.6)**	-
Lease payments	**(6.6)**	(6.2)
Foreign exchange movement	**0.2**	(0.2)
Carrying amount at 31 December	**20.5**	22.1
Maturity analysis – contractual undiscounted cash flows		
Lease liabilities which expire:		
Within one year	**6.4**	6.4
Within two to five years	**15.4**	18.1
After five years	**0.1**	0.5
Total undiscounted lease liabilities at 31 December	**21.9**	25.0
Cash and non-cash movements in lease liabilities		
Cash movements	**(6.6)**	(6.2)
Non-cash movements	**5.0**	3.7
	(1.6)	(2.5)

See related lease disclosure in the financial statements as follows: short-term lease expense, low value lease expense and expense relating to variable lease payments not included in the measurement of lease liabilities are disclosed in Note 6. Interest expense on lease labilities is detailed in Note 9. Right-of-use assets are disclosed in Note 13. The accounting policy for leases is disclosed in Note 3.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

18. TRADE AND OTHER PAYABLES

	2022 £'m	2021 £'m
Non-current		
Other payables	-	0.2
Total non-current payables	-	0.2
Current		
Trade payables (including retentions)	**281.7**	219.5
Contract accruals	**291.9**	332.4
Other taxation and social security	**10.2**	10.9
Other payables	**16.4**	13.6
Payable to related party	**8.6**	7.2
VAT	**70.4**	62.5
Accruals	**31.1**	25.7
Total current trade and other payables	**710.3**	671.8
Total trade and other payables	**710.3**	672.0

An analysis of the maturity of debt is given in Note 22.

Retentions will be paid in the normal operating cycle of the Group and are therefore shown in current payables. £34.1m (2021 £37.2m) of the retention payable is due more than one year from the balance sheet date. Retentions owed to customers within one year of the balance sheet date were £57.3 (2021: £50.5m).

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.

19. CONSTRUCTION CONTRACTS

Contact assets and liabilities are disclosed on the balance sheet as amounts due from construction contract customers and amounts due to construction contract customer. Where there is a corresponding contract asset and liability in relation to the same contract, the balance sheet is shown in the net position. The timing of the work performed (aligned to the revenue recognised), billing profiles and cash collection results in trade receivables (amounts billed to date and unpaid), contract assets (unbilled amounts where revenue has been recognised and customer advances and deposits (contract liabilities) where corresponding work has yet to be performed, being recognised on the Group's balance sheet.

The reconciliation of the opening to closing contract balance is shown below:

	Contract asset £'m	Contract liability £'m
As at 1 January 2021	123.9	(18.6)
Revenue recognised in the year	2,247.6	18.6
Net cash received in advance of performance obligations being fully satisfied	-	(17.7)
Transfers from contract assets to trade receivables	(2,185.6)	-
As at 1 January 2022	185.9	(17.7)
Revenue recognised in the year	2,167.4	17.7
Net cash received in advance of performance obligations being fully satisfied	-	(45.2)
Transfers from contract assets to trade receivables	(2,137.4)	-
As at 31 December 2022	**215.9**	**(45.2)**

Revenue for performance obligations that are not fully satisfied at the year end are expected to be recognised as disclosed in note 5.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

20. CAPITAL AND OTHER COMMITMENTS

At 31 December 2022, the Group and the Company had no capital commitments (2021: £nil).

21. 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 2022 (2021: £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 2022 was £150.6m (2021: £155.9m).

22. 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

	2022	2021
	£'m	£'m
Financial assets (amortised cost)		
Other receivables (non-current)	**3.6**	2.0
Trade receivables (current)	**336.5**	292.6
Other receivables including related parties (current)	**54.7**	26.8
Cash and cash equivalents	**104.7**	119.9
Total financial assets	**499.5**	441.3
Financial liabilities (amortised cost)		
Other payables (non-current)	**-**	0.2
Lease liabilities (non-current)	**14.0**	15.8
Lease liabilities (current)	**6.5**	6.3
Trade payables (current)	**281.7**	219.5
Other payables (current)	**23.5**	20.8
Contract accruals	**291.9**	332.4
Accruals	**31.1**	25.7
Total financial liabilities	**648.7**	620.7

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.

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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 30 to 36.

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 than 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 manages the collection of retentions through its post-completion project monitoring procedures and ongoing contact with customers to ensure that potential issues that could lead to the non-payment of retentions are addressed as soon as they are identified.

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 applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. 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.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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The lifetime expected loss provision for trade receivables is as follows:

	2022 Gross £'m	**Expected Loss Rate**	**2022 Loss Provision £'m**	2021 Gross £'m	Expected Loss Rate	2021 Loss Provision £'m
Not past due	**207.0**	**0%**	**0.1**	182.0	0%	-
Past due 0 – 30 days	**34.3**	**0%**	**-**	14.7	3%	0.4
Past due 30 – 60 days	**8.5**	**0%**	**-**	8.7	95%	8.3
Past due 60 – 90 days	**2.3**	**0%**	**-**	2.1	0%	-
Past due 90 – 120 days	**9.1**	**1%**	**0.1**	18.3	1%	0.2
Past due greater than 120 days	**43.4**	**16%**	**7.1**	31.9	14%	4.4
	304.6	**1%**	**7.3**	257.7	5%	13.3

None of these trade receivables have has a significant change in credit risk since initial recognition and therefore with the Group's history of very low levels of non-recoverable amounts there is no collective loss component of the expected credit loss provision applied. Specific loss components of the expected credit loss have been recognised for certain receivables that are in the category of past due 0-30 days, past due 30-60 days, past due 90-120 days and greater than 120 days.

The following table shows the movement in lifetime expected credit losses that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9:

	2022 £'m	2021 £'m
Balance as at 1 January	**13.3**	4.6
Increase in impairment provision recognised	**0.1**	11.4
Receivables written off as uncollectible	**(0.3)**	-
Amounts recovered during the year	**(5.8)**	(2.7)
Balance as at 31 December	**7.3**	13.3

The decrease in the impairment provision in the year is related to customer balances which were recovered in the current year. In the prior year, impairment provision was related to the specific impairment of a trade receivable of £8.7m.

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

	2022 £'m	2021 £'m
Trade receivables		
A	**136.9**	158.8
B	**57.8**	60.5
Without credit rating	**98.4**	25.1
Total trade receivables	**293.1**	244.4
Cash at bank		
AAA	-	-
AA	**4.0**	5.0
A	**96.0**	114.0
BBB	**4.7**	0.9
BB	**-**	-
Without credit rating	**-**	-
Total cash at bank	**104.7**	119.9

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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 £5.8m (2021: £0.6m) impact on trading operating profits. This analysis assumes all other variables, in particular interest rates, remain constant. The Group is exposed to a lesser extent to transactional foreign currency gains and losses through movements in foreign exchange rates as a result of its global operations. A large proportion of the Group's revenues are matched with corresponding operating costs in the same currency. The impact of transactional foreign exchange gains or losses are consequently mitigated and are recognised in the period in which they arise.

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:

	2022 Assets £'m	**2022 Liabilities £'m**	2021 Assets £'m	2021 Liabilities £'m
GBP	**362.3**	**578.7**	318.6	522.0
EUR	**83.7**	**119.4**	85.3	128.9
AED	**13.1**	**15.1**	12.5	20.1
HKD	**1.9**	**-**	13.6	0.1
SGD	**13.7**	**19.9**	11.9	19.3
CNY	**0.9**	**-**	0.9	-
BRL	**-**	**-**	-	0.4
Other	**16.7**	**11.4**	8.5	6.7
	492.3	**744.5**	451.3	697.5

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, and banking facilities; and by monitoring, forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Further details relevant to the Group's liquidity position and its status as a going concern are included within the directors' report on page 56 and note 2.

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 daily. 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.

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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.

2022	**Carrying amount £'m**	**Contractual cash flows £'m[1]**	**Less than 1 year £'m**	**1-2 years £'m**	**2-5 years £'m**	**More than 5 years £'m**
Non-derivative financial assets						
Trade receivables (current and non-current)	**336.5**	**336.5**	**293.1**	**31.9**	**11.5**	**-**
Other receivables including related parties (current and non-current)	**58.3**	**58.3**	**54.7**	**3.6**	**-**	**-**
Cash and cash equivalents	**104.7**	**104.7**	**104.7**	**-**	**-**	**-**
	499.5	**499.5**	**452.5**	**35.5**	**11.5**	**-**
Non-derivative financial liabilities						
Lease liabilities (current and non-current)	**20.5**	**20.5**	**6.5**	**9.5**	**4.5**	**-**
Trade payables (current and non-current)	**281.7**	**281.7**	**247.5**	**22.9**	**11.3**	**-**
Other payables (current and non-current)	**23.5**	**23.5**	**23.5**	**-**	**-**	**-**
Contract accruals and accruals	**323.0**	**323.0**	**323.0**	**-**	**-**	**-**
	648.7	**648.7**	**600.5**	**32.4**	**15.8**	**-**

2021	Carrying amount £'m	Contractual cash flows £'m[1]	Less than 1 year £'m	1-2 years £'m	2-5 years £'m	More than 5 years £'m
Non-derivative financial assets						
Trade receivables (current and non-current)	292.6	292.6	244.4	40.8	7.4	-
Other receivables including related parties (current and non-current)	28.8	28.8	26.8	1.2	0.8	-
Cash and cash equivalents	119.9	119.9	119.9	-	-	-
	441.3	441.3	391.1	42.0	8.2	-
Non-derivative financial liabilities						
Lease liabilities (current and non-current)	22.1	22.1	6.3	9.4	6.4	-
Trade payables (current and non-current)	219.5	219.5	182.3	31.2	6.0	-
Other payables (current and non-current)	21.0	21.0	20.8	0.2	-	-
Contract accruals and accruals	358.1	358.1	358.1	-	-	-
	620.7	620.7	567.5	40.8	12.4	-

[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.

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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 year would neither increase nor decrease (2021: increase or decrease by £nil) 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 cash and cash equivalents and equity attributable to equity holders of ISG Limited, comprising issued capital, reserves and retained earnings.

23. SHARE CAPITAL

	2022 Group and Parent Company Number	**2022 Group and Parent Company £'m**	2021 Group and Parent Company Number	2021 Group and Parent Company £'m
Ordinary shares of 1p each (2021 1p each) allotted and fully paid	49,483,864	0.5	49,483,864	0.5

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

24. DIVIDENDS

During the year to 31 December 2022 no dividends have been declared or paid. During 2021 no dividends have been declared or paid.

25. NON-CONTROLLING INTERESTS

	2022 £'m	2021 £'m
Balance at the beginning of the year	0.1	0.1
Acquisition	(10.9)	-
Loss for the year	(6.2)	-
Purchase of NCI	17.1	-
Balance at the end of the year	**0.1**	0.1

On 30th March 2022 the Group acquired 60.7% of the shares in Kardomagh Holdings Ltd ("ESS Group"). On 21st December the Group acquired the non controlling interest of 39.3% of the shares in ESS Group for €2. See note 26.

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26. ACQUISITION OF SUBSIDIARIES

On 30th March 2022 the Group acquired 60.7% of the shares in Kardomagh Holdings Ltd ("ESS Group") for £8.8m (€10.4m) in cash. ESS specialise in delivery of modern methods of construction ("MMC") and have manufacturing facilities with the UK and Ireland. Details of the fair value of assets and liabilities acquired are shown below:

	Total £'m
Intangible assets	0.1
Tangible assets	6.1
Inventories	2.0
Trade and other receivables	10.9
Cash	(1.6)
Trade and other payables	(39.6)
Borrowings	(5.7)
NCI	10.9
Total identifiable net liabilities	**(16.9)**
Total consideration	**8.8**
Goodwill	**25.7**
Consideration	
Cash	**8.8**
Total	**8.8**

On 21 December 2022, the Group acquired the remaining shareholding of 39.3% in ESS Group for consideration of €2.

Subsequently on 28 December 2022, the Group completed a transaction to sell ESS Group, to become a separate group within the wider Cathexis Group, see note 27.

27. DISPOSALS AND DISCONTINUED OPERATIONS

(a) Disposal of subsidiaries
On 21 December 2022, the Group completed the sale of ACE- Engenharia e Construcoes Ltda ("Brazil") to Lorraine Carolina Dias Santos for Brazilian Reals 10.

On 28 December 2022, the Group completed a transaction to sell Kardomagh Holdings Ltd and its subsidiaries ("ESS Group") to Cathexis PR IV LLC for £20.4m, where it remains part of the wider Cathexis Group.

Details of the disposals are shown below:

	Brazil £'m	ESS £'m	Total £'m
Consideration receivable	-	20.4	**20.4**
Cash disposed	-	(3.5)	**(3.5)**
Net cash received	**-**	**16.9**	**16.9**
Less net liabilities (other than cash) disposed of:	0.7	47.1	**47.8**
Cost of disposal	-	(1.1)	**(1.1)**
Amount recycled from reserves	-	(1.6)	**(1.6)**
Derecognition of goodwill	-	(25.7)	**(25.7)**
Pre-tax profit on the disposal of subsidiaries	**0.7**	**35.6**	**36.3**
Related tax	-	(1.8)	**(1.8)**
Post tax profit on the disposal of subsidiaries	**0.7**	**33.8**	**34.5**

During 2021 the Group completed the sale of the following subsidiaries:

ISG Europe SAS ("France") was completed with an effective date of 31 March 2021, with consideration of €1.

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A sale and purchase agreement for ISG Asia (Malaysia) Sdn Bhd ("Malaysia") was entered into on 16 December 2020, and the transaction was completed on 1 May 2021. Consideration received was MYR 1. At 31 December 2020, the net assets of Malaysia of £0.6m were disclosed in other receivables, as assets held for sale.

In July 2021 the Group entered into a sale and purchase agreement for the sale of ISG Asia (Hong Kong) Limited ("Hong Kong") and its subsidiary ISG Asia (Macau) Ltd. The sale was completed on 1 September 2021, with initial consideration of HK1.1m and deferred consideration of HK20m payable in 30 equal instalments commencing on 1 March 2022.

The results of the disposed subsidiaries have not been shown as discontinued as the Group continues to operate in the Fit Out arena and the results of the disposals are not material to the Group. The loss on disposal of £7m is included in administrative overheads and in non-underlying items, on page 95, in the income statement for management purposes – unaudited.

Details of the disposals are shown below:

	France £'m	Malaysia £'m	Hong Kong £'m	Total £'m
Cash consideration received	-	-	0.1	**0.1**
Cash disposed	11.5	-	8.5	**20.0**
Net cash disposed of	**11.5**	**-**	**8.4**	**19.9**
Deferred consideration	-	-	1.9	**1.9**
Less net liabilities (other than cash) disposed of:	(6.7)	0.3	(4.6)	**(11.0)**
Pre-tax loss on the disposal of subsidiaries	**(4.8)**	**(0.3)**	**(1.9)**	**(7.0)**
Related tax	-	-	-	**-**
Post tax loss on the disposal of subsidiaries	**(4.8)**	**(0.3)**	**(1.9)**	**(7.0)**

(b) Discontinued operations

The results of Kardomagh Holdings Ltd and its subsidiaries ("ESS Group") are classified as discontinued operations

	Total £'m
Revenue	50.2
Cost of sales	(54.8)
Gross Loss	**(4.6)**
Admin expenses	(10.2)
Operating Loss	**(14.8)**
Finance costs	(0.9)
Loss before tax	**(15.7)**
Tax	1.5
Loss after tax	**(14.2)**
Profit on disposal (see note 27 (a))	**33.8**
Profit from discontinued operations after tax	**19.6**

28. 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. Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. The UK subsidiaries are part of the UK tax group that includes the immediate parent, and as such, UK corporation tax group relief is transferred between the UK subsidiaries and the immediate parent.

As at December 2022 there was a £2.4m creditor (2021: £1.4m), disclosed in payable to related party Note 18, owing to Cathexis UK Holdings Limited relating to UK corporation tax group relief. This balance is payable on demand and does not bear interest.

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The Group provides construction management services and management and related services to Ramsgate Lux SCspIV and Cathexis Holdings LP, fellow subsidiaries of the Cathexis Group. During the year the Group charged £37.1m (2021: £12.8m) of which £11.0m (2021: £5.5m) was outstanding and disclosed within trade receivables and retentions as at 31 December 2022 (Note 14). During the year, the Cathexis Group provided construction services to the Group and charged £1.3m (2021: £nil) to the Group, of which £0.2m was outstanding and disclosed within trade receivables as at 31 December 2022 (2021: £nil).

The Group provides management and related services to the Yondr Group, a fellow group in the wider Cathexis Group. During the year the Group charged £0.6m (2021: £1.3m) of which £0.2m (2021: £1.2m) was outstanding and disclosed within trade receivables as at 31 December 2022 (Note 14). During the year, Yondr Group provided construction services to the Group and charged £7.7m (2021: £12.1m) to the Group, of which £0.2m was outstanding and disclosed within trade payables and retentions (Note 18) (2021: £5.8m).

On 28 December 2022, the Group completed a transaction to transfer the ownership of Kardomagh Holdings Ltd and its subsidiaries ("ESS Group") to become a separate group within the wider Cathexis Group. Details of the disposal are shown in note 27. At 31 December 2022, the balance of £20.4m remains unpaid.

In 2019 the parent group entered a loan facility, as part of the overall security certain of the Group's trade receivable balances are included in the security pledged, see Note 14.

All key management personnel are directors of the Group. The remuneration of key management personnel is included in the directors' emoluments disclosure shown in note 7.

29. PRIOR YEAR ADJUSTMENTS

(a) Reclassification of non-current trade receivables and trade payables

In the prior year, the Group had erroneously classified trade receivables and trade payables that were expected to be realised or settled 12 months after the reporting period as non-current assets. As trade receivables are expected to be realised, sold or consumed and trade payables settled in the normal operating cycle of the Group, these captions have been corrected to be classified as current assets. The prior period comparatives have been restated in line with this correction and the impact on prior years reserves is nil.

30. 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 2022, the company's ultimate parent company was Cathexis Holdings V 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 V 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.

31. ADDITIONAL INFORMATION ON SUBSIDIARIES

The details of all the subsidiary companies as at 31 December 2022 were:

Subsidiary undertakings	Country of incorporation/ registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/ Indirect Holding
Interior Services Group Iberia, S.L B85817633	Spain	Avda. de Córdoba 21, 2nd floor, office 1, 28026 Madrid	Fit out and project management	100	Indirect
Interior Service Group Netherlands BV 34327616	Netherlands	Jacob Van Lennepkade 155H 1054 ZL Amsterdam Netherlands	Engineering and project management	100	Indirect
Interior Service Group Österreich GmbH FN532793	Austria	1010 Wien Hegelgasse 13 Vienna Austria	Engineering and project management	100	Indirect
ISG (Schweiz) AG CHE.114.516.167	Switzerland	Uetlibergstrasse 132, CH-8031 Zürich, Switzerland	Fit out and project management	100	Indirect

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ISG Asia (Singapore) Pte Ltd 199901695H	Singapore	180 Clemenceau Avenue #01-01 Haw Par Centre, Singapore 239922	Fit out and project management	100	Indirect
ISG Asia Group Services Pte Limited 200615572D	Singapore	180 Clemenceau Avenue #01-01 Haw Par Centre, Singapore 239922	Non trading	100	Indirect
ISG Asia Investment (Hong Kong) Limited 0771797	Hong Kong	20/F Parkview Centre, 7 Lau Li Street Tin Hau, Hong Kong	Holding company	100	Indirect
ISG Build Services Portugal, Unipessoal LDA	Portugal	Avenida do Brasil, 43, 3.º Dt, sala 2 1700-062 Lisbon, Alvalade Lisbon	Engineering and project management	100	Indirect
ISG Building Contracting LLC* 772526	UAE	Warehouse no 07, Sulaiman Abdul Khaliq property, Al Quoz Industrial 3, Dubai, United Arab Emirates	Non trading	49	Indirect
ISG Central Services Limited 02997684	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Group services	100	Direct
ISG Construction Limited 00450103	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Construction services	100	Indirect
ISG Construction Services SRL 0846.128.624	Belgium	Auguste Reyerslaan 80, 1030 Schaerbeek, Belgium	Engineering and project management	100	Indirect
ISG Deutschland GmbH HRB73933	Germany	Am Hauptbahnhof 18, 60329, Frankfurt am Main, Germany	Fit out and project management	100	Indirect
ISG Engineering Services Limited 10289327	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Engineering and project management	100	Indirect
ISG Engineering Services Nordic APS 37841226	Denmark	c/o BDO Statsautoriseret Partneraktieselskab Havneholmen 29 1561 Copenhagen, Denmark	Non trading	100	Indirect
ISG Europe Investments BV 81230389	Netherlands	Jacob Van Lennepkade 155H 1054 ZL Amsterdam Netherlands	Holding company	100	Indirect
ISG Fit Out Limited 06954059	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out and project management	100	Indirect
ISG Interior Services Group Ireland Limited 538506	Ireland	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	Fit out and project management	100	Indirect
ISG Luxembourg S.à.r.l B227389	Luxembourg	37, rue d'Anvers, c/o AFC Benelux Luxembourg, L-1130, Luxembourg	Fit out and project management	100	Indirect
ISG Middle East LLC* 1065741	UAE	Office 602 Sama Tower, Shaikh Zayed Road, Dubai, UAE	Fit out and project management	49	Indirect
ISG Retail Limited 02721627	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out and refurbishment	100	Indirect
Realys Group Limited 1071483	Hong Kong	20/F Parkview Centre, 7 Lau Li Street, Tin Hau, Hong Kong	Holding company	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.

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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
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 Interior Services Group UK Limited (2989004)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, United Kingdom	Group services	100	Indirect
ISG Jackson Limited (767259)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, 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	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, 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 Technology Solutions Limited (09797050)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Technology consulting 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 Limited 08254233	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Non trading	100	Indirect
Realys Holdings Limited (9059862)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect

ISG Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

The details of dormant companies as at 31 December 2022 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
Exterior International Limited (3454602)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Asia Limited (7395385)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Cathedral Limited (3151349)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Developments Limited (1098081)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Developments (Southern) Limited (1801647)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, United Kingdom	Dormant	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	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG, United Kingdom	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
Totty Developments Limited (3119754)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect

ISG Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

Details of companies within the ISG Group that are no longer required and are therefore in the process of liquidation as at 31 December 2022:

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 Asia (China) Limited 913101156677845791	China	Room 412, Shanghai Xin Business Centre, 286 Dongfang Road, Pudong New District, Shanghai, PRC	In liquidation / de-registered	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.

ISG Limited

COMPANY BALANCE SHEET as at 31 December 2022

	Notes	2022 £'m	2021 £'m
Non-current assets			
Investments	4	**66.5**	66.5
Total assets		**66.5**	66.5
Total liabilities		**-**	-
TOTAL NET ASSETS		**66.5**	66.5
Capital and reserves			
Called up share capital	5	**0.5**	0.5
Merger reserve		**(17.1)**	(17.1)
Retained earnings		**83.1**	83.1
TOTAL SHAREHOLDER'S FUNDS		**66.5**	66.5

The financial statements of the company (company number 10081578) were approved by the Board of directors and authorised for issue on 21 April 2023. They were signed on behalf of the Board of directors. The profit for the year included within the financial statements of the parent company is £nil (2021: £nil). The accompanying notes form part of these financial statements.

M Blowers
Chief Executive Officer

K Booth
Chief Financial Officer

ISG Limited

COMPANY STATEMENT OF CHANGES IN EQUITY for the year 31 December 2022

	Share capital	Share premium	Merger reserve	Retained earnings	Total
	£'m	£'m	£'m	£'m	£'m
Balance as of 1 January 2021	0.5	-	(17.1)	83.1	66.5
Balance as of 1 January 2022	0.5	-	(17.1)	83.1	66.5
Balance at 31 December 2022	**0.5**	**-**	**(17.1)**	**83.1**	**66.5**

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 Limited

NOTES TO THE COMPANYS FINANCIAL STATEMENTS for the year ended 31 December 2022

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements (FRS 100) and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The 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 Limited.

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 Limited.

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

- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value).
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).
- 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 year was included within the financial statements of the parent company and was £nil (2021: £nil). No dividends were declared or paid in the year (2021: £nil).

3. CASH FLOW STATEMENT

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

4. INVESTMENTS

	2022	2021
	£'m	£'m
Cost		
At 1 January	**66.5**	66.5
At 31 December	**66.5**	66.5

See Note 31 of the Group accounts for details of the subsidiary undertakings.

5. SHARE CAPITAL AND DIVIDENDS

For details of the share capital see Note 23 of the Group accounts; for details of the dividends see Note 24 of the Group accounts.

6. STAFF COSTS

There were no employees during the year.

ISG Limited

INCOME STATEMENT FOR MANAGEMENT PURPOSES - Unaudited for the year ended 31 December 2022

	Reported	Non underlying	2022 Total	Reported	Non underlying	2021 Total
	£'m	**£'m**	**£'m**	£'m	£'m	£'m
Revenue	**2,185.1**	**-**	**2,185.1**	2,263.7	(36.8)	2,226.9
Cost of sales	**(2,035.2)**	**-**	**(2,035.2)**	(2,112.2)	35.1	(2,077.1)
Gross profit/(loss)	**149.9**	**-**	**149.9**	151.5	(1.7)	149.8
Administrative expenses			**(113.0)**			(106.4)
Underlying EBITDA			**36.9**			43.4
Non underlying items			**(12.0)**			(10.7)
Depreciation			**(9.2)**			(8.6)
Amortisation			**(5.0)**			(5.2)
Finance income, net			**0.8**			(0.4)
Profit before tax			**11.5**			18.5
Taxation			**(8.1)**			(6.7)
Profit after tax from continuing operations			**3.4**			11.8
Profit after tax from discontinued operations			**19.6**			-
Total profit for the year continuing and discontinued			**23.0**			11.8
Attributable to:						
Owners of the company			**29.2**			11.8
Non-controlling interest			**(6.2)**			-
			23.0			11.8

We assess the performance of the group using a variety of alternative performance measures that are not defined under UK-adopted international accounting standards and are therefore termed non-GAAP measures. The non-GAAP measures we use are underlying revenue and underlying EBITDA.

The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors, such as the frequency or predictability of occurrence.

Non underlying items include:

- the trading results of subsidiaries disposed
- losses and gains on the disposal of subsidiaries (Note 27)
- costs of restructuring and reorganisation of existing businesses
- acquisition costs.

Appendix 1

Global Reporting Initiative (GRI) content index

Statement of use	ISG Limited has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 with reference to GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

Topic	GRI disclosure number	GRI disclosure title	Location, notes and omissions
Organisational profile	2-1a	Organisational details – legal name	ISG Limited; Annual financial statements, General information, p. 68
	2-1b	Organisational details – nature of ownership and legal form	Privately owned; Limited company; Annual financial statements, General information, p. 68
	2-1c	Organisational details – location of its headquarters	Aldgate House, 33 Aldgate High Street, London EC3N 1AG
	2-1d	Organisational details – countries of operation	Business review, p. 14; Annual financial statements, Additional information on subsidiaries, p. 97
	2-3	Reporting period, frequency and contact point	1 January 2022 to 31 December 2022 Annual; Peter Kelly - Group Director of Sustainable Operations Peter.Kelly@isgltd.com
	2-5	External assurance	Annual financial statements, Independent auditor's report (MacIntyre Hudson), p. 60; Carbon emissions, Streamlined energy and carbon reporting (Achilles), p. 48
Activities and workers	2-6	Activities, value chain and other business relationships	Our services, p. 11; Business review, p. 14; Supply chain, p. 40
Governance	2-9	Governance structure and composition	Governance, p. 28; Annual financial statements, Governance, p. 28
	2-11	Chair of the highest governance body	Our leadership and business structure, p. 10
	2-12	Role of the highest governance body in overseeing the management impacts	Governance, p. 28
	2-13	Delegation of responsibility for managing impacts	Governance, p. 28
Strategy, policies and practices	2-22	Statement on sustainable development strategy	Our corporate goals, p. 11; Our sustainability policies and targets, p. 46
	2-28	Membership associations	Industry bodies, p. 24
Stakeholder engagement	2-29	Approach to stakeholder engagement	Our stakeholders, p. 20
Material topics	3-1	Process to determine material topics	Materiality, p. 26
	3-2	List of material topics	Materiality matrix, p. 27

GRI Standard	Standard number	GRI disclosure	Location, notes and omissions	UN Sustainable Development Goal supported
Circular economy				
GRI 306: Waste 2020	3-3	Management of material topic	Circular economy, p. 46	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	306-3	Waste generated	Waste reduction and circular economy, p. 52	
	306-4	Waste diverted from disposal	Waste reduction and circular economy, p. 52	
	306-5	Waste directed to disposal	Waste reduction and circular economy, p. 52	
Climate change and carbon				
GRI 302: Energy 2016	3-3	Management of material topic	Climate change and carbon, p. 48	13 CLIMATE ACTION
	302-1	Energy consumption within the organisation	Climate change and carbon, p. 48	
	302-3	Energy intensity	Climate change and carbon, p. 48	
GRI 305: Emissions 2016	3-3	Management of material topic	Climate change and carbon, p. 48	
	305-1	Direct (Scope 1) GHG emissions	Climate change and carbon, p. 48	
	305-2	Energy indirect (Scope 2) GHG emissions	Climate change and carbon, p. 48	
	305-3	Other indirect (Scope 3) GHG emissions	Climate change and carbon, p. 48 Omission: C	
	305-4	GHG emissions intensity	Climate change and carbon, p. 48	
	305-5	Reduction of GHG emissions	Climate change and carbon, p. 48	
Water management				
GRI 303: Water and Effluents 2018	3-3	Management of material topic	Environment, p 47	
	303-5	Water consumption	Environment, p 47 Omissions: A, B, C, D	
Supply chain				
GRI 308: Supplier Environmental Assessment 2016	3-3	Management of material topic	Supply chain, p. 22; 40	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	308-1	New suppliers that were screened using environmental criteria	Supply chain, p. 40	
GRI 414: Supplier Social Assessment 2016	3-3	Management of material topic	Supply chain, p. 22; 40	
	414-1	New suppliers that were screened using social criteria	Supply chain, p. 40	

GRI Standard	Standard number	GRI disclosure	Location, notes and omissions	UN Sustainable Development Goal supported
Health and safety				
GRI 403: Occupational Health and Safety 2018	3-3	Management of material topic	Health and safety, p. 44; Health and safety policy on our website, p. 1-25	3 GOOD HEALTH AND WELL-BEING
	403-9	Work-related injuries	Health and safety, p. 44 Statistics for employees (A) and workers who are not employees (B) are combined, including number of hours worked	
Financial				
GRI 201: Economic Performance 2016	3-3	Management of material topic	Annual financial statements, p. 56	8 DECENT WORK AND ECONOMIC GROWTH
	201-1	Direct economic value generated and distributed	Annual financial statements, p. 56	
	201-2	Financial implications and other risks and opportunities due to climate change	Climate-related risks, p. 34-35; Climate-related opportunities, p. 36; TCFD, p. 110 (Appendix 3) Omissions: A iii, iv, v	
	201-4	Financial assistance received from the government	Annual financial statements, Government grant income, p. 78	
GRI 207: Tax 2019	3-3	Management of material topic	Annual financial statements; Taxation, p. 80	
	207-1	Approach to tax	Annual financial statements; Taxation, p. 80; Tax on profit on ordinary activities, p. 80	

Appendix 2

Streamlined Energy and Carbon Reporting (SECR)

Emissions source description	Operational control scope	Activity data (kWh)	Location based tCO_2e	Market based tCO_2e
UK business travel – mileage	Scope 1	34,173	8	8
UK gas / LPG	Scope 1	1,821,589	350	350
UK liquid fuel	Scope 1	20,236,029	5,091	5,091
UK other fuels	Scope 1	384,800	6	6
UK electricity	Scope 2	4,695,409	908	654
UK business travel – mileage	Scope 3	9,512,083	2,372	2,372
UK total		**36,684,083**	**8,735**	**8,481**
UK intensity ratio (tCO_2/£100,000)			**0.50**	**0.48**

Appendix 3

Task Force on Climate-related Financial Disclosures (TCFD)

ISG started to align with TCFD in 2022, see section on Climate-related risks and Climate-related opportunities (pages 34-36). We acknowledge that there is more work required to ensure further alignment in 2023.

TCFD pillar	Recommended disclosure	Section in ISG report	Page Ref
Governance	Describe the Board's oversight of climate-related risks and opportunities.	Governance and risk management	28
	Describe management's role in assessing and managing climate-related risks and opportunities.		
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Governance and risk management	28
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Materiality / Planet	26 / 46
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Planet, scenarios not included this year	46
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks.	Governance and risk management	28
	Describe the organisation's processes for managing climate-related risks.		
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.		
Metrics & Targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Planet	46
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.		
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.		

Officers and professional advisors

Directors

W Harrison (Chairman)
M Blowers (Chief Executive Officer)
K Booth (Chief Financial Officer)
R Hubbard (Chief Marketing Officer)
J Falconer (Chief Human Resources Officer)
Z Price (Chief Operating Officer)
T Smith (Chief Commercial Officer)
P Cossell (Vice Chairman)
J Rinando (Non-Executive Director)

Company secretary

N Heard

Registered office

Aldgate House
33 Aldgate High Street
London
EC3N 1AG

Auditor

MacIntyre Hudson
2 London Wall Place
London
EC2Y 5AU

Solicitor

Pinsent Masons LLP
30 Crown Place
Earl Street
London
EC2A 4ES

Bank

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

Country and date of incorporation

United Kingdom
23 March 2016

ISG Limited

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ISG3324 (04/2023)