ISG PLC
Company registration number 10081578

Annual report and accounts
31 December 2017

ISG PLC

ANNUAL REPORT AND ACCOUNTS 2017

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ISG PLC

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

W Harrison	(Chairman)
P Cossell	(Chief Executive Officer)
M Stockton	(Chief Financial Officer)
P Weaver	(Chief Operating Officer)
R Hubbard	(Chief Marketing Officer)
J Friedman	
J Moy	

COMPANY SECRETARY
N Heard

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COUNTRY AND DATE OF INCORPORATION
United Kingdom
23 March 2016

OUR PERFORMANCE AT A GLANCE

For the 12 months ended 31 December 2017

Key performance indicators (KPIs):

Revenue £1.7bn (2016* £1.3bn)

Underlying profit before tax £28.2m (2016* £25.5m)

Net cash position £63.9m (2016* £60.8m)

Forward order book £1.3bn (2016 £1.0bn)

Key 2017 highlights

- Continued leadership of the London office fit out market and UK retail fit out market.
- 85% of employees proud to work at ISG.
- 25% of our employees are women, significantly above the industry average of 13%.
- Accident Incident Rate (AIR) of 1.32, well below the average for the 23 largest UK construction companies, which is reported as 4.27.
- Seven Gold Awards, one Gold Medal and five President's Awards from the Royal Society for the Prevention of Accidents (RoSPA).
- Seven British Safety Council (BSC) International Safety Awards.
- 22 Considerate Constructors Scheme National Site Awards.
- CDP climate change score of A- putting ISG joint first place in the construction industry for the second year running.
- £203,422 donated to charities, including in-kind donations from ISG and its staff.
- Closure of our Italian operations and the restructuring of our UK Realys offering.
- Consolidation of our London offices.
- Repayment of a £30.0m loan to the immediate parent and securing a £30.0m third-party liquidity facility.

**Note that all comparative information in these accounts is for the 10-month period to 31 December 2016, compared to a 12-month period to 31 December 2017.*

OVERVIEW

In October 2016 we launched our new purpose-driven brand and set out our ambitious five-year strategic plan to achieve our vision – to be the world's most dynamic construction services company, delivering places that help people and businesses thrive. Our 2,659 worldwide specialists in fit out, technology, construction and development deliver not just buildings, but also an exceptional delivery dynamic and strong customer relationships built on mutual trust, collaboration, and open communication. We blend our unparalleled track record, sound processes and proven delivery methods with a fast-paced and agile culture, ensuring we deliver thriving places that are as dynamic and resilient as their occupants.

Our business has four **service lines**: fit out, technology, construction and development and we work across a number of core **industry sectors**: Offices; Technology, science and health; Retail; Hospitality and leisure; and Education and public sector. We operate across Europe, the Middle East, Asia and the Americas in 24 countries.

Our **corporate goals** are our roadmap to becoming an efficient, tech-led, customer-focused company that attracts the most-talented people in the industry. They are:

- Provide the best customer experience in our industry, before, during and after project delivery.
- Offer an unbeatable employment experience, recruiting and developing the best talent in our sector.
- Achieve optimal operational efficiency.
- Drive revolutionary change in the construction industry.

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

- **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.

CHIEF EXECUTIVE OFFICER'S REVIEW

After becoming a privatised company in 2016, we entered 2017 positioned for growth – with a strong brand, clear five-year strategy and a united global leadership team. I am proud to report that our performance has been strong in 2017. Beyond our financial performance, we have also taken significant steps this year towards achieving our vision to be the world's most dynamic construction services company, delivering places that help people and business thrive.

I am delighted to report revenue of £1.7bn and underlying profit before tax of £28.2m, our best performance and results in our history.

The key influences sustaining our strong performance are as follows:

- We have maintained our position as the number one office fit out provider in London by volume for five consecutive years, and diversified our offer of first-choice provider of major fit out projects, to include small works under 50,000 square foot through our 'Agility' offer.

- We continue to be the leading retail fit out provider across the UK, have retained several strategic frameworks with some of the UK's largest supermarkets and high street banks, and have grown significant market share in large-scale internet retailer distribution centres.

- We have focused on building capability, experience and reputation for larger scale projects in the UK and continental Europe, with focus on engineering-led construction projects for the technology, science and health and higher education sectors.

- We continue to be proud of our strong regional presence as a national contractor in the UK, and have renewed our focus on public sector frameworks with a nationwide strategy.

- We have continued to secure repeat work with globally-recognised brands who trust us to deliver seamlessly across borders, and have established a strategy for global strategic account management to support.

Alongside these key achievements, we have remained focused on ensuring the health, safety and welfare of all our employees and people who may be affected by our activities. In January 2017 we promoted into the newly created role of group health and safety director to ensure a global approach, and we have maintained an industry-leading health and safety record as demonstrated by our Accident Incident Rate of 1.32. In recognition of our achievements, we were awarded 13 RoSPA Awards – five President's Awards, one Gold Medal and seven Gold Awards – and the British Safety Council awarded ISG a total of seven International Safety Awards.

I'm also very proud to say that ISG has retained its leadership status in CDP's climate change programme. We were once again awarded an A-, which is significantly above both the submission average and the construction industry average. ISG scored 'leadership' in each of CDP's categories, demonstrating our environmental stewardship and the industry-leading approach we're taking to manage climate change.

To help ensure we are providing the best customer experience, we invested in a global strategic programme in 2017 to strengthen our internal customer-first culture and extract insight from our clients and consultants. In 2018 our ongoing programme of surveys and insight analysis will ensure that we drive continual improvement across our global business.

We also invested in a comprehensive employee engagement survey report to fully understand how our people feel about working at ISG. We were delighted to learn from our people that 93% believe they can make a valuable contribution to the success of our company, 85% feel proud to work for ISG and 79% are excited by where the organisation is going. We also learned where we can improve our employees' experience and we are formulating action plans to address these areas.

CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

Looking ahead into 2018, we will focus on growing margin by delivering exceptional customer experience, achieving operational efficiency, providing an unbeatable employee experience and investing in innovation and technology. Longer term, we are confident in our market position as a specialist, collaborative contractor, that seeks out like-minded global clients to work together to drive revolutionary change in our industry.

We are committed to creating a place for people to thrive in our business, to delivering performance we can be proud of, to supporting communities who are better for knowing us, and ensuring environments are both protected and enhanced. We are passionate about creating a business that is more reflective of the communities where we work because it is not only the right thing to do, but makes good business sense for a global organisation such as ours. This year we signed the Young Women's Trust's pledge to help more young women into apprenticeships, and also signed up to the Apprentice Diversity Champions Network, that champions apprenticeships and diversity among employers, and encourages more people from under-represented groups, including those with disabilities, women and members of the black, Asian and minority ethnic (BAME) communities, to consider apprenticeships. Diversity will continue to be a focus for our future strategy.

I am proud of our people's performance in 2017 and I would like to take this opportunity to thank everyone in our 2,659-strong team, for working with skill and energy to deliver our best financial performance on record, while focusing on becoming better, smarter, and more innovative than ever before.

P Cossell
Chief Executive Officer
28 March 2018

BUSINESS REVIEW

The Group achieved revenue of over £1.7bn, underlying profit before tax of £28.2m and had a forward order book of £1.3bn at the end of the period. This was broken down by business unit as follows:

£'m	UK Fit Out	UK Construction	Engineering Services	UK Retail and Realys	Asia, Continental Europe and Middle East	Head office	ISG Group
Revenue 2017	**395.9**	**480.1**	**292.6**	**263.0**	**277.2**	**-**	**1,708.8**
Revenue 2016*	319.3	378.0	238.0	181.0	213.0	-	1,329.3
Underlying profit/(loss) before tax 2017	**11.1**	**7.8**	**8.3**	**6.7**	**5.8**	**(11.5)**	**28.2**
Underlying profit/(loss) before tax 2016*	12.1	7.6	3.8	8.0	3.8	(9.8)	25.5
Forward order book 2017	**311.6**	**397.1**	**309.6**	**98.6**	**145.8**	**-**	**1,262.7**
Forward order book 2016*	157.0	435.0	196.0	145.0	111.0	-	1,044.0

** Note that all comparative information in these accounts is for the 10-month period to 31 December 2016, compared to a 12-month period to 31 December 2017.*

UK Fit Out

The UK fit out business achieved £395.9m revenue for the period (2016 £319.3m), underlying profit before tax of £11.1m (2016 £12.1m) and had a forward order book of £311.6m at the end of the period (2016 £157.0m).

It has been another highly successful year for our UK fit out business, with revenue in the period increasing and some significant project wins. These include Westminster City Council, a key financial provider, a major law firm and the award of a £130.0m contract for the UK headquarters of another law firm. Profit margins in the London fit out market remained strong, but were partly offset by the performance of the regional fit out business.

The Agility business, set up in 2016 to focus on rapid response delivery of smaller projects, has grown significantly since launch, contributing revenue of £49.0m in the period, including work for an on-line retailer, AIG and Bauer Media.

During the second half of the year we restructured and relaunched our UK hospitality business. It achieved its first major project award in early 2018.

UK Construction

The UK construction business achieved £480.1m revenue for the period (2016 £378.0m), underlying profit before tax of £7.8m (2016 £7.6m) and had a forward order book of £397.1m at the end of the period (2016 £435.0m).

The construction business comprises three regions: southern; western; and northern England and Scotland. This is the first full year of trading in this simplified management structure with strengthened leadership and a more targeted bidding approach, resulting in a marginal revenue increase (pro rata basis) and a lower forward order book. The key focus was to increase activity on public sector work (including frameworks), developer-led schemes and projects for higher education institutions.

The southern region had a successful year delivering against its revenue, profit and cash targets. Revenue was adversely impacted by delays to decisions on key schemes that are now expected to land in the first half of 2018, however the forward order book exceeds £100.0m at the end of the year. Key project wins during the year include the refurbishment and extension of 55 Gresham Street for Beltane Asset Management.

The western region finished the year with a healthy forward order book, committed to strengthening repeat customer relationships, including with Rightacres Property, delivering the largest redevelopment in the centre of Cardiff, as well as with Fusion Residential, securing a third project for first-class student living. With a focus on the public sector, top-performing positions for work winning and delivery were held on the Education and Skills Funding Agency and Ministry of Justice frameworks. Project highlights include a 26-storey concrete frame student accommodation project, a £65.0m corporate headquarters and a programme of leisure centres for Serco Leisure in Birmingham.

The northern England and Scotland region completed a number of successful projects in the core cities of Manchester, Liverpool, Leeds, Sheffield, Glasgow and Edinburgh. 2017 was a year of investment in the work winning capability. The front end of the business was reorganised and strengthened in the year. The results of this are evident in a significant increase in the forward order book and quality of future pipeline. Project highlights include the award of a £35.0m residential scheme in Leeds, securing a further phase of warehouses for a repeat client in Scotland and being preferred bidder for a number of schools for the North West Construction Hub.

A major focus for the business continues to be success through repeat business and frameworks in its key markets. This strategy provides confidence for performance improvements in 2018, through high-quality opportunities, and increasing project sizes.

Engineering Services

The engineering services business achieved £292.6m (2016 £238.0m) revenue for the period, underlying profit before tax of £8.3m (2016 £3.8m) and had a forward order book of £309.6m at the end of the period (2016 £196.0m).

The engineering services business has continued to build on its excellent reputation for delivering highly engineered built environments in the technology, science and health and education and public sectors in the UK, Ireland and continental Europe.

In the UK, the business is currently working on major schemes for Wellcome, the University of Oxford and Imperial College London; and has continued to build a reputation for high-quality delivery in the health sector, securing a new London hospital for a major German provider and a second project for Spire Healthcare. With the UK as the world’s second largest market for international students, the education sector continues to provide a rich vein of revenue as UK-based universities improve and expand their facilities.

We have seen an upturn in the European datacentre construction market in 2017, driven by global, hyper-scale technology companies and the surge of multi-platform cloud applications. The increasing demand for cloud services has led these tech giants to not only build their own mega-datacentres, but also lease space from co-location datacentre companies across Europe. In 2017, ISG secured its largest single order to date, to build a £310.8m datacentre in Belgium for a world-leading technology company, and has a strong pipeline of opportunities with this repeat client in 2018. We also secured contracts in 2017 with two of the world’s largest co-location datacentre providers – working with two major US co-location datacentre providers across the UK and Europe’ – in 2017 to deliver datacentres in the Nordics, UK and Ireland.

Looking ahead, we expect further improvement to business performance in 2018; the business is strongly positioned to secure further datacentre projects across Europe, and continue to build its enviable reputation for high-quality delivery across the technology, science and health and education and public sectors in the UK.

UK Retail and Realys

The UK Retail and Realy's businesses achieved £263.0m (2016 £181.0m) revenue for the period, underlying profit before tax of £6.7m (2016 £8.0m) and had a forward order book of £98.6m at the end of the period (2016 £145.0m).

We have retained our position as the leading retail fitout provider across the UK. Key accounts and frameworks continued to represent a significant proportion of the business' revenue in the period. Long-standing frameworks with four major UK banks and other financial institutions continued during the year. This sector remains positive with volumes continuing under our frameworks, with a noticeable increase in activity in support functions and technology. Framework agreements continue with key customers in the food retail sector. The business continued to carry out work for several major brands. Food retailers continue to invest in a competitive market, with increased emphasis on refurbishment rather than new stores.

We continue to diversify our activity, with distribution projects for online retailers identified as a key growth area. Our activity in the shopping centre arena has increased with significant projects in Cambridgeshire, Kent, and South Wales. We anticipate further work in this area in 2018.

We are pleased with both the business and the financial results in 2017. We believe that the business is in a good position to achieve its growth strategy, and further prospective retail customers continue to be targeted. The forward order book for the business remains at a healthy level and is all for delivery in the next financial year. Sales are likely to be significant in the first quarter of 2018. 2018 will also see investment in new machinery for our joinery factory, reflecting the desire to grow volumes and meet the expected demand.

The business reviewed its UK Realys consultancy offer at the end of Q1 2017. Following the review, this business was restructured to streamline its offer to focus on repeat order Portfolio Management Office (PMO) clients. The business is now profitable and we expect improved results in 2018.

Asia, Continental Europe and Middle East

Our businesses across the rest of the world achieved £277.2m (2016 £213.0m) revenue for the period, underlying profit before tax of £5.8m (2016 £3.8m) and had a forward order book of £145.8m at the end of the period (2016 £111.0m).

Asia

Asia has had a strong year with growth and good margins across all of our major markets. The key sector of offices has been buoyant across all our fit out economies, while hospitality and leisure has had a good year in Hong Kong in particular. Retail work continues to remain relatively quiet across Asia as global brands consolidate their positions. Commtech Asia, our specialist business dedicated to the commissioning and testing of building services, has experienced exceptionally strong growth through its technology-led consultancy offer, in particular its mechanical, electrical and plumbing project management arm.

Notable highlights in the year include the Singapore business successfully completing large corporate fit out projects for an American pharmaceutical company and for an oil and gas giant. Hong Kong continues to deliver for its long-standing customers, a Hong Kong horse racing operator and an international resort and amusement park for the hospitality and leisure sector, and completed office schemes for a Hong Kong-based banking and financial services company and HSBC. Malaysia delivered large office fit out projects for Instant Group, a multinational technology company and a leading oil and gas customer.

Continental Europe

In Germany, the office sector has suffered from the lack of bigger projects. None of the projects in 2017 had a value of more than £2.7m. On the other hand, the portfolio of clients was more diverse and we have recently secured projects with other well-known digital and technology-led businesses. In the retail sector we have successfully delivered several stores under a framework agreement for one of the world's biggest sports companies. With a new fully operational office structure in Germany and an all-time high forward order book, we expect a boost in turnover in 2018 and improved profitability.

In Spain, we had another successful year in terms of turnover and profitability. The most relevant clients we have worked with during 2017 include an online financial services company, Intu, Citrix, a technology corporation, a technology provider, Renault, Orange, an automotive manufacturer, Endesa, Mapfre and Juniper, reaching a final turnover of almost £20.5m.

Unfortunately, it has not been possible to exceed these numbers as the second half of 2017 was affected by the crisis in Catalonia, and the uncertainty had an impact on investors' trust in the market. However, the profitability across all projects remains high. Our expectations are positive for the year 2018 and we expect to keep similar levels of growth.

In France, repeat clients now represent 69% of projects awarded. In the office sector, we have successfully delivered fit out projects for Wework and AirBnB and an international legal practice. We have continued to develop relationships in the retail sector by working on pan-European frameworks and adding further international brands to our portfolio. The business has also led projects on several stores for a fashion retailer across France and Belgium. Additionally, we have delivered a highly complex flagship store for a luxury watch brand situated next to the Champs Élysées in Paris. In the hospitality and leisure sector, the business continued to work with Hotel Splendid to complete their gastronomic restaurant, and we are undertaking refurbishment works for repeat client Carlson Rezidor in the South of France.

In Italy, we had a mixed year in 2017. Although the business generated a small profit in 2017, based on the historic financial performance and the size of the business, the decision was made to cease operations.

Middle East

The Middle East had a successful, profitable year, where revenue for the period stood at £40.9m. In both Abu Dhabi and Dubai several large office fit outs were secured for government and international entities. The health sector saw growth from existing clientele. New projects were also secured in the hospitality and leisure sector with quasi government entities from Abu Dhabi and Dubai. With oil prices on the recovery path and plans in motion for economy diversification, opportunities remain in the market and we expect a stronger performance in the year ahead.

FINANCIAL REVIEW

The financial highlights for the 12-month period ended 31 December 2017 are as follows:

- Revenue £1.7bn (2016 £1.3bn)
- Underlying profit before tax £28.2m (2016 £25.5m)
- Statutory profit before tax £9.1m (2016 £4.8m)
- Forward order book £1.3bn (2016 £1.0bn)
- Net cash position £63.9m (2016 £60.8m)
- £30.0m loan from the immediate parent repaid in full
- The implementation of the £30.0m liquidity funding facility arranged through BNP Paribas Commercial Finance (£10.0m drawn down at the year-end)
- The closure of Italy, China and Qatar (the costs of closure are presented within non-underlying items)
- £1.9m of restructuring costs incurred (presented within non-underlying items)
- The consolidation of our London offices (presented within non-underlying items)

Cash flow and treasury

The Group's gross cash as of 31 December 2017 was £75.7m, with net cash of £63.9m. Average net cash balances during the year were £60.2m. The Group continues to explore its options to strengthen its balance sheet and maintain sufficient liquidity levels with funds raised through traditional bank debt sources.

In March 2017 a £30.0m uncommitted liquidity facility was arranged with BNP Paribas Commercial Finance Ltd for an initial period of two years. This facility is secured against the Group's UK-based assets including a pledge of UK accounts receivable. There are no financial covenants, but available funds may be restricted based on operational parameters including debtor days and debtor concentration limits. Drawings on this facility at 31 December 2017 totalled £10.0m. The short-term £30.0m liquidity facility provided by the Group's immediate parent company was fully repaid and cancelled in early 2017.

The Group has working capital facilities in various countries. Borrowings totalling £1.8m equivalent were outstanding at the end of the period in Spain, including accrued interest.

Net cash inflow from operating activities amounted to £6.5m (2016 £6.1m). Operating profit before interest and tax, after depreciation (£1.8m (2016 £3.2m)) and amortisation (£14.4m (2016 £11.7m)) was £9.4m (2016 £5.6m) in the period. The movement in working capital during the period was an outflow of £21.8m (2016 £19.5m) due to the cyclical nature of contract cash flows and the closing out of some projects with front-ended cash profiles. Net tax payments were £2.4m (2016 £0.3m) in the period, driven by the profits generated overseas as well as payments on account in the UK. The net cash outflow from investing activities was £3.6m (2016 inflow £53.0m). Net interest paid was £0.3m (2016 £0.5m). Net capital expenditure was £3.3m (2016 £2.9m) as a result of investment in IT and leasehold improvements to some of our offices. The net cash outflow from financing activities was £20.6m (2016 £31.2m inflow), being predominately the full repayment of the loan received from the Group's immediate parent company and the drawings under the new BNP Paribas Commercial Finance facility.

The Group continues to have bonding facility lines with Euler Hermes, HCC International, Liberty Mutual, Aviva, QBE Insurance, BNP Paribas and The Royal Bank of Scotland plc. A new facility has been arranged with Santander to help meet the needs of the non-UK operations.

ISG PLC

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Foreign exchange

The Group manages its foreign currency exposures by taking out forward exchange contracts or other suitable hedging instruments as appropriate and monitors its currency risk on a regular basis. During the period, we made a loss of £0.1m (2016 £0.3m) on foreign exchange. The effect of volatile short-term currency movements on profits is reduced because the Group accounts for foreign profits using average exchange rates.

Balance sheet

The consolidated balance sheet as at 31 December 2017 shows net assets of £101.3m (2016 £95.4m), including non-current assets of £245.2m (2016 £239.6m), non-current liabilities of £17.8m (2016 £22.8m) and net current liabilities of £126.1m (2016 £121.4m).

M Stockton
Chief Financial Officer
28 March 2018

HOW WE MANAGE RISK

Principal risks and uncertainties

The ability to identify, evaluate, monitor and, where appropriate, mitigate risk within the Group is fundamental to the continued success of the business. A key objective of the Group's Board of directors (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 risk appetite levels to be adopted within each area of the business, and to ensure that effective and relevant risk frameworks and internal control systems are in place. The Group's reporting structure ensures that the appetite and management of risk is determined within levels acceptable and agreed to by the Board. The impact of significant risks and relevant mitigation activities is regularly monitored at a central level by the Board; it is also monitored at a local business unit level.

It should be noted that the Group's risk management procedures can only help to mitigate certain risks, rather than eliminate them entirely. Some of the risks identified will also be, to a greater or lesser extent, beyond the Company's influence or control.

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

Risk category	Description of risk	Mitigation
Macro-economic and political conditions	Difficult macro-economic conditions and political instability in certain geographies that the Group operates in. This could lead to an adverse impact on the forward order book and profitability, increased competition and an over-reliance on key clients. The impact of Brexit on the Group, its customers and suppliers is unknown.	The Group will continue to develop its diversification strategy across a broad geographical and sector spread. A focus is also placed on repeat business from key blue-chip clients. A regular review is carried out of economic prospects within the countries in which the Group operates, to include forward order book and general market data. There is regular engagement with key clients and potential clients, based on an enhanced service offering and quality of service, not just price. Regular reviews are also undertaken of ISG's long-term strategic plan, together with monthly/quarterly operational and budgeting/forecasting reviews.
Recruitment, development and retention of employees	A high-calibre workforce is crucial to delivering the Group's strategy and in ensuring the delivery of a quality service. 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.	Our performance development review provides the opportunity for regular performance discussions, identifies areas for personal development and allows for a conversation about career aspirations. The Academy, ISG's in-house learning and development vehicle, 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 all 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. Resource planning ensures that we are able to build the pipeline of talent we need to meet the business requirements.

STRATEGIC REPORT (continued)

HOW WE MANAGE RISK (continued)

Risk category	Description of risk	Mitigation
Financial risk	Interest rate fluctuations could potentially adversely impact on the cost of funds borrowed. Fluctuations in the currency markets could potentially adversely impact on profit and net asset values. A failure of any financial institution in which funds are placed could result in a loss of those funds. There may be insufficient bonding capacity in the markets to support business growth, thus causing a liquidity risk for cash and bonding. Treasury/banking counterparty risks and the management of working capital and overheads may also create risk exposures for the business to manage.	Interest rates are monitored on a consistent basis within the Group. The use of interest rate swaps is regularly considered; the Group's positive cash balance acts as a natural hedge. Exchange rates are monitored on a consistent basis within the Group. Known currency transactional exposures are managed via forward foreign exchange contracts, where appropriate. Financial hedge instruments also help to mitigate foreign currency exposures. Project cash flows are regularly monitored (in addition to profitability) by both commercial and financial teams. The Group treasury function (operating within policies and procedures set by the Board) ensures there are sufficient levels of liquidity facilities (including bonding), cash and cash equivalents, to enable the Group to operate efficiently and to meet its liabilities as they fall due. Group funds are deposited with a range of financial institutions to ensure an appropriate breadth of investment. The Group has introduced an internal audit function in 2018 to help identify and monitor risks in the business.
Counterparty risk from clients, subcontractors and suppliers	The Group may be exposed to counterparty risk from clients, subcontractors and suppliers, which could lead to significant financial losses. Clients may not be able to meet their payment obligations to the Group and thus create a credit risk. [*Note: treasury/banking counterparty risk is discussed above*.]	The Group's key clients are generally of a blue-chip/international standing and therefore have strong creditworthiness. A credit risk assessment is carried out on clients before a contract is signed. Where possible, credit insurance is taken out on clients; other arrangements are also often considered such as the use of escrow accounts, reduced credit terms and retentions. The financial stability of each subcontractor is regularly monitored, and appropriate retentions are held. ISG's standard UK subcontract incorporates a 'pay when paid' clause in the event of client insolvency (this is Construction Act compliant). This means that if an employer becomes insolvent we only have to pay our subcontractors to the extent that we have been paid by the employer (or insolvency practitioner). Parent company guarantees, third-party bonds, and/or other appropriate security is required from subcontractors. A thorough pre-qualification process is also carried out before appointing new subcontractors, whose performance is regularly monitored thereafter. Various checks and balances are in place to ensure that the Group is not dependent or exposed to any one, or a small number of, subcontractors or other suppliers.
Project delivery risk	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. Over-stretching 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 division and centrally to monitor forecast revenues, costs to complete the project and cash flows. A Group risk and key contractual risks register is maintained. Enhanced management and supervision is necessary for projects that are deemed to be higher risk. Regular reviews are also undertaken of each business unit's results, together with monthly/quarterly operational and budgeting/forecasting reviews. The Group operates an AAA team that audits projects as requested by the Board or the business, to help ensure that projects are delivered to cost and timetable.
Health, safety and environmental risk	A failure to manage the Group's health, safety and environmental risks could result in serious harm to employees, subcontractors, the public or the environment.	In the UK and several other countries in which the Group currently operates, its health & safety processes and procedures comply with the requirements of OHSAS 18001. Efforts are being made to gradually introduce these standards throughout the global business.

HOW WE MANAGE RISK (continued)

Risk category	Description of risk	Mitigation
	The Group could be exposed to significant potential liabilities and reputational damage. There may be a breach of local regulatory requirements.	The safety of the Group's employees, its supply chain and members of the public is of paramount importance. A comprehensive policy and framework is in place (to include regular site visits and the recording of accident, near miss and hazard reporting). The Accident Incident Rate (AIR) is monitored closely in all operating companies within the Group. The Board also reviews these Group AIR statistics at the start of each monthly Board meeting, to consider trends within the business and discuss specific issues or concerns. Best practice is shared within the Group via a health & safety forum, which operates under a zero-tolerance approach to unsafe practices. Health and safety leaders are appointed within each operating 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 & safety, and any changes to these, are regularly monitored by the group health and safety director. The Group is committed to fulfilling its environmental compliance obligations and to take every reasonable measure to conduct its business activities in a safe and responsible manner. The Group aims to minimise negative impact and, where possible, provide positive enhancements to the environment.
Legal, regulatory and reporting compliance risk	The Group is required to ensure compliance with ever-changing and increasing legal, regulatory and reporting requirements, in the UK, 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 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 and is carried out at Board level to ensure they remain relevant for the business and inline with legal and regulatory requirements. The Group uses external advisers/consultants where deemed necessary to advise on policy and the various compliance responsibilities that need to be adhered to. Efforts are being made to introduce a group-wide 'Code of ethics and business conduct'. This document will provide a clear set of standards for all areas of the Group to follow, in terms of the laws and principles governing our behaviour and decision-making processes, both now and in the future. At the heart of the Code is the basic principle that the Group should always follow the laws of the countries in which it operates. Beyond the law, the Group must always be guided by its values and ensure that it does the right thing for its stakeholders, to include fellow employees, customers, suppliers, shareholders and the wider community.

SUSTAINABILITY REPORT

In 2017, we reviewed our 2020 Sustainability Vision in line with ISG's new vision, values and corporate goals. As our corporate strategy extends to 2021, we have re-aligned our sustainability strategy with this end date. Accordingly, our 2020 Sustainability Vision is now our 2021 Sustainable Business Strategy.

Our areas of focus around People, Performance, Communities and Environment remain the same, and in fact, strongly mirror our corporate goals, around customer satisfaction, employment experience, operational efficiency and driving revolutionary change in the industry.

We have introduced new key performance indicators (KPIs) to better capture and report our performance across the business, which are also aligned with the UN Sustainable Development Goals (SDGs). We have set ourselves challenging targets for 2018, 2019 and 2020, which reflect our business ambitions. Further information on our 2021 Sustainable Business Strategy can be found in our Sustainability Report 2017.

Performance table 2017

Focus area	Goal	Performance measure	2017 performance
People	A great place to work for everyone in #TeamISG	% graduates/undergraduates (UK only)	**5.6%**
		% employees 'proud to work at ISG'	**85.0%**
		% women	**25.0%**
		% ethnic minorities (UK only)	**8.1%**
	A safe working environment	Accident Incident Rate (AIR)	**1.32**
Performance	Happy customers	Customer satisfaction -10	**8.1/10**
	Sustainable growth	Underlying EBTA (Earnings Before Tax and Amortisation) (£)	**£28.2m**
		% revenue from repeat customers	**49.0%**
Community	Benefitting local communities	Average Considerate Constructors Scheme score (UK)	**38.9/50**
		No. apprentice weeks	**1,263**
		No. students engaged through curriculum engagement activities	**5,032**
	Benefitting global communities	£ donated/fundraised/pro bono value	**£203,422**
Environment	Reducing our waste	Overall tonnage of construction and demolition waste per £100,000 revenue	**5.1T**
		% construction and demolition (C&D) waste diverted from landfill	**96%**
	Reducing our emissions	Scope 1,2,3 greenhouse gas emissions (tCO_2e)	**11,895**
	Protecting our planet	No. reportable environmental incidents	**0**
		% projects by revenue completing environmental certification	**54.0%**

Leading the industry in tackling climate change

2017 was the fourth year ISG has voluntarily responded to the CDP climate change programme. For the second year running we have maintained our ‘leadership’ status by scoring A-. We are in the top 21% of companies in our sector after achieving a score significantly higher than both the CDP submission average, and industry average, of C. Our score demonstrates our commitment to transparent reporting, reducing greenhouse gas emissions and achieving our corporate goal of achieving optimal operational efficiency.

Every year, international not-for-profit organisation, CDP, with the support of investors representing $US100tn, engages businesses to respond to its climate change questionnaire. The aim of the programme is to enable better-informed decision-making on climate action. More than 5,600 companies across 71 states and regions now disclose to CDP, generating the world’s largest database of corporate environmental information, covering climate, water and forest-risk commodities.

Transparency and reporting

We are pleased to report that we have reduced our global greenhouse gas emissions in line with climate change science. ISG has committed to set an emissions reduction target in line with climate change science and is currently working towards approval with the Science Based Targets initiative.

Utilising science-based target methodologies, we have established a draft target to reduce total emissions by 21% by 2021 and by 71% by 2050.

Due to the contract-based nature of our business, our emissions can increase or decrease significantly based on the type of work that we carry out in that year, and whether we pay for energy used on site. To minimise this volatility, we have decided to report our emissions against a three-year rolling average.

	Market-based financial control (ie equity share)				
Emission Source	**2017 Emissions (tCO_2e)**	**2016 Emissions (tCO_2e)**	**2015 Emissions (tCO_2e)**	**Three-year rolling average**	**Variance: 3-year rolling average v 2015 baseline**
Business travel (flights, rail, taxi)*	4,573	4,285	4,002	4,287	7%
Upstream transportation and distribution	3,098	1,442	4,833	3,124	(35)%
Vehicle mileage	2,248	3,151	3,639	3,013	(17)%
Liquid fuels	701	1,482	3,044	1,742	(43)%
Electricity	935	776	1,379	1,030	(25)%
Gaseous fuels	107	255	269	210	(22)%
Refrigerant gases	233	252	176	220	25%
Total emissions	**11,895**	**11,643**	**17,342**	**13,626**	**(21)%**

* All emissions have been independently verified by Carbon Credentials Energy Services Ltd, with the exception of Business Travel that, in 2015 was calculated from cost data, and has been extrapolated in 2016 and 2017. Emissions from business travel were not reported in 2015 or 2016.

When comparing the three-year rolling average emissions figure to our 2015 baseline, ISG has reduced emissions within the boundary of its target by 21% and we have therefore achieved our 2021 target to reduce emissions by 21%. However, we must continue to mitigate our emissions impact across the business to ensure that we remain on track to achieve our long-term 2050 target.

STRATEGIC REPORT (continued)

SUSTAINABILITY REPORT (continued)

From thorough analysis, we have identified root causes of the reduction as:

1. An increased proportion of larger, higher value, longer duration projects, resulting in:
    - faster connection to grid energy
    - reduced reliance on diesel-powered site generators and plant
    - more delivery staff dedicated to single sites rather than travelling to multiple projects.

2. Introduction and uptake of Office 365, enabling online collaboration:
    - 50% of staff using Skype for Business, reducing business travel.

Other highlights include:

- use of electric vehicles on sites
- incorporation of renewable technologies for temporary power on project sites
- procurement of renewable grid energy.

Strategic report approved by
P Cossell
Chief Executive Officer
28 March 2018

ISG PLC

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 12-month period ended 31 December 2017.

Principal activities

ISG is an international construction services company. Our business has four **service lines**: fit out, technology, construction and development and we work across a number of core **industry sectors**: Offices; Technology, science and health; Retail; Hospitality and leisure; and Education and public sector. We operate across Europe, the Middle East, Asia and the Americas in 24 countries

Review of business and likely future developments in the business of the company

A review of the Group's activities during the period, trends and factors likely to affect the business and its future prospects are set out in the strategic report comprising the chief executive officer's review on pages 4 and 5, the business review on pages 6 to 9 and the financial review on pages 10 and 11, together with the directors' report on pages 18 to 21. The key performance indicators are set out in the Group financial highlights on page 2, which are incorporated by reference to this report and should be deemed to form part of it.

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. The strategic report (including the chief executive officer's review, the business review and the financial review) contains 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.

Basis for preparation of financial statements on a going concern basis

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 in the chief executive officer's review on pages 4 and 5. The principal risks and uncertainties that the Group faces are set out in the report on pages 12 to 14. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the financial review on pages 10 and 11. In addition, Note 25 to the consolidated financial statements sets out the Group's objectives, policies and processes for managing its capital, financial risks, financial instruments and hedging activities, and 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, and reflect an assessment of current and future market conditions and risks and uncertainties in the business, their impact on the Group's trading performance, and the actions taken by management in response to current market conditions. The forecasts completed on this basis demonstrate that the Group will be able to operate within the current committed debt facilities. In addition, management has considered various mitigating actions that could be taken in the event that future market conditions deteriorate beyond their current assessment. Such measures include further improvements in working capital within management's control, further reductions in costs and capital expenditure and use of the Group's undrawn credit facilities.

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

Dividends

No dividends have been paid or are proposed for the financial year ended 31 December 2017 (2016: £Nil).

Directors

The directors who held office throughout the financial year ended 31 December 2017 and to the date of this directors' report were:

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

Company Secretary

J Cranney – resigned on 31 March 2017
M Stockton – appointed on 31 March 2017 and resigned on 20 April 2017
N Heard – appointed on 20 April 2017

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the period and remain in force at the date of this report.

Employee experience

Creating an unbeatable employment experience is fundamental to ISG: It creates the conditions for an innovative, agile, resilient and efficient organisation, delivering value to our clients, and provides for an enriching and rewarding environment in which our employees are able to perform to the best of their capabilities. To achieve this, we have identified three objectives that will ensure that we build the frameworks that are essential for the achievement of our goal.

Attraction of great talent
To improve the overall candidate experience, we established an internal talent acquisition team, designed to allow us to source candidates directly and to build the talent pipeline that we need to meet our current and future capability requirements. In 2017, we sourced 195 roles leveraging this and our internal referral scheme, Scouting for Talent, saving the business £1.1m. We also streamlined our preferred supplier list and established a smaller network of partners, who understand our business and can articulate and sell the ISG opportunity to prospective employees. This was all enabled by our new HR technology platform, Talent, and a more consistent and transparent resourcing policy and process.

We openly advertise all our opportunities to allow us to access as broad and diverse a talent pool as possible. At ISG, we are fully committed to equality in the workplace and engage, promote and train our people on the basis of their capabilities, qualifications and experience without discrimination of any kind, underpinned by procedures and practices embedded within the Company. All employees receive equal opportunity to progress within the company, ensuring we have access to the widest labour market. We make reasonable adjustments to the business premises and working arrangements for disabled applicants and employees, including employees who become disabled during their employment.

Retention and development of our people
Developing and nurturing our talent is essential and our Academy provided access to learning opportunities and delivered over 5,500 training days in the year, supporting technical development, managerial and leadership development and our health, safety and compliance priorities. Building the pipeline of talent for the future means that we continue to invest in early career talent, and our graduate programme was shortlisted for graduate scheme of the year by CITA and we were placed on The JobCrowd's Top 100 companies for graduates to work for. We also concluded another successful Futures

Group programme, which is designed for high-potential talent, where we equip the members with the broader business skills that they will need to enable their continued personal growth and development.

Employee engagement and involvement is critical to the success of our business and in 2017 we carried out our first Best Companies' global employee survey which has provided us with rich insight from our employees. 85% of our people said they were proud to work for ISG, 70% said they were engaged and 77% agreed the company was run on strong principles. We were classed as 'one to watch' in accordance with Best Companies' unique measure of workplace engagement. Our leaders have taken time to review the data and we will be developing clear action plans to improve the things that matter most to our people.

We launched a global employee suggestion scheme as a platform for people to share ideas and suggestions as to how we can make ISG a better company to work for and to deliver on our corporate goals. In our first year we had 46 ideas and 21 have been adopted.

Recognising our employees' achievements is important to us and in 2017 we launched our first-ever Global Values Awards, which saw over 3,000 nominations received and saw our global finalists recognised for their outstanding achievements at the Global Leadership Conference.

Driving organisational efficiencies
We have identified opportunities for organisational improvements. Restructuring and technology enhancements have delivered operational efficiencies that have resulted in greater consistency, transparency and simplification in our ways of working. Our organisation design work will continue in 2018.

Health and safety

The Board considers health and safety a key priority and has continued to maintain its focus on this throughout the period. It is essential that we take all reasonable measures to conduct our business to ensure the health, safety and welfare of all our employees and all other persons who may be affected by our activities, including members of the public, clients, designers and subcontractors that we work with. In the UK and several other countries in which the Group operates, we support this with our certification to OHSAS 18001:2007 Occupational Health and Safety Management System, and our dedicated teams of health and safety professionals who achieve industry-leading safety performance.

Our commitment to health and safety is demonstrated by our Accident Incident Rate (calculated on the number of reportable accidents per 1,000 employees). During the year, ISG achieved an AIR (Accident Incident Rate) of 132 (or 1.32), which is less than half of the reported average AIR of the 23 largest construction companies in the UK (source: BuildUK Accident Survey Report 16-17) which is reported as 427 (4.27). While our AIR increased marginally in 2017, it is still below our corporate target of 1.99. Our number of reportable incidents also decreased from 18 to 15. The rise in the AIR can be attributed to a slowdown in European datacentre works, meaning that in 2017 we worked six million hours less than in 2016. Looking ahead, in 2018 it is likely our works on Europe datacentres will revert to previous (2016) levels.

As defined by the Reporting of Injuries, Diseases, and Dangerous Occurrences Regulations 2013 (RIDDOR), we incurred seven major incidents, eight seven-day injuries, and zero fatalities across the business. We had on average 11,346 people working on our projects daily. We totalled 30,109,809 hours worked, and worked 4,812,076 hours in between having a major reportable accident (as defined by UK RIDDOR regulations) of which there were seven within the Group worldwide. We also worked 4,506,750 hours in between a seven-day absence from work (as defined by UK RIDDOR regulations) of which there were eight within the Group worldwide.

These figures include all of our global safety operations and we continue to endeavour to ensure that the same high performing and consistent standard of health and safety is applied by our overseas operations irrespective of the country standards. One of the best ways to raise standards is to recognise and reward those that lead the field and to encourage others to follow. That is why every year The Royal Society for the Prevention of Accidents (RoSPA) and the British Safety Council (BSC), two of the world's leading health and safety organisations, invite companies of all sizes from the full spectrum of work activities and from all over the world to enter the RoSPA and BSC safety awards. During the period, we gained 13 RoSPA Awards, consisting of five President's Awards (given for over ten consecutive Gold Awards), one Gold Medal Award (given for achieving five consecutive Gold Medals) and seven Gold Awards. The BSC awarded ISG a total of seven International Safety Awards, of which three were merits and four were passes. Further to this, the ISG's Singapore business was awarded the 'biz-SAFE' star accreditation from the Workplace Safety and Health Council in Singapore, which recognises the highest standards of health and safety performance, assessed via rigorous audits and inspections on and off site.

Health and well-being

People are at the heart of our business and this drives our commitment to improve not only the safety, but also the health and well-being of our workforce. Our long-term aim is to empower employees to better manage their own well-being by increasing awareness, offering support and identifying steps they can take to improve their overall health and well-being. We have some great insight around well-being, following our 2017 employee engagement survey when over 1,600 employees participated. This will help to inform our well-being strategy for the coming year.

During 2017 our focus centred around mental health awareness, which in the UK is a growing public health concern. A programme of Mental Health First Aid Training has been rolled out to our safety teams and at an operational level, with all project managers able to take the course. A half-day Introductory Mental Health Awareness Course is also being delivered to all directors and senior managers to ensure an appropriate level of understanding and leadership support for this important subject. We have also engaged with a mental health charity, State of Mind, that has delivered talks and engaged with employees and operatives on site.

The Considerate Constructors Scheme (CCS) is the national initiative set up by the construction industry in the UK to improve its image. ISG was a founder member of the scheme and was one of the first associate members when membership was introduced in 2003. Membership remains restricted to companies with a proven track record of successful scheme participation and the ability to make a strong future commitment on securing everyone's safety, protecting the environment, respecting the community, caring for the workforce and enhancing the appearance of our operational projects. ISG received 22 Considerate Constructors Scheme National Site Awards for projects completed in 2017, four of which were Gold, seven Silver and 11 Bronze, an accolade which recognises the commitment made in improving the image of construction, and the part companies have played in working to the very highest levels of consideration.

Disclosure of information to the auditor

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

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
(2) the director has taken all the steps that he ought to have taken as a director, in order to make himself 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
BDO LLP was appointed as the Group's external auditor during 2016.

Approval
Approved by the Board of directors and signed by order of the Board.

N Heard
Company Secretary
28 March 2018

ISG PLC

STATEMENT OF DIRECTORS’ RESPONSIBLITIES

Directors’ responsibilities

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s transactions, and disclose with reasonable accuracy at any time the financial position of the Group 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.

P Cossell
Chief Executive Officer

M Stockton
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISG PLC

We have audited the financial statements of ISG Plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Use of our report

This report is made solely to the Group'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 Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISG PLC (continued)

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

BDO LLP

Gary Hanson (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor London 28 March 2018
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT │12 months ended 31 December 2017

		12 months ended 31 December 2017			10 months ended 31 December 2016		
	Notes	**Underlying items £'m**	**Non-underlying items[1] £'m**	**Total £'m**	Underlying items £'m	Non-underlying items[1] £'m	Total £'m
Revenue	5	**1,708.8**	**-**	**1,708.8**	1,324.2	5.1	1,329.3
Cost of sales		**(1,584.6)**	**-**	**(1,584.6)**	(1,226.9)	(5.3)	(1,232.2)
Gross profit/(loss)		**124.2**	**-**	**124.2**	97.3	(0.2)	97.1
Amortisation of intangible assets	13	**(1.0)**	**(13.4)**	**(14.4)**	-	(11.7)	(11.7)
Administrative expenses		**(94.7)**	**(5.7)**	**(100.4)**	(71.2)	(8.6)	(79.8)
Operating profit/(loss)	6	**28.5**	**(19.1)**	**9.4**	26.1	(20.5)	5.6
Finance income	8	**0.5**	**-**	**0.5**	0.7	-	0.7
Finance costs	9	**(0.8)**	**-**	**(0.8)**	(1.3)	(0.2)	(1.5)
Profit/(loss) before tax		**28.2**	**(19.1)**	**9.1**	25.5	(20.7)	4.8
Taxation	10	**(1.2)**	**(0.4)**	**(1.6)**	(4.1)	3.2	(0.9)
Profit/(loss) for the period		**27.0**	**(19.5)**	**7.5**	21.4	(17.5)	3.9
Attributable to:							
Owners of the company		**26.6**	**(19.5)**	**7.1**	22.2	(17.5)	4.7
Non-controlling interests	28	**0.4**	**-**	**0.4**	(0.8)	-	(0.8)
		27.0	**(19.5)**	**7.5**	21.4	(17.5)	3.9

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

The accompanying notes form part of these financial statements.

ISG PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME │12 months ended 31 December 2017

	Notes	**12 months ended 31 December 2017 £'m**	10 months ended 31 December 2016 £'m
Profit for the period		**7.5**	3.9
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(0.9)**	7.3
Total comprehensive income for the period		**6.6**	11.2
Attributable to:			
Owners of the company		**6.2**	12.0
Non-controlling interests	28	**0.4**	(0.8)
		6.6	11.2

The accompanying notes form part of these financial statements.

ISG PLC

CONSOLIDATED BALANCE SHEET │12 months ended 31 December 2017

	Notes	2017 £'m	2016 £'m
Non-current assets			
Goodwill	12	**171.8**	171.4
Other intangible assets	13	**39.4**	49.4
Property, plant and equipment	14	**6.3**	7.9
Deferred tax assets	19	**6.0**	5.7
Trade and other receivables	16	**21.7**	5.2
		245.2	239.6
Current assets			
Inventories	15	**0.1**	0.3
Current tax assets		**7.3**	-
Trade and other receivables	16	**241.4**	212.0
Due from customers for contract work	17	**84.9**	100.8
Cash and cash equivalents	18	**75.7**	92.8
		409.4	405.9
Total assets		**654.6**	645.5
Current liabilities			
Borrowings	20	**(11.8)**	(31.8)
Provisions	22	**(7.3)**	(0.7)
Current tax liabilities		**(10.0)**	(3.0)
Trade and other payables	21	**(475.2)**	(448.4)
Due to customers for contract work	17	**(31.2)**	(43.4)
		(535.5)	(527.3)
Non-current liabilities			
Borrowings	20	**-**	(0.2)
Provisions	22	**(1.9)**	(3.6)
Deferred tax liabilities	19	**(7.5)**	(8.6)
Trade and other payables	21	**(8.4)**	(10.4)
		(17.8)	(22.8)
Total liabilities		**(553.3)**	(550.1)
TOTAL NET ASSETS		**101.3**	95.4
Equity			
Called up share capital	26	**49.4**	49.4
Share premium account	26	**34.1**	34.1
Foreign currency translation reserve		**6.4**	7.3
Retained earnings		**11.8**	4.7
Equity attributable to owners of the company		**101.7**	95.5
Non-controlling interests	28	**(0.4)**	(0.1)
TOTAL EQUITY		**101.3**	95.4

The consolidated financial statements of ISG plc (company number 10081578) were approved by the Board of directors and authorised for issue on 28 March 2018. They were signed on behalf of the Board of directors. The accompanying notes form part of these financial statements.

P Cossell
Chief Executive Officer

M. Stockton

M Stockton
Chief Financial Officer

ISG PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY │12 months ended 31 December 2017

	Notes	Share capital £'m	Share premium £'m	Foreign currency translation reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Balance at 1 March 2016		-	-	-	-	-	-	-
Profit/(loss) for the period		-	-	-	4.7	4.7	(0.8)	3.9
Other comprehensive income		-	-	7.3	-	7.3	-	7.3
Total comprehensive income		-	-	7.3	4.7	12.0	(0.8)	11.2
Issue of shares	26	49.4	34.1	-	-	83.5	-	83.5
NCI arising on acquisition		-	-	-	-	-	28.0	28.0
Purchase of NCI	28	-	-	-	-	-	(27.3)	(27.3)
Balance at 31 December 2016		49.4	34.1	7.3	4.7	95.5	(0.1)	95.4
Profit for the period		-	-	-	7.1	7.1	0.4	7.5
Other comprehensive income		-	-	(0.9)	-	(0.9)	-	(0.9)
Total comprehensive income		-	-	(0.9)	7.1	6.2	0.4	6.6
Dividends to NCI	28	.	.	-	.		(0.4)	(0.4)
Purchase of NCI	28	-	-	-	-	-	(0.3)	(0.3)
Balance at 31 December 2017		**49.4**	**34.1**	**6.4**	**11.8**	**101.7**	**(0.4)**	**101.3**

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

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

The accompanying notes form part of these financial statements.

ISG PLC

CONSOLIDATED CASH FLOW STATEMENT │12 months ended 31 December 2017

	Notes	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
Cash flows from operating activities			
Operating profit for the period		**9.4**	5.6
Amortisation of intangible assets	13	**14.4**	11.7
Depreciation on property, plant and equipment	14	**1.8**	3.2
Increase in provisions	22	**4.9**	5.7
Decrease/(increase) in inventories	15	**0.2**	(0.3)
Net movement in trade and other receivables and trade and other payables		**(21.8)**	(19.5)
Cash generated from operations		**8.9**	6.4
Income taxes paid		**(2.4)**	(0.3)
Net cash inflow from operating activities		**6.5**	6.1
Cash flows from investing activities			
Net interest paid		**(0.3)**	(0.5)
Net payments for property, plant and equipment	14	**(3.3)**	(2.9)
Net cash acquired with subsidiaries		**-**	56.4
Net cash (outflow)/inflow from investing activities		**(3.6)**	53.0
Cash flows from financing activities			
Proceeds from borrowings	18	**10.5**	31.4
Repayment of borrowings	18	**(30.4)**	(0.2)
Dividends to NCI	28	**(0.4)**	-
Transactions with NCI	28	**(0.3)**	-
Net cash (outflow)/inflow from financing activities		**(20.6)**	31.2
Net (decrease)/increase in cash and cash equivalents		**(17.7)**	90.3
Cash and cash equivalents at the beginning of the period		**92.8**	-
Effects of exchange rate changes on balances of cash held in foreign currencies		**0.6**	2.5
Cash and cash equivalents at the end of the period	18	**75.7**	92.8

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ISG plc (the Company) is a company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1.

2. ADOPTION OF NEW AND REVISED STANDARDS

During the financial period, there are no new International Financial Reporting Standards (IFRS) or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time that would be expected to have a material impact on the Group.

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

- IFRS 15 *'Revenue from contracts with customers'*; effective 1 January 2018
- IFRS 9 *'Financial instruments: Classification and measurement'*; effective 1 January 2018
- IFRS 16 '*Leases*'; effective 1 January 2019

Except for IFRS 15 and IFRS 16, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

The Group has assessed the impact of IFRS 15. The Group has identified the following areas that will need to be accounted for differently upon adoption of IFRS 15:

- Bid costs will be recognised as incurred in the profit and loss account
- A proportion of revenue will be allocated to the warranty performance allocation and recognised over the warranty period.

The Group has also specifically assessed feasibility costs, identifying performance obligations in design and build contracts, retentions and the recognition of claims and variations. The Board has decided that it will apply IFRS 15 retrospectively, making use of any practical expedient available.

This assessment has not identified any material changes to the 2017 results had IFRS 15 been adopted for this year.

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

The Group is not as advanced in its implementation of IFRS 16 as it is for IFRS 15, but it is likely that the Board will apply the modified retrospective approach in IFRS 16, and therefore will only recognise leases on balance sheet as at 1 January 2019.

At 31 December 2017 operating lease commitments amounted to £51.5m (see Note 23); this is not expected to be different to the anticipated position on 31 December 2018. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments at a 10% discount rate is anticipated to result in right-of-use assets and lease liabilities of approximately £24.7m and £28.2m respectively being recognised on 1 January 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost for property and other leases. For the year ended 31 December 2017 this cost was approximately

£6.0m (note this cost excludes the 2017 £6.7m expense for the hire of plant and machinery as this is generally leased for less than one year).

3. ACCOUNTING POLICIES

Basis of accounting

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

Going concern

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

Basis of consolidation

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

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

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

Goodwill

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

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

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

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

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

Impairment tests are performed annually by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where an impairment test is performed a discounted cash flow analysis is carried out based on the cash flows of the cash-generating unit compared with the carrying value of that goodwill. The discount rates are estimated as the risk-effected cost of capital for the particular cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due in accordance with the original terms of those receivables. The carrying amount of the receivables is reduced through use of an allowance provision account. The expense recognised on creating the provision is recognised within administrative expenses in the consolidated income statement. Impaired debts are derecognised when they are assessed as uncollectible.

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

(b) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term highly-liquid investments that are readily convertible (with a maturity of three months or less) to a known amount of cash and are subject to an insignificant risk of changes in value.
Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

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

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

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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

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

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

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

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

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

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

Revenue recognition
Revenue represents the fair value of consideration received or receivable for goods and services provided to external customers, net of trade discounts and excluding value added tax and similar sales-based taxes. The Group recognises revenue on an accruals basis, where the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the Group.

Long-term contracts
Revenue from long-term contracts includes the amount initially agreed in the contract, plus any variations in contract work to the extent that it is probable that the variation will result in revenue that can be reliably measured (usually when instructions have been received from the client), plus any claims recoveries to the extent that negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be reliably measured.

Margin on long-term contracts is recognised by reference to the stage of completion and the final estimated margin, provided that the final outcome can be assessed with reasonable certainty. The stage of completion is measured with reference to the proportion of the value of the contract at the reporting date against the total estimated value of the contract, as measured by a survey of the work performed. 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.

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

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

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

Other services

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

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

Employee benefits

Short-term obligations

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

Pensions

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

Termination payments

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

Operating leases

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

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

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

Finance income and costs

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

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

Taxation

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

The Group has made claims for repayable tax credits for qualifying research and development expenditure in the UK under the Finance Act 2013 ('RDEC') in prior years and it will continue to do so for the current and future years in accordance with the relevant HM Revenue and Customs regulations. The credit is calculated as a percentage of the qualifying research and development expenditure at a current rate of 11%. The credit is recorded as income within profit before tax (as part of cost of sales), netted against the relevant research and development expenditure.

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

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

Non-underlying items

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

As set out in Note 3 above, deferred tax is accounted for on temporary differences using the balance sheet liability method, with deferred tax liabilities being provided for in full, and deferred tax assets being recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Note 19 details the unused tax losses for which deferred tax assets have not been recognised. £61.4m of tax losses were unrecognised as at 31 December 2017 (2016 £74.8m). At an average deferred tax rate of 17% these would create deferred tax assets of £10.7m (2016 £12.7m).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. REVENUE

All revenue arises from the provision of services. Revenue by country of destination:

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
United Kingdom	**1,310.1**	880.0
The Netherlands	**65.4**	218.6
France	**45.2**	21.7
Singapore	**43.4**	43.4
UAE	**42.3**	30.9
Hong Kong	**34.2**	33.9
Belgium	**31.7**	15.8
Finland	**31.4**	13.7
Germany	**24.1**	25.6
Malaysia	**20.9**	19.7
Spain	**19.8**	13.6
Other	**40.3**	12.4
Total	**1,708.8**	1,329.3

6. OPERATING PROFIT

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
Amortisation of intangible assets[1]	**14.4**	11.7
Depreciation	**1.8**	3.2
Foreign exchange loss	**0.1**	0.3
Acquisition-related expenses[1]	**(0.7)**	0.8
Research and development expenses	**7.5**	15.6
Research and development expenditure tax credit	**(0.2)**	(0.8)
Restructuring costs[1]	**1.9**	4.7
Rentals under operating leases:		
- Land and buildings	**5.1**	4.5
- Hire of plant and machinery	**6.7**	6.9
- Other operating leases	**0.9**	0.7

[1] Presented within non-underlying items (Note 11)

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	**0.1**	0.1
Fees payable to the company's auditor and its associates for other services to the Group:		
- Audit of the company's subsidiaries pursuant to legislation	**0.5**	0.6
- Services relating to tax	**-**	0.1
Total fees payable to Group's auditor	**0.6**	0.8

7. STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
Salaries and wages	**201.2**	154.1
Social security costs	**16.8**	16.2
Termination payments	**3.8**	5.6
Long-term benefits costs including defined contribution pension costs	**5.2**	6.1
	227.0	182.0

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

Employees	**12 months ended 31 December 2017 Number**	10 months ended 31 December 2016 Number
Average number of persons (including directors) employed by Group in the period:		
UK Construction	**653**	462
UK Fit out	**388**	518
Engineering services	**249**	282
UK Retail and Realys	**353**	402
Rest of world	**873**	951
Head office	**143**	125
	2,659	2,740

Head office in the table above includes four directors.

Remuneration of key management personnel

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

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
Short-term employee benefits	**0.9**	1.2
Post-employment benefits	**0.1**	0.1
	1.0	1.3

Directors' emoluments

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
Short-term employee benefits	**5.8**	1.6
Post-employment benefits	**0.1**	0.1
	5.9	1.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Directors' emoluments (excluding social security costs) include £3.0m (2016 £0.9m) of short-term employee benefits and £nil (2016 £0.04m) post-employment benefits for the highest paid director. There was a bonus accrual of £4.3m for the directors of the Group as at 31 December 2017 (2016 £1.4m) based on the 18-month results of some Group subsidiaries and the 24-month results of the Group. £1.6m is due to be paid in 2018, with the remainder £2.7m due to be paid in 2019. During the period four directors received contributions under a defined contribution scheme.

8. FINANCE INCOME

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
Interest on bank deposits	**0.3**	0.7
Other finance income	**0.2**	-
Total finance income	**0.5**	0.7

9. FINANCE COSTS

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
Interest on bank overdrafts and loans	**0.4**	1.3
Other interest costs	**0.4**	-
Unwinding of discount on deferred consideration	**-**	0.2
Total finance costs	**0.8**	1.5

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

a. Taxation charge

	12 months ended 31 December 2017 £'m	10 months ended 31 December 2016 £'m
UK current tax		
UK corporation tax on profits for the period	**3.0**	0.1
Double tax relief	**(0.2)**	-
Adjustment in respect of prior periods	**0.7**	-
	3.5	0.1
Overseas current tax		
Overseas taxation on profits for the period	**1.7**	1.1
Adjustment in respect of prior periods	**(2.2)**	0.6
Total current tax	**3.0**	1.7
Deferred tax		
Origination and reversal of temporary differences arising in the period	**(3.1)**	(0.3)
Effect of change in tax rates	**1.7**	(0.6)
Total deferred tax (Note 19)	**(1.4)**	(0.9)
Total tax expense	**1.6**	0.9

UK Corporation tax is calculated at 19.3% (2016 20.0%) of the estimated taxable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

b. Taxation reconciliation for continuing operations

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

	2017 £'m	**2017 %**	2016 £'m	2016 %
Profit before tax	**9.1**		4.8	
Tax due if paid at the applicable UK corporation tax rate of 19.3% (2016 20.0%)	**1.8**	**19.3**	1.0	20.0
Adjusting items				
Adjustment relating to release of prior period corporation tax provisions	**(1.5)**	**(16.5)**	0.7	14.4
Tax effect of utilisation of tax losses not previously recognised	**(3.0)**	**(33.0)**	(0.2)	(4.3)
Effect of different tax rates of operations in other jurisdictions	**(0.6)**	**(6.6)**	0.5	11.0
Tax effect of expenses that are not deductible in determining taxable profit	**2.6**	**28.6**	1.1	23.2
Effect of current year losses not utilised	**1.4**	**15.4**	7.0	143.3
Effect of movements in deferred tax	**1.7**	**18.7**	(0.5)	(11.1)
Effect of deduction in relation to research and development expenditure	**0.4**	**4.4**	0.1	2.8
Effect of transfer pricing adjustments	**-**	**-**	(0.1)	(2.6)
Tax effect of income that is not taxable in determining taxable profit	**(1.2)**	**(13.2)**	(8.7)	(178.2)
Income tax expense recognised in the income statement	**1.6**	**18.5**	0.9	18.5

11. NON-UNDERLYING ITEMS

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

10 months ended 31 December 2016	**Amortisation of intangible £'m**	**Acquisition-related expenses £'m**	**Restructuring costs £'m**	**Closed activities £'m**	**Total £'m**
Revenue	-	-	-	5.1	5.1
Cost of sales	-	-	-	(5.3)	(5.3)
Administrative expenses	(11.7)	(0.8)	(4.7)	(3.1)	(20.3)
Operating loss	(11.7)	(0.8)	(4.7)	(3.3)	(20.5)
Finance costs	-	(0.2)	-	-	(0.2)
	(11.7)	(1.0)	(4.7)	(3.3)	(20.7)

The following items have been presented as non-underlying:

- Amortisation of the intangible assets created on acquisition of ISG Central Services Limited, a group restructure, of £13.4m (2016 £11.7m).
- £0.7m release of contingent consideration that is acquisition related. (2016 £0.8m of administrative costs incurred from the acquisition of ISG Central Services Limited and £0.2m of finance costs from unwinding interest on deferred consideration from prior acquisitions.)
- Restructuring costs of £1.9m (2016 £4.7m) for the final phase of the group-wide restructuring programme that commenced after the acquisition and was finalised in the year.
- £2.2m of cost for the closure of Italy, China and Qatar. (2016 £1.6m of closure costs and the £1.7m loss for the period for Russia, South Africa and Realys China.)
- £2.3m for the closure of the Realys London office as part of the restructuring of the UK Realys business and the consolidation of the London offices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. GOODWILL

	£'m
Cost	
Balance as of 1 March 2016	-
Recognised on business combination	166.2
Net foreign currency exchange differences	5.2
Balance as at the start of the period	171.4
Net foreign currency exchange differences	0.4
Balance at the end of the period	**171.8**
Carrying amount	
As at 31 December 2017	**171.8**
As at 31 December 2016	171.4

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

	2017 £'m	**Basis**	**Discount Rate %**	**Growth Rate Applied %**
UK Fit Out	**50.8**	**Value in use**	**10.6**	**3**
Engineering Services UK	**17.6**	**Value in use**	**10.6**	**3**
Engineering Services Europe	**21.0**	**Value in use**	**10.6**	**3**
UK Retail	**42.1**	**Value in use**	**11.3**	**2.5**
Asia	**24.4**	**Value in use**	**12.8**	**3**
Continental Europe	**11.0**	**Value in use**	**11.6**	**3**
Middle East	**4.9**	**Value in use**	**12.7**	**3**
	171.8			

The impairment tests were based on the latest management information from the annual budgeting process. This covered the 2018 and 2019 period. A growth rate as per the table was applied thereafter to the next three years. The discount rate and growth rates applied were similar to those used in the prior year acquisition accounting and were determined using a third-party expert. Sensitivities were applied by changing the discount and growth rate. The headroom arising on the impairment tests was £331.9m. A 1% increase in the discount rate reduces the headroom by £59.2m. A 1% decrease in the growth rate reduces the headroom by £40.6m.

13. OTHER INTANGIBLE ASSETS

	Trademarks and licences £'m	Customer relationships £'m	Customer contracts £'m	Software £'m	Total £'m
Cost					
Balance as of 1 March 2016	-	-	-	-	-
Recognised on acquisition of subsidiary	30.4	23.0	5.4	-	58.8
Net foreign currency exchange differences	1.0	1.2	0.1	-	2.3
Balance at the beginning of the period	**31.4**	**24.2**	**5.5**	**-**	**61.1**
Net foreign currency exchange differences	**(0.2)**	**(0.3)**	**-**	**-**	**(0.5)**
Transfer from property, plant and equipment	**-**	**-**	**-**	**2.9**	**2.9**
Additions	**-**	**-**	**-**	**2.0**	**2.0**
Balance at the end of the period	**31.2**	**23.9**	**5.5**	**4.9**	**65.5**
Accumulated amortisation					
Balance as of 1 March 2016	-	-	-	**-**	-
Charge for the period	(2.2)	(6.5)	(3.0)	-	(11.7)
Balance at the beginning of the period	**(2.2)**	**(6.5)**	**(3.0)**	**-**	**(11.7)**
Charge for the period	**(3.3)**	**(7.6)**	**(2.5)**	**(1.0)**	**(14.4)**
Balance at the end of the period	**(5.5)**	**(14.1)**	**(5.5)**	**(1.0)**	**(26.1)**
Carrying amount					
At the end of the period	**25.7**	**9.8**	**-**	**3.9**	**39.4**
At the beginning of the period	29.2	17.7	2.5	-	49.4

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'m	IT and office equipment £'m	Total £'m
Cost			
Balance as of 1 March 2016	-	-	-
Recognised on acquisition of subsidiary	2.8	5.2	8.0
Additions	0.7	2.4	3.1
Disposals	(0.7)	(1.2)	(1.9)
Balance at the beginning of the period	**2.8**	**6.4**	**9.2**
Additions	**2.1**	**1.2**	**3.3**
Disposals	**(0.8)**	**(0.5)**	**(1.3)**
Transfer to intangible assets	**-**	**(2.9)**	**(2.9)**
Balance at the end of the period	**4.1**	**4.2**	**8.3**
Accumulated depreciation			
Balance as of 1 March 2016	-	-	-
Disposals	0.7	1.2	1.9
Charge for the period	(1.0)	(2.2)	(3.2)
Balance at the beginning of the period	**(0.3)**	**(1.0)**	**(1.3)**
Disposals	**0.6**	**0.5**	**1.1**
Charge for the period	**(0.8)**	**(1.0)**	**(1.8)**
Balance at the end of the period	**(0.5)**	**(1.5)**	**(2.0)**
Carrying amount			
At the end of the period	**3.6**	**2.7**	**6.3**
At the beginning of the period	2.5	5.4	7.9

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

15. INVENTORIES

	2017 £'m	2016 £'m
Consumables and raw materials	**0.1**	0.3

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

16. TRADE AND OTHER RECEIVABLES

	2017 £'m	2016 £'m
Non-current		
Trade receivables (including retentions)	**21.4**	0.3
Other receivables	**0.3**	4.9
Total non-current trade and other receivables	**21.7**	5.2
Current		
Trade receivables (including retentions)	**219.6**	186.5
Less: provision for impairment	**(2.2)**	(0.5)
Trade receivables net	**217.4**	186.0
Other receivables	**17.9**	20.5
Receivable from immediate parent	**0.3**	-
Prepayments	**5.8**	5.5
Total current trade and other receivables	**241.4**	212.0
Total trade and other receivables	**263.1**	217.2

The Board considers that the carrying amount of trade and other receivables approximates their fair value. The Group has different provision methods for its various divisions which have been determined by references to past default experience and specific provisions are raised after taking an individual view to debt recoverability. Trade receivables amounting to £92.7m were pledged to BNP Paribas Commercial Finance as collateral to secure a loan of £10.0m.

Due to the nature of the Group's operations, it is normal practice for customers to hold retentions in respect of contracts completed. Retentions held by customers as at 31 December 2017 were £77.1m (2016 £69.0m). Under the normal course of business, the Group does not charge interest on its overdue receivables.

Due to supplier claims in the Netherlands, the Group was prevented from remitting £9.6m of trade receivable due at the year-end into the relevant bank account.

17. CONSTRUCTION CONTRACTS

Contracts in progress at the balance sheet date:

	2017 £'m	2016 £'m
Amounts due from construction contract customers	**84.9**	100.8
Amounts due to construction contract customers	**(31.2)**	(43.4)
Carrying amount at the end of the period	**53.7**	57.4
Contract costs incurred plus recognised profits less recognised losses to date	**4,494.6**	4,489.5
Less: progress billings	**(4,440.9)**	(4,432.1)
Net work in progress	**53.7**	57.4

18. ANALYSIS OF NET CASH POSITION

	Balance at 31 December 2016 £'m	Cash flow £'m	Foreign exchange £'m	31 December 2017 £'m
Cash and cash equivalents	92.8	(17.7)	0.6	75.7
Loans from related party due within one year	(30.0)	30.0	-	-
Liquidity facility	-	(10.0)	-	(10.0)
Other borrowings	(2.0)	(0.1)	0.3	(1.8)
Net cash	60.8	2.2	0.9	63.9

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

19. DEFERRED TAX

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

Deferred tax assets

	Accelerated tax depreciation £'m	Employee benefits £'m	Other £'m	Tax losses £'m	Total £'m
Balance at 1 January 2016	-	-	-	-	-
Recognised on acquisition	1.5	0.2	4.6	1.4	7.7
(Charge)/credit to income	0.3	(0.2)	(2.9)	0.8	(2.0)
Balance at 31 December 2016	1.8	-	1.7	2.2	5.7
(Charge)/credit to income	0.3	-	0.4	(0.4)	0.3
Balance at 31 December 2017	2.1	-	2.1	1.8	6.0

Deferred tax liabilities

	Accelerated tax depreciation £'m	Intangible assets £'m	Total £'m
Balance at 1 January 2016	-	-	-
Recognised on acquisition	(0.1)	(11.1)	(11.2)
(Charge)/credit to income	0.1	2.5	2.6
Balance at 31 December 2016	-	(8.6)	(8.6)
(Charge)/credit to income	-	1.1	1.1
Balance at 31 December 2017	-	(7.5)	(7.5)

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 £72.2m (2016 £83.7m) that are available for offset against future profits. A deferred tax asset of £1.8m (2016 £2.2m) has been recognised in relation to £10.8m (2016 £8.9m) of these losses. The average tax rate applied to deferred tax is 17% (2016 17%). Unrecognised temporary differences totalled £1.2m (2016

£1.3m) and related to depreciation expense in excess of capital allowances claimed. There is an unrecognised deferred tax asset related to losses of £10.7m (2016 £12.9m).

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

20. BORROWINGS

	2017 **£'m**	2016 £'m
Non-current		
Bank loans	**-**	0.2
Total non-current	**-**	0.2
Current		
Bank loans	**1.8**	1.6
Loan from immediate parent	**-**	30.2
Liquidity facility	**10.0**	-
Total current	**11.8**	31.8
Total	**11.8**	32.0

The Group has an uncommitted £30.0m liquidity facility provided by BNP Paribas Commercial Finance, secured on UK-based assets, with an interest margin of 1.75% over 1 month LIBOR. There are no financial covenants but available funds may be restricted based on operational parameters including debtor days and debtor concentration limits. Drawings on this facility at 31 December 2017 totalled £10.0m. The Group also has total borrowings of £1.8m consisting of a number of smaller facilities for working capital purposes, acquired with Interior ISG Espana SL and ACE-Engenharia e Construções Ltda. The Group also has uncommitted overdraft facilities in Brazil, Germany and France. Covenants on debt facilities include total interest cover, net debt to earnings before interest, tax, depreciation and amortisation, cash flow cover and minimum annual earnings before interest, tax, depreciation and amortisation. There have been no breaches of bank covenants during the period.

There is no variance between the carrying amount and the fair value of the borrowings. The Group had £nil committed undrawn borrowing facilities as of 31 December 2017 (2016 £nil).

21. TRADE AND OTHER PAYABLES

	2017 £'m	2016 £'m
Non-current		
Trade payables (including retentions)	**0.5**	8.5
Contingent consideration	**-**	1.6
Other payables	**7.9**	0.3
Total non-current trade and other payables	**8.4**	10.4
Current		
Trade payables (including retentions)	**198.2**	195.9
Contract accruals	**162.8**	140.4
Other taxation and social security	**7.8**	7.8
Other payables	**67.8**	45.9
VAT	**7.1**	24.6
Contingent consideration	**-**	0.4
Accruals	**31.5**	33.4
Total current trade and other payables	**475.2**	448.4
Total trade and other payables	**483.6**	458.8

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

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

22. PROVISIONS

	2017 £'m	2016 £'m
Balance at the beginning of the period	**4.3**	-
Provision created in the period	**6.9**	5.7
Provision acquired on acquisition of subsidiary	**-**	0.4
Utilisation of provision in the period	**(2.0)**	(1.8)
Balance at the end of the period	**9.2**	4.3

Analysis of provision	2017 £'m	2016 £'m
Non-current	**1.9**	3.6
Current	**7.3**	0.7
	9.2	4.3

Significant provisions included in the balance are as follows:

- £3.0m for onerous leases (2016 £2.0m). £1.2m is expected to be utilised over the next year and £1.8m is expected to be utilised over the next 10 years
- Restructuring of £1.7m (2016 £2.3m) that is expected to be utilised over the next year
- Closure costs of £1.4m that are expected to be utilised over the next year
- £3.1m for supplier claims that are expected to be utilised over the next two years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. CAPITAL AND OTHER COMMITMENTS

At 31 December 2017, the Group and the Company had no capital commitments (2016 £nil).

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

	Sublease receivable 2017	**Leases payable 2017**		Sublease receivable 2016	Leases payable 2016	
	Land and buildings	**Land and buildings**	**Other**	Land and buildings	Land and buildings	Other
	£'m	**£'m**	**£'m**	£'m	£'m	£'m
Operating leases which expire:						
Within one year	**0.4**	**9.5**	**0.5**	0.4	1.1	0.6
Within two to five years	**0.4**	**12.5**	**0.8**	0.4	8.2	0.8
After five years	**-**	**28.0**	**0.2**	-	23.2	-
	0.8	**50.0**	**1.5**	0.8	32.5	1.4

During the period £0.4m of rental income was recognised on subleases.

24. CONTINGENT LIABILITIES

There are Group cross guarantees from the company with certain subsidiaries with the Group's banks and surety lenders. No monies were outstanding as at 31 December 2017. 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 2017 was £75.4m (2016 £82.4m).

25. FINANCIAL INSTRUMENTS

Capital risk management

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

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

Categories of financial instruments

	2017 £'m	2016 £'m
Financial assets (amortised cost)		
Trade receivables (non-current)	**21.4**	0.3
Other receivables (non-current)	**0.3**	4.9
Trade receivables (current)	**217.4**	186.0
Other receivables including related parties (current)	**18.2**	20.5
Amounts due from construction contract customers	**84.9**	100.8
Cash and cash equivalents	**75.7**	92.8
Total financial assets	**417.9**	405.3
Financial liabilities (amortised cost)		
Trade payables (non-current)	**0.5**	8.5
Other payables (non-current)	**7.9**	0.3
Contingent consideration (non-current)	**-**	1.6
Borrowings (non-current)	**-**	0.2
Borrowings (current)	**11.8**	31.8
Trade payables (current)	**198.2**	195.9
Other payables (current)	**67.8**	45.9
Contract accruals	**162.8**	140.4
Accruals	**31.5**	33.4
Amounts due to construction contract customers	**31.2**	43.4
Contingent consideration (current)	**-**	0.4
Total financial liabilities	**511.7**	501.8

Fair value of financial instruments
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.

Financial risk management

The Group's activities expose it to a variety of risks, the key risks identified being:
- Market risk
- Credit risk
- Foreign currency risk
- Liquidity risk
- Interest rate risk

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

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

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

Credit risk

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

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and accrued income, 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.

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

Trade receivables

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Ageing of trade receivables:

	2017 Gross £'m	**2017 Impairment provision £'m**	2016 Gross £'m	2016 Impairment provision £'m
Not past due	**167.6**	**-**	140.9	-
Past due 0 – 30 days	**35.2**	**1.1**	28.3	-
Past due 30 – 60 days	**7.9**	**-**	6.4	-
Past due 60 – 90 days	**3.0**	**-**	1.9	-
Past due 90 – 120 days	**0.8**	**-**	0.3	-
Past due greater than 120 days	**5.1**	**1.1**	9.0	0.5
	219.6	**2.2**	186.8	0.5

Trade receivables that are less than six months past due for payments are generally not considered impaired. Included in the Group's trade receivables are debtors with a carrying amount of £4.0m (2016 £8.5m) which are six months past due at the reporting date for which the Group has not made provision as there has not been a significant change in the credit quality and the amounts are considered recoverable.

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

	2017 £'m	2016 £'m
Trade receivables		
A	**142.9**	116.3
B	**15.3**	57.1
Without credit rating	**61.4**	13.4
Total trade receivables	**219.6**	186.8
Cash at bank		
AAA	**-**	9.3
AA	**23.9**	27.8
A	**48.6**	-
BBB	**3.2**	55.7
Without credit rating	**-**	-
Total cash at bank	**75.7**	92.8

Movement in the provision for impairment:

	2017 £'m	2016 £'m
Balance at the beginning of the period	**0.5**	-
Increase in impairment provision recognised	**2.1**	0.5
Receivables written off as uncollectible	**(0.3)**	-
Amounts recovered during the period	**(0.1)**	-
Balance at the end of the period	**2.2**	0.5

Foreign currency risk

The Group has international operations and is exposed to foreign exchange risk. The rate that has the most impact on the results of the Group is primarily the Euro (EUR). The main risk is from net investments in foreign operations, recognised assets and liabilities and future trading transactions. A 10% increase/decrease in Pounds Sterling (GBP) against the EUR would have had a circa £0.3m (2016 £0.3m) impact on trading operating profits. This analysis assumes all other variables, in particular interest rates, remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

	2017 Assets £'m	**2017 Liabilities £'m**	**2016 Assets £'m**	**2016 Liabilities £'m**
GBP	**256.4**	**389.4**	419.2	342.1
EUR	**95.7**	**87.4**	134.6	127.8
AED	**25.7**	**25.4**	28.3	32.0
HKD	**16.7**	**10.2**	29.4	14.5
SGD	**19.8**	**13.3**	16.5	14.5
MYR	**10.3**	**8.8**	7.1	5.7
CNY	**2.2**	**4.8**	3.9	6.0
BRL	**2.0**	**2.2**	3.7	3.4
KRW	**1.1**	**1.0**	0.8	0.7
RUB	**0.7**	**0.4**	1.9	3.6
Other	**0.6**	**0.3**	0.3	-
	431.2	**543.2**	645.7	550.3

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by monitoring bank covenant compliance, forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 20 is a description of the additional undrawn facility that the Group has at its disposal to further reduce liquidity risk. Further details relevant to the Group's liquidity position and its status as a going concern are included within the directors' report on page 18.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Liquidity and interest 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.

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

2016	Carrying amount £'m	Contractual cash flows £'m[1]	Less than 1 year £'m	1-2 years £'m	2-5 years £'m
Non-derivative financial assets					
Trade receivables (current and non-current)	186.3	186.3	186.0	0.3	-
Other receivables (current and non-current)	25.4	25.4	20.5	4.9	-
Cash and cash equivalents	92.8	92.8	92.8	-	-
	304.5	304.5	299.3	5.2	-
Non-derivative financial liabilities					
Borrowings (current and non-current)	32.0	32.0	31.8	-	0.2
Trade payables (current and non-current)	204.4	204.4	193.9	-	10.5
Other payables	46.2	46.2	46.2	-	-
Contingent consideration	2.0	2.2	2.2	-	-
	284.6	284.6	273.9	-	10.7

[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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Interest rate risk is reviewed on a regular basis and if considered necessary a strategy to minimise any potential risk through interest rate swaps is discussed and implemented. Currently the effect of interest rate changes on net interest income and expense is immaterial to the Group. If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the period would neither increase nor decrease (2016 increase or decrease by £0.1m) in respect to exposure to the Group's borrowings.

26. SHARE CAPITAL

	2017 Group and Parent Company Number	**2017 Group and Parent Company £'m**	2016 Group and Parent Company Number	2016 Group and Parent Company £'m
Ordinary shares of £1 each (2016 £1 each) allotted	**49,483,864**	**49.4**	49,483,864	49.4
Ordinary shares of £1 each (2016 £1 each) allotted and fully paid	**49,433,864**	**49.4**	49,433,864	49.4

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

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

27. DIVIDENDS

In the period to 31 December 2017 no dividends were paid (2016 none).

28. NON-CONTROLLING INTERESTS

	2017 £'m	2016 £'m
Balance at the beginning of the period	**(0.1)**	-
Recognised on acquisition	**-**	28.0
Purchase of NCI	**(0.3)**	(27.3)
Share of profit for the period	**0.4**	(0.8)
Dividends to NCI	**(0.4)**	-
Balance at the end of the period	**(0.4)**	(0.1)

During the period the Group purchased 7.49% of the shares in Interior ISG Espana SA for £0.2m and the remaining 10% of Tecton Engineering GmbH shares for £0.1m. These transactions are shown as the purchase of NCI in the reconciliation above. The Group also purchased the remaining 21% of ACE-Engenharia e Construcoes Ltda and DRAW Servicos de Engenharia Ltda for £0.5m, reducing the deferred consideration on the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. During the period the Group repaid a £30.0m short-term loan to the parent. A £0.3m receivables balance carrying no interest and payable on demand was due to the Group from the parent entity as of 31 December 2017. The UK subsidiaries are part of the UK tax group that includes the immediate parent, and as such, UK group relief is transferred between the UK subsidiaries and the immediate parent. The Group also provides accounting services for a US subsidiary of the Cathexis Group (ISG Construction LP). The amount charged in the year to ISG Construction LP was £0.1m, with this balance outstanding at the year-end.

One of the properties occupied by ISG Retail Ltd is co-owned by one the directors of ISG Retail Ltd who is a key management personnel (KMP) for the Group. The Group paid £0.2m in rent for this property during the period. There were no further transactions with KMP, other than the remuneration detailed in Note 7.

30. ADDITIONAL INFORMATION ON SUBSIDIARIES

The details of all of the subsidiary companies as at 31 December 2017 were:

Subsidiary undertakings	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
ACE-Engenharia e Construções Limiteda	Brazil	City of São Paulo, State of São Paulo, Rua General Furtado do Nascimento, 684, 4º andar, conjuntos 43/44, Alto de Pinheiros, CEP 05465-070	Fit out and refurbishment services	100	Indirect
Commtech (Asia) Limited	Hong Kong	17/F, 101 Kings Road, North Point, Hong Kong	Commissioning and testing management	100	Indirect
Commtech (Asia-Philippines) Branch, Inc.	Philippines	8F Sunlife Centre 5th Avenue Corner Rizal Drive BGC Taguig, Metro Manila, Philippines 1634	Commissioning and testing management	100	Indirect
Commtech Asia (Australia) Pty Limited	Australia	Suite 601, King York House, 32 York Street, Sydney, New South Wales 2000, Australia	Commissioning and testing management	100	Indirect
Commtech Asia Japan KK	Japan	5F MG Meguro Ekimae Building, 2-15-19, Kami Osaki, Shinagawa-ku, Tokyo 141-0021, Japan	Commissioning and testing management	85	Indirect
Commtech Asia (Singapore) Pte Limited	Singapore	12A Gemmill Lane, Singapore 069252	Commissioning and testing management	100	Indirect
Commtech Middle East Technology Services LLC*	UAE	1703 Regal Tower, Sheikh Zayed Road, PO Box 120397, Dubai, UAE	Commissioning and testing management	49	Indirect
Commtech Testing Technology (Shanghai) Co. Limited	China	7F Zhong Ya Building, 458 North Wulumuqi Road, Shanghai 200040, PRC	Commissioning and testing management	100	Indirect
Diseños y Adecuaciones SLU	Spain	Avda. De Córdoba nº 21, 4º, puerta 3-B, 28026 Madrid, Spain	Fit out and project management	58	Indirect
Draw Serviços de Engenharia Limiteda	Brazil	City of Santana de Parnaiba, State of São Paulo, Av. Dr. Yojiro Takaoka, 4384, Sala 408 J, Alphaville C- Apoio 1, CEP 06542-001	Technical consulting, management and supervision of contracts and civil works	100	Indirect
Emerald Telecom and Data Center SAU	Spain	Avda. De Córdoba nº 21, 4º, puerta 3-B, 28026 Madrid, Spain	Engineering services	58	Indirect
Interior ISG Espana SL	Spain	Avda. De Córdoba número 21, piso 4º, puerta 3B, Madrid, Spain	Holding company	58	Indirect
Interior Service Group Netherlands BV	Netherlands	Business Center Eemshaven, Westereemsweg 5, 9979 XP Eemshaven, Netherlands	Fit out and project management	100	Indirect
Interior Services Group (UK Holdings) Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsidiary undertakings	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
Interior Services Group Spain SL	Spain	Avenida Avda, De Cordoba, 21 4 puerta 3B, 28026, Madrid, Spain	Fit out and project management	100	Indirect
ISG (Schweiz) AG	Switzerland	c/o PKF Consulting AG, Lavaterstrasse 40, 8002 Zürich, Switzerland	Fit out and project management	100	Indirect
ISG (Thailand) Limited*	Thailand	57 Wireless Road, Level 18 Park Ventures Ecoplex Lumpini, Pathumwan, Bangkok 10330, Thailand	Fit out and project management	49	Indirect
ISG Asia (China) Limited	China	Room 412, Shanghai Xin Xin Business Centre, 286 Dongfang Road, Pudong New District, Shanghai, PRC	Fit out and project management	100	Indirect
ISG Asia (Hong Kong) Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Fit out and project management	100	Indirect
ISG Asia Korea Limited	Cayman	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands	Fit out and project management	100	Indirect
ISG Asia (Macau) Limited	Macau	Alameda Dr, Carlos D'Assumpcao, No 411 a 417 Editicio Dynasty Plaza, 4 Andar, E. Macau	Fit out and project management	100	Indirect
ISG Asia (Malaysia) Sdn Bhd	Malaysia	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8 Jalan Kerinchi, 59200, Kuala Lumpur, Malaysia	Fit out and project management	100	Indirect
ISG Asia (Singapore) Pte Limited	Singapore	1A Lorong Telok Singapore 049014	Fit out and project management	100	Indirect
ISG Asia Group Services Pte Limited	Singapore	1A Lorong Telok, Singapore, 049014	Group services	100	Indirect
ISG Asia Investment (Hong Kong) Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Holding company	100	Indirect
ISG Central Services Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Direct
ISG Construction Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Construction services	100	Indirect
ISG Construction Services SPRL	Belgium	Auguste Reyerslaan 80, 1030 Schaerbeek, Belgium	Fit out and project management	100	Indirect
ISG Deutschland GmbH	Germany	Am Hauptbahnhof 18, 60329, Frankfurt, Germany	Fit out and project management	100	Indirect
ISG Engineering Services Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Engineering	100	Indirect
ISG Engineering Services Nordic APS	Denmark	c/o PricewaterhouseCoopers, Strandvejen 44, 2900 Hellerup, Denmark	Engineering	100	Indirect
ISG Europe SAS	France	14 Rue Auber, 75009, Paris France	Fit out and project management	100	Indirect
ISG Fit Out Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out	100	Indirect
ISG Interior Services Group Ireland Limited	Ireland	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	Fit out and project management	100	Indirect
ISG Interior Services Group UK Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out and project construction services	100	Indirect
ISG Italia Srl	Italy	Viale Sabotino, 19/2, 20135 Milan, Italy	Fit out and project management	100	Indirect
ISG Jackson Limited	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Construction services	100	Indirect
ISG Middle East LLC*	UAE	Office 602 Sama Tower, Shaikh Zayed Road, Dubai, UAE	Fit out and project management	49	Indirect
ISG Middle East LLC (Qatar)*	UAE	P.O. Box 47095, 5th Floor Regus Gath Building, Fereei Bin Mahmood South, Near Ramada Junction, Doha, Qatar	Fit out and project management	49	Indirect
ISG Olson CJSC	Russia	Floor 7, Schipok str. 18, Moscow, 115093, Russian Federation	Fit out	100	Indirect

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsidiary undertakings	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
ISG Pearce Limited	England	Ground Floor, Unit 1200, Park House, Parkway North, Newbrick Road, Stoke Gifford, Bristol BS34 8YU, United Kingdom	Construction services	100	Indirect
ISG Retail Limited	England	Boleyn House, St Augustine's Business Park, Whitstable, Kent CT5 2QJ, United Kingdom	Fit out and refurbishment	100	Indirect
ISG Technology Solutions Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out	100	Indirect
Realys France SAS	France	14 Rue Auber, 75009, Paris, France	Design-led project management	100	Indirect
Realys GmbH	Germany	Wilhelm-Leuschner-Straße 68, 60329 Frankfurt, Germany	Design-led project management	100	Indirect
Realys Group Construction and Design Consulting (Shanghai) Company Limited	China	Shanghai Hong Kong Plaza, 283 Huai Hai middle road, South building, Floor 26 room 2607 – 37	Design-led project management	100	Indirect
Realys Group Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Holding company	100	Indirect
Realys Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Design-led project management	100	Indirect
Realys Pte Limited	Singapore	1A Lorong Telok, Singapore, 049014	Design-led project management	100	Indirect
Realys Sdn Bhd	Malaysia	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200, Kuala Kumpur, Malaysia	Design-led project management	100	Indirect
Tecton Engineering GmbH	Germany	Neumarkt 1c, 50667 Köln, Germany	Fit out and project management	100	Indirect

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

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

Subsidiary undertakings (English company registration number)	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
Exterior International Limited (3454602)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out and building	100	Indirect
Interior Services Group Limited (4545988)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect
ISG Construction Holdings Limited (7272660)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Non-trading	100	Indirect
ISG Northern Limited (315305)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG	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 Retail and Leisure Limited (1346138)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Non-trading	100	Indirect
ISG South Limited (07276092)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Construction services	100	Indirect
ISG UK Fit Out Limited (7267349)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect

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 UK Retail Limited (4491779)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect
Realys Holdings Limited (9059862)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect

The details of dormant companies as at 31 December 2017 were:

Subsidiary undertakings (English company registration number)	Country of incorporation/registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
Commtech (UK) Limited (3006483)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
CMI Commtech Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Dormant	100	Indirect
ISG Asia Limited (7395385)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Cathedral Limited (3151349)	England	Boleyn House, St Augustine's Business Park, Whitstable, Kent CT5 2QJ, United Kingdom	Dormant	100	Indirect
ISG Developments (Southern) Limited (1801647)	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Property development	100	Indirect
ISG Developments Limited (1098081)	England	Aldgate House, 33 Aldgate High Street, London, EC3N 1AG	Property development	100	Indirect
ISG Developments UK Holdings Limited (10618277)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Egypt Limited	Egypt	c/o Al Kamel Law Firm 17 Nabil El Wakad St., Dokki, Giza - Egypt	Dormant	100	Indirect
ISG Europe Limited (7662920)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Jackson Special Projects Limited (541763)	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Non-trading	100	Indirect
ISG Middle East Limited (7395542)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Scotland Limited (SC388876)	Scotland	c/o CMS Cameron McKenna LLP, 20 Castle Terrace, Edinburgh EH1 2EN, Scotland	Dormant	100	Indirect
ISG UK Limited (5086130)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Western Limited (9069850)	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
Realys Hong Kong Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Dormant	100	Indirect

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

31. PARENT AND ULTIMATE PARENT

The immediate parent company is Cathexis UK Holdings Limited, a company incorporated and registered in the United Kingdom. At 31 December 2017, the company's ultimate parent company was Cathexis Holdings GP LLC, 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 GP LLC. The smallest such group is the group headed by Cathexis UK Holdings Limited. Copies of the group financial statements of Cathexis UK Holdings Limited are available from Companies House. The ultimate controlling party is W B Harrison by virtue of his beneficial interests in the ultimate parent company.

ISG PLC

COMPANY BALANCE SHEET │At 31 December 2017

	Notes	2017 £'m	2016 £'m
Fixed assets			
Investments	4	**66.4**	66.4
Total fixed assets		**66.4**	66.4
TOTAL NET ASSETS		**66.4**	66.4
Capital and reserves			
Called up share capital	5	**49.4**	49.4
Share premium account	5	**34.1**	34.1
Merger reserve		**(17.1)**	(17.1)
TOTAL SHAREHOLDER'S FUNDS		**66.4**	66.4

The financial statements of the company (company number 10081578) were approved by the Board of directors and authorised for issue on 28 March 2018. They were signed on behalf of the Board of directors. The profit for the period included within the financial statements of the parent company is £nil (2016 £nil). The accompanying notes form part of these financial statements.

P Cossell
Chief Executive Officer

M Stockton
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY │At 31 December 2017

	Share capital £'m	Share premium £'m	Merger reserve £'m	Total £'m
Balance as of 1 March 2016	-	-	-	-
Issue of share on acquisition of ISG Central Services Limited	49.4	34.1	-	83.5
Arising on acquisition	-	-	(17.1)	(17.1)
Balance at the beginning of the period	**49.4**	**34.1**	**(17.1)**	**66.4**
Balance at the end of the period	**49.4**	**34.1**	**(17.1)**	**66.4**

The merger reserve was created on the acquisition of ISG Central Services Limited in the prior period. 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

Disclosure exemptions adopted

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

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

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

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

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

2. PARENT COMPANY PROFIT AND LOSS ACCOUNT

The Company has taken advantage of section 408(3) of the Companies Act 2006 and has not presented its own profit and loss account. The profit for the period was included within the financial statements of the parent company is £nil (2016 £nil).

3. CASH FLOW STATEMENT

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

4. INVESTMENTS

	2017 £'m	2016 £'m
Cost		
Balance at the beginning of the period	66.4	-
Acquired in the period	-	66.4
Balance at the end of the period	**66.4**	**66.4**

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

5. SHARE CAPITAL

See Note 26 of the Group accounts.

6. STAFF COSTS

There were no employees during the period.