Annual Report 2019

Creating enduring value
Integrated thinking for an ever-changing world

Contents

Preface

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

For over 30 years, we have provided construction, fit out and engineering solutions to some of the world's most successful and enduring businesses, cities and institutions. Across everything we do, we aim to maximise the holistic value we bring to our investors, our people, our clients, our industry, and the communities we serve.

This report demonstrates how we organise our business, apply integrated thinking, develop strategy, and make decisions in line with our vision. It shows how the resources at our disposal are effectively deployed to the benefit of ISG, our industry and the world.

Above all, it reveals a core truth about our business – the value we create for others makes us a stronger company.

In other words, when our stakeholders thrive, we thrive.

2019 highlights

In 2019, ISG delivered places that surpassed client expectations and made critical and enduring connections to communities.

In addition, we were able to elevate our people and our industry in meaningful ways, providing both with development and growth opportunities.

High-performing leadership

A big year for ISG's leadership culminated in Paul Cossell being named as 'CEO of the Year' at the 2019 Building Awards (page 79). Paul, who was honoured for his industry contributions, heads up ISG's Statutory Board (Stat Board), which includes the new role of chief improvement officer.

Significant public sector expansion

In 2019, we celebrated officially gaining a place on every UK public sector framework that we targeted. On the frameworks we were already on, we improved our position, which in turn led to larger, more impactful projects that required a broader range of our services (page 28). As a result, over the past three years, we have tripled our revenue from public sector frameworks, and developed a strong pipeline of work to come.

Groundbreaking client focus

We achieved an industry-leading Net Promoter Score (NPS) of +65 and 60% repeat business in 2019, an achievement that reflects the quality of our services and offer. Among the reasons for this success, our investment in technology created better customer outcomes and drove industry innovation. In addition, our expanded customer experience (CX) programme deepened our customer understanding, and created vital inputs for our project teams (page 56).

Projects of scale, reach and complexity

In 2019, ISG invested in the skills and capabilities necessary to support sustainable growth (page 46). We delivered ISG's largest ever fit out project for a global financial client, completed our first engineering services project in Asia, delivered £605m of datacentres for our largest clients, and continued to grow our German business by delivering a £90m distribution centre, one of the largest steel-framed buildings in the country.

A gold star for employee experience

At the end of the year, ISG was delighted to receive a '1 Star' rating from Best Companies™, the gold standard for benchmarking engagement rates and an accreditor of the best companies to work for in the UK (page 44). ISG also placed 17th on The Sunday Times 'Top 25 Best Big Companies to Work For'. Both designations resulted from our annual b-Heard survey, which saw a record-breaking 79% of employees take part and reflects the impact of our continued investment in our people.

Quantifiable value created for our communities

In 2019, we worked not only to deliver greater social value to the communities where we work, but also to better understand how best to measure and improve our impact (page 64). According to Social Profit Calculator, we created more than £3.5bn of social value from the delivery of our Fit Out and Construction projects in the UK alone. That's £2.29 of value created for local business and society, for every £1 of turnover in those parts of ISG.

Performance at a glance

Financial performance

While we judge ourselves on a broad set of measures, 2019 was ISG's third consecutive year of record financial performance. Our revenues crossed the £2.5bn threshold, while underlying profit* exceeded £50m for the first time in our history.

£2.6bn
revenue
(2018: £2.2bn)

£52.5m
underlying profit before tax*
(2018: £38.5m)

£1.4bn
forward order book at year end
(2018: £1.4bn)

£116.9m
net cash position at year end
(2018: £77.4m)

* Underlying profit before tax as disclosed in the Group's Consolidated Income Statement

Performance against strategic goals

At the start of 2019, we set out to achieve our 'All 4 by 24' strategy, which establishes targets against four corporate goals we wish to reach by the year 2024. In our first year, we made significant progress, specifically in the areas of employee and customer experience. For more information on 'All 4 by 24', see page 15.

Offer an unbeatable employment experience

92% of employees agreed they can make a valuable contribution to ISG's success (2018: 83%)

79% of employees completed the b-Heard employee feedback survey (2018: 76%)

87% of employees proud to work for ISG (2018: 79%)

'1 Star' Best Companies™ award (2018: 'One to Watch')

1.74 Accident Incident Rate (AIR) (2018: 1.62)

Provide the best customer experience in our industry

85% customer satisfaction score (2018: 85%)

+65 Net Promoter Score (NPS) (2018: +35)

60% revenue from repeat customers (2018: 56%)

Achieve optimal operational efficiency

2.0%
net margin
(2018: 1.72%)

51.5%
procurement through ISG's key supply chain partners (UK)
(2018: 50.2%)

1.63t/ £100,000
construction waste production / revenue (UK)
(2018: 1.9t/ £100,000)

Drive revolutionary change in the construction industry

£509,508
charitable fundraising, pro bono support and gifts in kind
(2018: £348,237)

£3.5bn
social value created (UK)
(2018: not measured)

10%
reduction of GHG emissions against 2015 baseline – three-year rolling average
(2018: 31%)

8,633
students engaged (UK)
(2018: 6,419)

4,631
apprentice weeks (UK)
(2018: 3,890)

97.4%
diversion of construction and demolition waste from landfill (UK)
(2018: 96.9%)


SONY

Strategic report

Hogan Lovells, London, UK

About this integrated report

At ISG, we have always nurtured dynamic relationships with our stakeholders, built on mutual trust, collaboration and open communication. For this reason we committed to producing an annual integrated report, an important tool in creating a transparent dialogue with the people and institutions invested in our success. We have developed this report in line with the International Integrated Reporting Council (IIRC) Framework.

The report reviews our performance for the 12 months to 31 December 2019, explaining our financial results and our achievements against our 'All 4 by 24' strategy, as well as our governance, performance and prospects in the context of our global environment. Just as importantly, it demonstrates how we organise our business, make decisions and make use of our resources to deliver the greatest possible value for our stakeholders.

We hope this report is in equal parts informative and compelling, and we welcome feedback on how we can improve our reporting at any time. If you have any comments or suggestions, please contact **email@isgplc.com**.

Paul Cossell | Chief Executive Officer

Message from our CEO

Back in 2016, I stood in front of ISG's leadership team for the first time as CEO, and we agreed on an ambitious goal for the business – to achieve £50.0m underlying PBT in a single year by 2021. At the time, the figure seemed hugely ambitious, but we were determined. More importantly, we believed in our offering, our people, and our ability to make the kind of bold and thoughtful decisions necessary to improve our operations and secure a thriving financial position.

At the end of 2019, not only have we reached that goal, but at £52.5m underlying PBT, we've surpassed it, two years earlier than planned. This achievement is important not only because it provides stability and assurance to our stakeholders, but also because it enables us to create value – long-term, sustainable and meaningful value for our people, our customers, our communities and our industry, that looks beyond profit alone as our measure of success. This is important now more than ever, given the uncertainty around the impact of COVID-19 in 2020.

Value creation is our priority – and it's at the very core of our vision: We want to be a dynamic company that creates places and spaces where people and businesses thrive. What do we mean by 'thrive'? In general terms, we create value for our stakeholders by safeguarding their health and well-being, connecting them with the world around them, providing them with the environments in which to do amazing things, and giving them opportunities to develop and grow.

In this regard, 2019 was a banner year. Not only has our market profile and reputation risen in our key markets, from UK office and retail fit out, to public sector frameworks and European datacentres, but we also enjoyed a successful first year of our 'All 4 by 24' strategy. As a result, we are confident we're leveraging our capital resources in ways that are generating sustainable value on a large scale.

> **"We're leveraging our capital resources in ways that are generating sustainable value on a large scale."**

Throughout this report, you'll see evidence of this value creation through record-breaking figures like our +65 NPS score in terms of customer satisfaction, 60% revenue from repeat business, and a '1 Star' accreditation from Best Companies™, which made us a 'Top 25 Best Big Company to Work For' in the UK.

You'll see it in the compelling stories we tell, the industry-defining projects we showcase, and the results-producing initiatives we pursue. Where we have fallen short of our targets, you'll find we speak frankly about where we could have done better, and what we'll do next to improve.

As we look to 2020 and what promises to be a year of unknowns for many around the world, in particular with the emergence of the COVID-19 virus, I am confident in our continued strength. Our robust financial position and ongoing ability to leave a lasting positive legacy in the world around us remain. Even with the impact of COVID-19, we will work to set strong foundations for greater future growth. With focus on our people and our customers, we are going to make it a year of investing in ISG to provide strong foundations for greater future growth. We'll also continue to invest in our people, our customers and the communities in which we work. We are well positioned moving forward to ensure we can all thrive together.

Paul Cossell
Chief Executive Officer
5 May 2020

COVID-19

Following the declaration by the World Health Organisation (WHO) of COVID-19 as a global pandemic – and the restrictions implemented by governments around the world during the first quarter of 2020 – there has, naturally, been an impact to the operations of the Group in 2020 subsequent to the year under review in this Annual Report.

We are constantly monitoring the evolving situation across our geographies and have developed responses based on local requirements. At the date of signing this Annual Report, we are seeing a lower volume of work on site due to newly implemented social distancing procedures, fewer site operatives and some government-mandated site closures. As a result, we expect our revenues between March and June 2020 to be at approximately 25% below our planned volumes. As a business, and in line with our peers, we are experiencing this type of crisis for the first time. We are uncertain as to the overall impact the virus will have on our performance as it is not currently clear how widespread the virus will be, how long the pandemic will last, and what the medium- to long-term impact will be.

Our priority is to keep our workplaces as safe as possible for our people, supply chain partners, clients and the general public, while preparing the business for a period of reduced operations. We have forecasted the effects of differing levels of reduced volume, and the necessary mitigating actions that the business would implement, to ensure the Group has sufficient working capital to maintain operations.

The actions agreed by the Board are as follows:

- Implement the Construction Leadership Council's (CLC) latest Site Operating Procedures (SOPs).
- Suspend sites where the SOPs cannot be adhered to.
- Reduce employee numbers in line with the reduced volumes, implementing temporary pay cuts and furloughing schemes.
- Focus any pay cuts on the best paid people - starting with the Statutory Board.
- Reduce discretionary spend and capital expenditure budgets.

COVID-19 creates uncertainty for the remainder of the financial year, but the Board has further cash preservation measures that it is willing to implement if appropriate, recognising that maintaining our dedicated and talented people is a key priority in anticipation of the increased volume of work in 2021.

About ISG

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

Our leadership

Paul Cossell | Chief Executive Officer

Mark Stockton | Chief Financial Officer

Jane Falconer | Chief Human Resources Officer

Matt Blowers | Chief Operating Officer, Fit Out

Richard Hubbard | Chief Marketing Officer

Bart Korink | Chief Operating Officer, Engineering Services

Paul Weaver | Chief Improvement Officer

William Harrison | Chairman

Jonathan Moy | Non-Executive Director

Our vision and values

Our vision

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

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

Our vision is not just an ambition – it's what drives us every day. Our work is made meaningful by the spaces we create, by those who trust us to deliver them, and the impact they have on the people who use them.

Our values

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

Dream smart

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

Speak frankly

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

Always care

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

Never stop learning

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

Our strategy

In 2016, with the business under new ownership, our Board set out to put ISG on a path towards sustainable growth. The resulting '50 in 5' strategy was highly effective in aligning our people and operations around a financial target of being a £50.0m underlying profit before tax (PBT) business in five years. Two years later, with the business solidly on track, we sought to ensure the value we build goes far beyond financial goals.

Our 'All 4 by 24' strategy was developed in 2018, setting out ambitious non-financial business goals in the context of our vision, our risks and opportunities, and the issues material to the kind of impact we want to have on the world around us. The four goals represent long-term objectives with short-term key performance indicators (KPIs) and encapsulate the areas of greatest urgency and focus for our business over the subsequent five years. For more information on our strategy, see page 86.

By 2024, we aim to:

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

All **4** by **24**

Our business

The structure of our business is designed to maximise our resources and generate significant and substantive value for our stakeholders in line with our vision. Our business model is informed by our stakeholders' needs, our operating context, and external input into matters material to our ability to create value.

Business activities

Fit Out

Our roots as a business are in fit out, and we have a highly competitive track record in this area. We deliver large-scale and complex offices in the UK and across Europe, the Middle East and Asia, in addition to retail and hospitality spaces, and smaller-scale projects across various sectors via our Agility service.

Construction

We deliver construction projects throughout the UK, ranging from public sector framework-based projects to large-scale private sector schemes, including commercial offices, educational campuses, hotels, leisure centres, fire service facilities and student living.

Engineering Services

Our engineering services offering delivers technically complex projects in the UK, across continental Europe and beyond. The business is broken into four units: Science & Health, Datacentres & Special Projects, Major Technology Client (which is focused on one of ISG's largest repeat business clients), and Integrated Project Delivery.

What we rely on

Financial resources
The investments and financial inputs necessary to run our business.

Intellectual resources
Our reputation, structure and processes, and intellectual property.

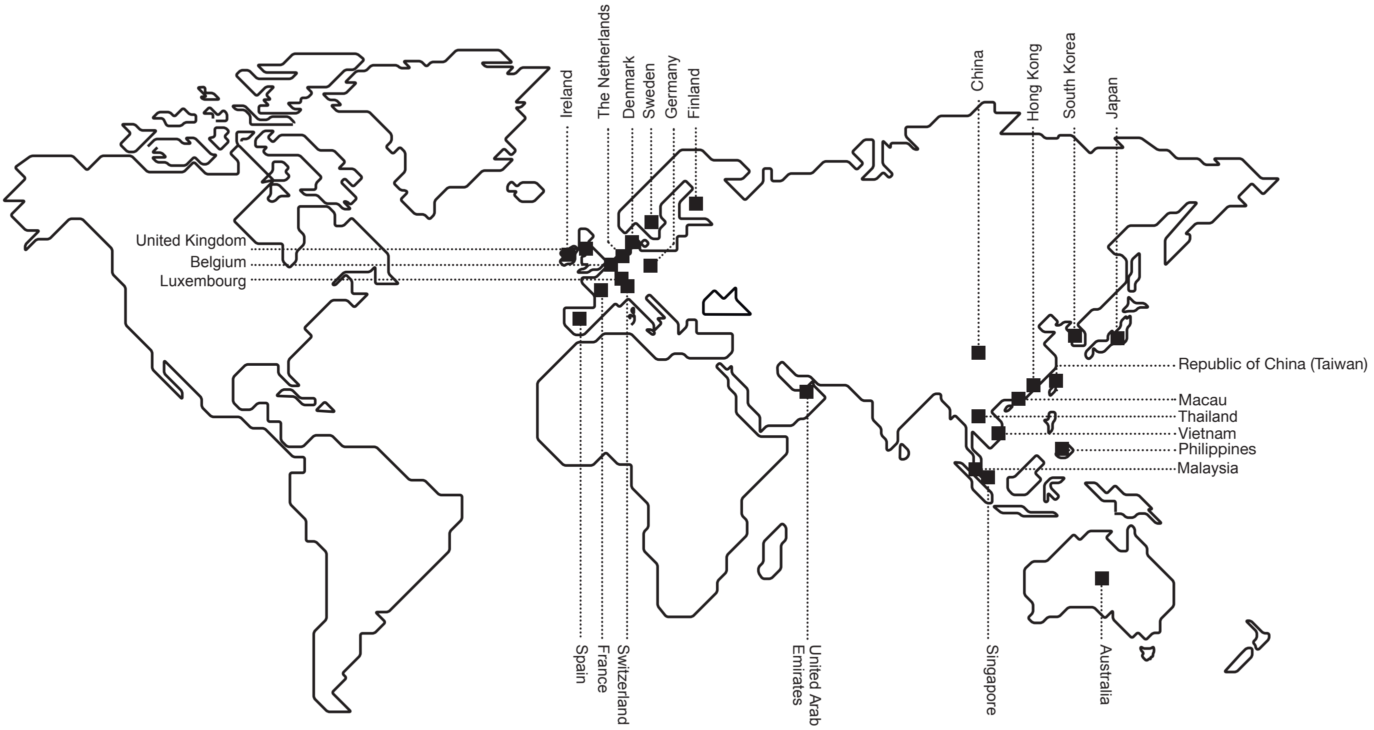
Social and relationship resources
Our relationships with our customers and communities.

Human resources
The skills and experience of our people and supply chain.

Natural resources
The material inputs we use and manage.

Manufactured resources
The physical products and buildings we use and operate.

Where we work



3 service lines

- Fit Out
- Construction
- Engineering Services

5 sectors

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

Our material issues

Access to skills and talent
We rely on the skills and expertise of our people to deliver a competitive offer to our clients. For this reason, we must be able to continue to attract and retain the best people in increasingly competitive markets.

Resource efficiency and the circular economy
The built environment is a major consumer of resources. A circular economy eliminates waste and encourages the efficient and continual use of resources.

Social value via project delivery
Our reputation, our vision, our industry and many of our clients rely on us generating positive social value through employment, procurement, training, apprenticeships and charity projects.

Energy use and emissions
In order to reduce our impact on the environment and mitigate rising fuel costs, we must operate in such a way as to minimise our energy consumption and emissions.

Environmental protection and enhancement
To deliver our vision, we must play a role in minimising the pollution of air, land and water, and retain biodiversity in the environment. We must employ careful use of resources and waste reduction.

Climate change
Our clients rely on us to minimise the impact on our climate throughout their projects and our supply chain. Our ability to deliver is impacted by the growing pressure on our climate, which is resulting in rising temperatures, extreme weather and resource inaccessibility.

Labour practices and human rights
We have a responsibility and a business need to safeguard the health, well-being and safety of people, provide good working conditions and prevent forced labour, and advance non-discriminatory practices.

Changing customer quality demands
Businesses' needs are evolving rapidly in response to markets and technologies. Service providers like ISG must consider whole-life costs, and meet design and performance requirements within programme.

Business conduct and transparency
Compliance with professional standards and regulations, particularly across borders, ensures we have the trust of our stakeholders, and requires strong governance and open and transparent reporting.

Good financial performance
Our ability to create sustainable value for our stakeholders is driven in large part by our creation of profit, and our financial performance from year to year.

Greater client sustainability requirements
Our clients' businesses are under pressure to conserve resources and create healthy places. As a service provider, we can support them with skills to deliver net zero / low carbon buildings, embed circular economy principles and maximise enduring social value around their projects.

Responsible procurement practices
How and where we source goods and services has an impact on both ISG and society. As a business, we must employ positive practices, including fair payment, supply chain diversity and responsible sourcing.

How we define what's material

These material issues are in addition to the current challenges faced by the business in 2020 from the COVID-19 global pandemic, see page 12 for the details of this issue.

In determining our material issues, we take into account a broad range of factors that affect, or have the potential to affect, our business, ranging from large-scale demographic and economic changes, to technology and climate. The material issues we select as pertinent to our business are those that have the potential to materially impact our ability to create value now, and over time.

In 2018, we conducted an extensive consultation and review of our material issues. The process began with a stakeholder survey and concluded with a Stat Board workshop, which analysed and prioritised the issues raised by our stakeholders in the context of our risks, opportunities, global megatrends, the UN Sustainable Development Goals (SDGs) and our business performance and goals.

Our material issues exercise is important to the development of our strategy and informs the activities in our business model. For more information on how our material issues inform our strategy, see page 86.

The value we create

Our mission is to utilise our resources and power our business to create places that help people and businesses to thrive. To support this ambition, we define value creation as our ability to measurably and meaningfully cultivate the following:

Thriving financial position

Thriving people

Thriving customers

Thriving communities

Thriving supply chain

Thriving industry

What do we mean by 'thrive'?
We create value for our stakeholders by safeguarding their health and well-being, connecting them with the world around them, providing them with the environments in which to do amazing things, and giving them opportunities to develop and grow.

Our stakeholders

Customers
In addition to absolute certainty of delivery, our customers seek specialist expertise, agile service and business insights, to thrive and remain competitive in their markets.

Employees
Our people are looking for a work environment that keeps them healthy and safe, and empowers their personal and professional growth. Furthermore, they want a business that engages them in a compelling vision.

Supply chain
Our supply chain seeks to build strong partnerships with us that enable their own sustainable growth. They want us to work collaboratively and respectfully with them and establish mutual understanding and shared expectations.

Communities
The communities where we work have a vested interest in the quality of the spaces we deliver and the way in which we deliver them. They benefit from engagement, communication and the creation of opportunities.

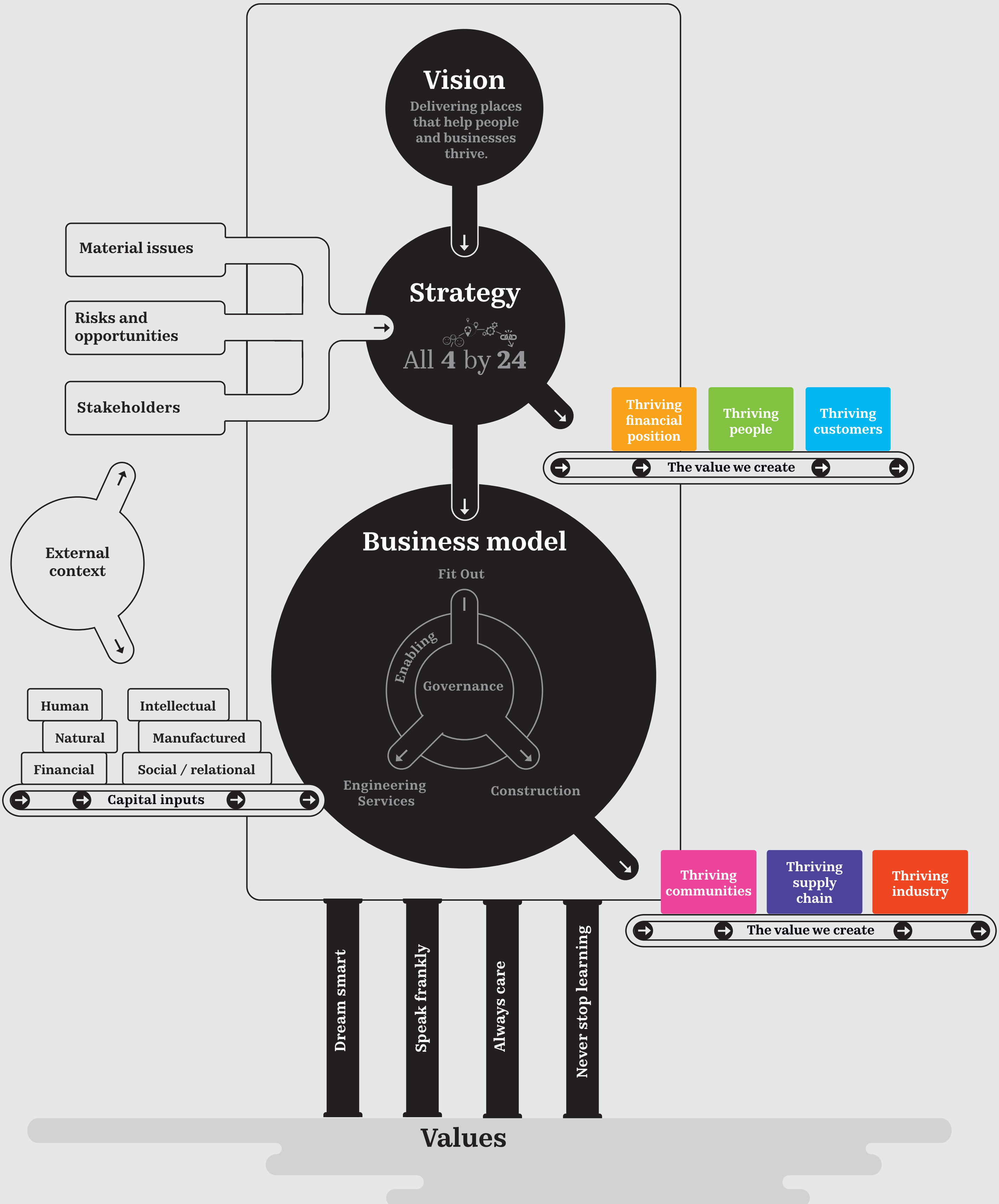
Industry
The construction industry has evolved slowly over the past few decades and is ripe for innovation. It seeks strong, strategic and values-driven leadership that will help to position it as a positive and effective force for the future.

Investors
ISG is part of Cathexis, a US-based investment group, with the ultimate controlling party of William Harrison, our Board Chairman. Cathexis supports our vision and is invested in the long-term growth of ISG.

Financial institutions
Banks, bondsmen and credit insurers seek to understand ISG's performance and outlook in order to provide financial services to our business and supply chain. These services support the sustainable growth of our business.

For more information on how we have engaged with our stakeholders in 2019, see page 88.

Our value creation model



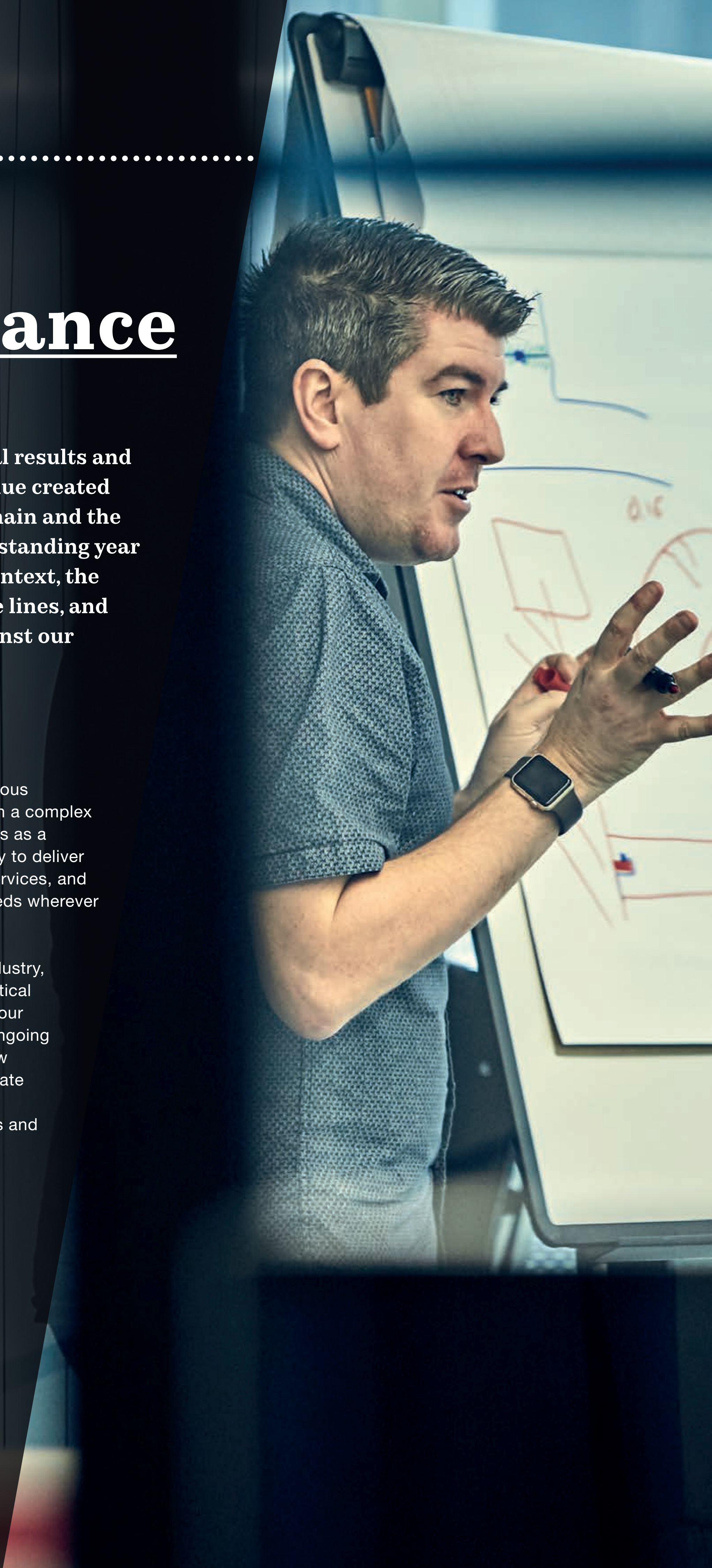
2019 performance

From record-breaking financial results and projects, to the measurable value created for our communities, supply chain and the industry, 2019 has been an outstanding year for ISG. Here, we explore our context, the performance of our key service lines, and the value we've generated against our target outcomes.

Context

As an international company with numerous multinational clients, ISG operates within a complex and evolving global context. Our success as a business relies in large part on our ability to deliver consistent, high-quality products and services, and our capacity to meet our customers' needs wherever they are, whenever they need us.

In order to ensure we stay abreast of industry, environmental, socio-economic and political factors that might impact our business, our Risk Committee conducts regular and ongoing assessments, meeting regularly to review potential risks and propose the appropriate courses of action for agreement by the Board. For more information on our risks and opportunities, see page 93.



Business review

For ISG, 2019 was a year of strengthening leadership, improving our customer and employee experiences, and building a unified global business. The successes we had across the company speak to the effectiveness of our approach to date, and lay important strategic groundwork for the future.

The Group achieved revenue of £2.6bn, underlying profit before tax of £52.5m, achieved its target of 2.0% net margin for 2019, and had a forward order book of £1.4bn at the end of the period. Non underlying items reported in the year are described in Note 11 to the financial statements and we report a final statutory profit before tax of £44.2m. These items are not attributable to the results of the service lines, and therefore the underlying results only are broken down by our service lines as follows:

£'m		Fit Out	Construction	Engineering Services	ISG Group
Underlying revenue	**2019**	**1,223.2**	**562.2**	**798.7**	**2,584.1**
	2018	1,233.2	520.2	484.2	2,237.6
Underlying profit before tax	**2019**	**23.1**	**4.4**	**25.0**	**52.5**
	2018	21.2	5.7	11.6	38.5
Forward order book	**2019**	**429.2**	**786.2**	**184.2**	**1,399.6**
	2018	489.0	486.3	434.7	1,410.0

Fit Out

Our global Fit Out business achieved an underlying revenue of £1,223.2m (2018: £1,233.2m), an underlying PBT of £23.1m (2018: £21.2m) and ended the year with a forward order book of £429.2m (2018: £489.0m).

Fit Out, the largest of ISG's businesses, performed well again in 2019, demonstrating growth in revenue and profitability. It achieved a turnover of £1,223.2m that exceeded the year's target of £1,161.5m. In 2019, through efficiency initiatives, Fit Out also achieved 1.9% underlying PBT margin, an increase from the prior year result of 1.7%.

Aligning and planning for the future

In January 2019, Matt Blowers became part of the Stat Board and began his first full year as chief operating officer (COO) of Fit Out. In 2019, a newly strengthened leadership team was also established within Fit Out in the UK and continental Europe, with further alignment planned for 2020 in the Middle East and Asia.

Strengthening the business

As well as continuing to retain a strong position with the UK office sector, in 2019 the Fit Out team aimed to become a truly global contractor and diversified into sectors targeted by the business for their potential growth and ISG's enhanced market presence. A new management team in Germany was created to respond to opportunities in the logistics and distribution sector across continental Europe, adding to our specialist division in the UK. Strengthening the business also meant consolidation in some areas. The business began to wind down its operations in Brazil due to market conditions, with a plan to close the office in 2020.

The team's ability to take on projects of all sizes and speeds once again added resilience to our global offer, and enabled us to build stronger customer relationships. A shift by the Construction team towards public sector frameworks also yielded a significant volume of fit out work.

£1,223.2m
underlying revenue
(2018: £1,233.2m)

£23.1m
underlying profit before tax
(2018: £21.2m)

£429.2m
forward order book
(2018: £489.0m)

£173m
revenue from logistics and distribution centre projects in 2019

£230m
biggest Fit Out project completed by ISG

Hogan Lovells, London, UK

What we said in 2018

"Looking across continental Europe, the business goes into 2019 with a healthy forward order book and a framework agreement with a local investor for the next 24 months, and we expect performance will significantly improve in the coming year... Despite uncertainty around Brexit, the London fit out market remains strong, and we head into 2019 with a strong forward order book... We believe our UK Retail business unit is in a good position to continue its growth strategy. Further prospective retail customers are being targeted, and the forward order book for the business remains at a healthy level for delivery in 2019."

Outlook

Dependent on the final impact of COVID-19, in 2020, our global Fit Out business will continue to improve customer experience by seeking ways to add value and to expand our business in key areas of opportunity. In preparation for expected growth in 2021 and 2022, the team will seek operations in new countries, and invest in technology, centres of excellence to drive efficiencies, and training and education.

Project Eagle

A high-flying workplace for a Magic Circle law firm.

ISG is delivering the 255,000 sq ft office fit out for one of the largest multinational law firms in the world. Headquartered in London, UK, the company is a member of the Magic Circle of British law firms, with offices and clients worldwide. We have been appointed to carry out a Cat A and B fit out in the firm's central London office.

Fast fact:

When bidding for this project, we produced an innovative volumetric study based on data our team gleaned by timing themselves moving in and out of the building. This enabled us to pinpoint an accurate logistics programme at tender stage, and provide greater cost certainty to the client.

In 2019, our global Fit Out business achieved the following across its divisions:

United Kingdom

Agility
After several years of strong growth, in 2019 Agility again exceeded projections, with a turnover of £112.5m (2018: £82.6m) and a gross margin of £8.1m (2018: £6.0m).

Major Projects
In 2019, our major projects teams delivered work to the value of £443.8m, largely in the form of game-changing projects for some of the world's most recognisable banking, legal and technology customers.

Retail
Turnover for UK Retail in 2019 was £281.0m and the business achieved a 7.5% gross margin. Close to £103.0m of its turnover was in the financial services sector; a strategic area of growth in 2019, and one that remains strong for 2020.

Regus, Hamburg, Germany

International

Continental Europe
In late 2019, a key appointment was made in the newly created role of managing director (MD) for ISG's Fit Out business in continental Europe. In France, a new MD also joined in 2019. Iberia had a high-performing year with record sales and a new office in Barcelona. Germany completed its first logistics project and formed a broader logistics and distribution offer. Both Switzerland and Luxembourg were also recognised as areas of potential growth.

Asia
Our Hong Kong business earned a 2019 revenue of £71.0m on projects, which delivered over 50% of our profit in Asia. We appointed a new MD for Malaysia, working under the existing MD for Southeast Asia – strengthening our capability in the region – and delivered projects for high-profile clients like Citibank (page 27). Singapore also had a strong year, taking on new office space at Haw Par Centre.

Middle East
Our Middle East business achieved £46.3m in sales in 2019, continuing the year-on-year growth for ISG in the region since 2007. Building on its 2018 award from IADA of 'Middle East Fit Out Contractor of the Year', ISG's Middle East general manager, Scott McCulloch, was named among the 2019 Construction Week Power 100.

Confidential client, Luxembourg

Citibank Malaysia

Silver service for a sustainable building.

ISG in Malaysia was appointed as fit out contractor for the first phase of Citibank's wider scheme to consolidate its Kuala Lumpur offices to Citibank Tower. We completed the ambitious 10-floor, city-centre, 170,000 sq ft office fit out in time for the global bank to migrate in 1,750 employees from other offices.

Fast fact:

In order to achieve LEED Silver, the team went beyond just the installation of green design elements. ISG covered materials and systems to prevent airborne contaminants, segregated and recycled waste, tracked and reported statistics, and reused carpet, workstations and chairs on other sites. For more on how we work with our customers to achieve their environmental goals, see pages 79-83.

International Workplace Group (IWG)

Taking the office revolution around the world.

Since 2017, ISG has had a global framework agreement in place with IWG, a flexible office solutions provider for more than 2.5 million people and their businesses around the world. In 2019, we delivered UK projects at Hammersmith Foundry and the Bower Building in Stockley Park, with further allocations on Euston Road, Bournemouth and Woking, and took on new projects for IWG brands Regus in Germany and Spaces in Switzerland.

"Working transparently and collaboratively and having a huge amount of fun is the key to our success. I'm confident that with the team and relationships we have built, we'll achieve our 2019 targets and beyond."

Celine Ansari, Property Services Director, IWG

Confidential client, London, UK

Construction

Our Construction business achieved an underlying revenue of £562.2m (2018: £520.2m), an underlying PBT of £4.4m (2018: £5.7m) and ended the year with a forward order book of £786.2m (2018: £486.3m).

£562.2m
underlying revenue
(2018: £520.2m)

£4.4m
underlying profit before tax
(2018: £5.7m)

£786.2m
forward order book
(2018: £486.3m)

ISG's Construction business had a successful year in 2019, with an overall increase in revenue and record-breaking growth in some areas of the business. Our aim for 2019 was £5.7m in underlying PBT; the resulting £4.4m was constrained by several challenging projects. However, the business' ambitious strategy for 2020 is based on the strong foundations established in 2019, which include new leadership, pipeline-generating frameworks, and a heightened focus on key clients and sectors. The overall strategy continues to evolve given the recent impact of COVID-19.

A more balanced business

In 2019, the Construction business aimed to focus its customer base, shifting its large percentage of work from one-off clients to a more even balance of strategic customers, from both the public and private sectors. As a result of this effort to date, the business won a place on 100% of the public sector frameworks it targeted in 2019, and considerably improved ISG's position on existing frameworks, such as Southern Construction Framework (SCF) in England and the South East of the UK, and Mid-Wales Collaborative Construction Framework (SEWSCAP) in Wales.

Early indications of the success of this strategy are good: 27% of revenue came from frameworks in 2019 – three times what it was just three years ago. The target for the business is 40% of revenue from public sector frameworks by 2024.

New leadership structure, renewed focus

In 2019, ISG formed a new Construction Board, which will continue to develop throughout 2020. As part of this, in 2019 Zoe Price was named the new COO for Construction, with an ambition to apply her recent successes in securing public sector frameworks and major projects for ISG to the entire Construction business.

Early involvement, learning and improvement

In 2019, the Construction team achieved repeat business from key customers by learning and reapplying business lessons.

Equally important in 2019, and moving forward into 2020, is early involvement in projects. Our work in 2019 proves that when our construction experts provide strategic advisory services at the conceptual phase of projects, we generate value for our customers, and profitability for our business.

Lord's Cricket Ground, London, UK

What we said in 2018

"A major focus for UK Construction continues to be success through repeat business and frameworks in its key markets. This strategy provides confidence for further performance improvements in 2019, through high-quality opportunities, and increasing project sizes."

Outlook

Dependent on the final impact of COVID-19, in 2020, the Construction business will look to capitalise on the strength of the new Construction Board, with a focus on driving collaboration across the service line. Zoe Price will work with the Stat Board and COOs of Fit Out and Engineering Services to identify opportunities and provide a deeper well of services to key clients.

Ladywood Leisure Centre, Birmingham, UK

Cardiff Transport Interchange

A return to the Welsh capital with Rightacres.

In December 2019, ISG secured an £89m construction project to deliver the mixed-use Cardiff Transport Interchange project, situated within the high-profile Central Square scheme in South Wales, UK, and encompassing a main city bus station. The project win resulted in large part from a carefully cultivated relationship between ISG and the developer, Rightacres.

Fast fact:

The late-2019 project win represents ISG's single largest Construction project of the year, and takes our tally of work awarded at Central Square past £200m.

Zenith, Cardiff, UK

In 2019, our Construction business achieved the following across its UK operations:

London
In 2019, the team focused on several landmark major projects, including breaking ground on the two-year redevelopment of Lord's Cricket Ground, and the new headquarters for a major high street retail client. With a strong pipeline of large mixed-use, office and hospitality projects, the next couple of years look to be strong for this part of the business.

Regions
ISG achieved £332.2m in revenue across the rest of England and Wales in 2019, in large part because of its cultivation of key clients and public sector frameworks. At the start of the year, the business secured a place on the North West Construction Hub high value framework, and also kicked off five contracts with the Department for Education framework.

Scotland
Despite some challenging projects in 2019, the Scottish team ended the year in a great position, with new leadership, and turnover in 2020 forecast to exceed £75m. Over the past year, the team has continued to raise the profile of its leisure and hospitality work with projects for five-star clients, adding to its offering in office and commercial spaces.

64 Princes Street, Edinburgh, UK

Watford HQ

Delivering a vision – for the client, its employees and the community.

In late 2018, ISG secured a major project to deliver brand-new headquarters for a major high street retail client. The new building will form the centrepiece of a new urban campus opposite Watford Junction train station in the UK. In early 2020, the project and customer teams celebrated the project's topping out, two weeks ahead of programme.

"This major scheme significantly enhances the built environment at a key gateway into Watford, with a striking design that raises the bar for future development in the town centre."

Steven McGee, Managing Director, UK Construction London

Holyrood Distillery, Edinburgh, UK

Engineering Services

Our Engineering Services business increased its underlying revenue by 72% to £798.7m (2018: £484.2m), achieved an underlying PBT of £25.0m (2018: £11.6m) and ended the year with a forward order book of £184.2m (2018: £434.7m).

£798.7m
underlying revenue
(2018: £484.2m)

£25.0m
underlying profit before tax
(2018: £11.6m

£184.2m
forward order book
(2018: £434.7m)

In 2018, the success of the Engineering Services business helped ISG to achieve a record-breaking financial year, and create unprecedented demand across its science and health, and datacentres divisions. This year, the business has grown its revenue again, by more than half, in large part by expanding into new geographies, strengthening its leadership team, and growing and diversifying its client base.

While the drop in the forward order book (FOB) at the end of 2019 is as a result of delay to some very large projects where we are currently in PCSA or preferred bidder position, we continue to bid a large pipeline of work. As a result, we expect the FOB to improve in 2020, likely after the peak of the COVID-19 impact, as pipeline projects are awarded.

Repeat business and new clients

At 60%, repeat business was a substantial source of work for the Engineering Services team in 2019. The team delivered datacentres for its largest client, and continues to support ISG's largest customers by volume, each with a growing pipeline of work. Recognising both the inherent opportunity and risk of these large clients, the team also spent significant time over the past year working to broaden and diversify its customer base.

A new structure for growth

In 2019, the Engineering Services business focused largely on building its reputation and capabilities as a specialist provider in datacentres and complex science and health facilities. Bart Korink joined the business as COO, and the team began the year by restructuring operations around four key business units, each with distinct leadership teams and strategic appointments consisting of seasoned specialist professionals.

The outcome of this effort was a more equitable division of capital resources, and a greater strategic focus across the various growth areas of the business.

Expanding across Europe and beyond

In 2019, 84% of ISG's engineering revenue came from projects outside the UK – a figure that has grown from 61% in 2018. Over the past year, the Engineering Services business focused on building relationships and expanding talent and skills across Europe and into Asia, with the intention of meeting the growing demand for datacentres outside the United States.

To support expansion, the business developed a new European supply chain management system. The business also began working on a new country management approach, which explores the risks and opportunities in entering new countries.

What we said in 2018

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

Outlook
In 2020, Engineering Services will focus on developing a global offering, engaging ISG's Asian capability and creating new opportunities for ISG's people and clients.

UCL Eastman Dental Institute Relocation and Medical Skills Project

A giant leap towards a world-leading neurology centre.

In April 2019, ISG was appointed as the main contractor in the initial phase of a £300m scheme to build a world-leading neurology centre for University College London (UCL) in the UK. The first scheme as part of that work is the relocation of the university's dentistry school to its Grade II listed buildings in Fitzrovia, London.

Fast fact:

The new UCL neurology centre will bring together more than 500 researchers to look into treatments for diseases like Alzheimer's, Parkinson's, Huntington's and vascular dementia.

Health Services Laboratories, London, UK

In 2019, Engineering Services restructured across four key business lines. In addition, we continue to support Commtech Asia, our specialist commissioning business.

Science & Health

In 2019, the Engineering Services business expanded our growing reputation for complex medical and science facilities, winning several key projects, including the first phase of a £300m neurology centre scheme for University College London (UCL) in the UK. Following several key project wins in Cambridge, UK, the team also opened a new office in the region, which has generated a sustainable pipeline of opportunity.

Datacentres & Special Projects

The risk of carrying several large clients is offset by the efforts of the datacentres and special projects business unit, which in 2019 was tasked with building our client base in the UK and continental Europe. As a result, in 2019, we were able to secure vital work for blue-chip co-location datacentre clients, while at the same time building on the experience and skills that have been developed on our largest projects.

Major Technology Client

ISG has been working with a confidential technology client for seven years, totalling 10 projects and 360MW of datacentre delivery. In 2019, ISG commenced its eighth hyperscale datacentre back to back for the company.

Integrated Project Delivery (IPD)

This year, the Engineering Services team's work in this area yielded record-breaking, single-project revenue for ISG, and has the potential to develop a significant pipeline of work. Due to this work, the Engineering Services team has been able to innovate in the area of prefabrication, which resulted in the delivery of the central core network rooms (CCNRs) in record time.

Commtech Asia

ISG's independent commissioning specialist company, Commtech Asia, has built on the success of its expansion into the Republic of China (Taiwan) and Thailand in 2018, established a presence in Vietnam in 2019, and is actively seeking to enter other markets in the region during 2020.

Digital Realty

The “best” of datacentre projects.

ISG has delivered “the best datacentre delivered for Digital Realty in Europe,” as described by our customer’s operations vice president. Situated on Digital Realty’s Campus in the South East of the UK, the £33m construction and fit out project helped to set the benchmark for further work with the client.

“While it’s critical to meet the changing data needs of the world, we are creating a legacy for people to be connected and to thrive. It’s also creating a datacentre that is environmentally sustainable and gives back to the local community.”

Peter Hutchinson, Datacentre Campus Manager, Digital Realty

Imperial College, London, UK

The value we create

Thriving financial position

Financial performance by the numbers

£2.6bn
revenue
(2018: £2.2bn)

£52.5m
underlying profit before tax
(2018: £38.5m)

£1.4bn
forward order book at year end
(2018: £1.4bn)

£116.9m
net cash position at year end
(2018: £77.4m)

£44.2m
statutory profit before tax
(2018: £27.4m)

Thriving financial position

In 2019, ISG achieved another record-breaking financial year, reaching £2.6bn in turnover and climbing eight places to 24th on The Sunday Times HSBC Top Track 100. In 2019, we also reported an underlying PBT of £52.5m, which means we have delivered our '50 in 5' (£50.0m underlying profit in five years) target two years early. We achieved these results while also investing £9.1m in capital expenditure, mainly for technology enhancements of our systems and processes, paying our suppliers and subcontractors promptly (page 72), and increasing our positive cash position with no debt.

The growth of ISG in 2019 and over the past few years proves the strength of our business model. We have become an exemplar for financial sustainability in our fragmented industry by showcasing an approach based on innovation and specialisation, investing in research and development to develop new potential service lines and add value to existing ones, and championing customer relationships and collaboration. By generating a strong financial position today and in the future, we can, in turn, create value for our people, customers, communities, supply chain and industry, and make significant progress towards achieving our vision.

Although we are pleased with our results, we continue our drive towards achieving greater operational efficiency – an often elusive goal in our industry. We reached our 2019 target of a 2.0% net margin across our business, but we still have much work to do towards our 2024 target of 4.0%. Board member, Paul Weaver, has moved into a chief improvement officer role, to intensify our focus on driving quality, creating efficiencies, and to focus on attracting more negotiated work.

Some of the ways we built a thriving financial position in 2019 were as follows:

A consolidated company management system

As part of an ongoing programme to drive continual improvement, in 2019 we rolled out our new company management system (CMS). The CMS supports business efficiency by improving our operating procedures and consolidating three management systems to enhance the consistency of service delivery.

Streamlined ISO certificates

In the UK, we consolidated our ISO certifications for 14001 (environment), 9001 (quality) and OHSAS 18001 (occupational health and safety), from three sets of certificates, to a single certificate for each standard, which drives efficiencies and improves communication with customers. In 2020, we will be transitioning our occupational health and safety management system certifications from OHSAS 18001, to the new ISO 45001 standard.

Engaging employees in efficiency

In 2019, our 'Think before you…' campaign built on the previous year's efforts and sought employee suggestions about how best to drive efficiencies across the business and supply chain. One initiative led to a 25% reduction in printing costs, and another, which brought more recruitment expertise in-house, resulted in over £1m in savings. The culture shift achieved from the 'Think' campaign has led to improved cost efficiency in decision-making across the Group; in 2020, the campaign will dovetail with the overall work on operational efficiency improvements.

The key resources

How we utilise our capital resources to create a thriving financial position

Social and relationship

In 2019, we invested heavily in the development of our people. This, in turn, contributed to a reduction in staff turnover and recruitment costs, an increase in repeat business, and supported reductions in margin erosion contributing to our profit and cash positions.

Human

In 2019, our Futures Group, CX and project management teams, IT department, supply chain team and BIM and digital services teams all used their great depth of expertise to drive efficiencies in the business and add value for our customers, contributing to repeat business and a reduction in margin erosion.

Financial

Creating financial value puts us in a position of strength and reassures our customers, our employees and our supply chain. It enables us to weather any potential changes in economic climate, continuing to deliver on payment performance, and investing in our people and our communities.

‘All 4 by 24’ strategy

Achieve optimal operational efficiency

To extend the value we create through a strong financial position, we set ourselves a five-year goal to achieve optimal operational efficiency. As a profitable and sustainable business, we are well placed to invest in opportunities that support our vision and create value for our business, our customers and society.

Definition

A number of elements go into fulfilling this goal, including supporting local and global economies, reducing our environmental impacts, and improving building performance for ISG and our customers. For more information on how we define this corporate goal now and through to 2024, see the ‘All 4 by 24’ table on page 86.

Areas of focus in 2019

- Review and address financial measures
- Improve practices and policies

Key performance indicator

Net margin percentage, defined as underlying profit before tax divided by the total reported revenue.

Performance

	2018	2019	2020	2021	2022	2023	2024
Target	N/A	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%
Actual	1.7%	2.0%					

"We are proud to say ISG achieved significant and record-breaking growth and profitability in 2019. This is great news not only for our stakeholders, who benefit from the value we drive from a strong financial position, but also because it speaks to the strength and agility of our business. In an industry where survival is often the focus, we are able to demonstrate that sustainable growth and stability are achievable over the long term. For us, it's about strong governance, visionary leadership, and strategic investment into growing and developing the resources that will sustain ISG into the future."

Mark Stockton | Chief Financial Officer

"In 2020, as a group we have entered this current period of uncertainty in a strong financial position with healthy cash balances, no debt and a solid forward order book. The Board has responded rapidly to mitigate the impact of COVID-19 on the business and implemented cash preservation measures. These include reducing staff numbers in line with the reduced volumes, implementing temporary pay cuts and furloughing staff, and reducing discretionary spend and capital expenditure budgets. These financial decisions aim to ensure we have a strong base from which we can regrow in the future."

Strong cashflow

ISG's gross and net cash* balance was £116.9m on 31 December 2019, which is a significant increase on the net cash position at the start of the year. This position reflects the full £25.0m repayment of a December 2018 loan from our parent company. Repaid in two tranches in November and December 2019, the repayment leaves ISG free of debt.

In August 2019, we cancelled our £45.0m liquidity facility line. Because of our increasing cash balance, and the fact that this facility had not been drawn on in either 2018 or 2017, it was no longer integral to our liquidity management. In order to maintain our access to funds as needed, our parent company has confirmed funds may be loaned as necessary. This more flexible approach fits with the Group's strategy.

Highlights from the Group's cashflow for the year include net cashflow from operating activities of £55.5m. With operating profit before interest and tax, but after depreciation and amortisation of £46.1m, this result shows that we have been able to hold our working capital balance at a similar level to 2018, despite our increase in trading.

Balance sheet

The consolidated balance sheet at 31 December 2019 shows growth and further strengthening of the Group's financial position over 2019. Net assets have increased to £123.0m (2018: £98.6m) and net current liabilities are stated at £99.2m (2018: £90.5m). As discussed in note 2 to the consolidated financial statements, the Group has adopted IFRS 16 leases in 2019, resulting in an increase to our non-current assets of £30.2m on the adoption date of 1 January 2019 and recognition of total lease liabilities of £36.5m on the same date. We continue to focus on working capital management to continue the trend of decreasing net current liabilities in 2020.

Net cash outflow for investing activities of £9.1m was a result of investment in IT and leasehold improvements for our office portfolio. Net cash outflow from financing activities was driven by the parent company loan repayment and payment of lease liabilities, that have been recognised on balance sheet in 2019 due to the Group adopting IFRS 16 at 1 January 2019 (see note 2).

Bond facilities
The Group continues to have bonding facilities with a range of banks and UK insurance companies. These facilities allow us to issue performance bonds on certain projects in line with market practice in our industry. As our projects grow in size and number, we work to maintain capacity on these facilities to meet future global operating plans. During the year we have increased the bonding lines by over £30.0m to £225.5m at 31 December 2019 (2018: £194.1m), of which 65.0% was utilised (2018: 57.8%).

Foreign exchange
ISG manages exposure to foreign currency by entering into forward exchange contracts or other suitable hedging instruments as appropriate, and we monitor our currency risk on a regular basis. Where possible, we match cash inflows and outflows in the same currency, further reducing our exposure. During the year, we made a loss of £1.3m (2018: £0.7m gain) on foreign exchange. The effect of volatile short-term currency movements on profits is reduced, as the Group accounts for foreign profits using average exchange rates.

What's next
Looking ahead to 2020, we expect a pause in revenue growth due to the timing of key projects, before we return to expansion in 2021 and 2022. However, the full extent of the impact of COVID-19 in 2020 is still to be determined. Through this lens, we will continue our plan over the next two years to lay the foundations for that growth by making highly considered and targeted investments in operational efficiency. Potentially including setting up operations in new countries, recruiting the best talent to support business growth, investing in software solutions and centres of excellence, training and education focused on improved compliance, and stress-testing our strategic direction to ensure we are always investing for the long term.

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

Information technology

A better-connected, more secure ISG

IT was a big priority for ISG in 2019. Although the financial investment in IT for the year was only marginally more than in previous years, the value outputs for people improved significantly. We also expect to see some considerable efficiency gains from these efforts to materialise in 2020.

Below, we reveal how ISG set out to create a strong and stable foundation of IT systems and processes in 2019, with the expectation that in 2020 the focus will shift to maturing and embedding the solutions.

A more connected global business
At the start of 2019, our IT leadership, set out to create a better-connected, global IT framework that enables communication and collaboration and reduces the need to travel.

Our approach to data protection
Data protection was a key focus for the IT team in 2019. Working alongside our data protection officer, the team has mobilised projects to deliver mitigations to the data protection risks that will benefit from a technical solution.

Focused systems security
In 2019, the IT team rolled out a new strategy for security, with a programme of work that enhanced key controls, protected ISG's data and helped combat a high number of phishing attacks.

For more information on how IT efforts in 2019 yielded great value for people, see page 49.


isg
1136
1142
1138
STEP UP

Thriving people

Employee experience by the numbers

79%
of employees completed the b-Heard employee feedback survey
(2018: 76%)

8,770
training days delivered globally
(2018: 7,246)

'1 Star'
Best Companies™ award
(2018: 'One to Watch')

1,743
employees voted in the Value Award nominations
(2018: 1,502)

Thriving people

As a construction specialist, among the most vital inputs into our business are the skills, expertise and engagement of our people. Quite simply, we cannot grow a sustainable business without attracting and retaining the very best employees. Furthermore, we cannot achieve our vision without empowering our people with the tools they need to make their mark and reach their goals.

For this reason, one of the ways we define value is through our ability to create thriving people. This priority is reflected in our employee-focused business goal, which sets out to create an uncompromising and exceptional employee experience over the next few years, and in the everyday activities and decisions taken by our leadership.

In 2019, we created significant value for our people, as acknowledged by our first-ever classification as a '1 Star' employer from Best Companies™, which rates the best companies to work for in the UK, and placing 17th on The Sunday Times 'Top 25 Best Big Companies to Work For'. In this section, we explain what we did throughout the year to make that success a reality.

Optimising our people performance

To create thriving people, we develop systems and processes that ensure our people have the information and tools they need, whenever they need them.

A smarter review system

Our Performance Development Review (PDR) process, maximises engagement and creates valuable outputs for our people.

In 2019, technology upgrades simplified the setting, tracking and evaluation of business objectives, behaviours and development goals, aiding the quality of review meetings.

A values-driven behaviour framework

Across multiple channels, the framework provides criteria for hiring, performance and development, and ensures people at all levels understand what great behaviours look like at ISG.

Up-to-date quality training

In 2019, mandatory classroom and online quality courses were delivered to operational, commercial and design-based roles across ISG. The learning covered critical issues including building envelope elements and fire safety from industry-wide proposals following the investigation into the Grenfell Tower fire in London, UK.

The key resources

How we utilise our capital resources to create thriving people

Intellectual

Our brand and reputation play an important role in attracting the very best people to our business. In 2019, we established an employer brand proposition to better showcase not only our successes as a business, but also the numerous positive personal stories that come out of ISG.

Human

As a result of our extensive development programme and tools, our global employee turnover was 13% in the year, compared to a UK industry average of 15% according to the recruitment industry, suggesting that we will continue to grow and reinvest human capital into our business moving forward.

Financial

In 2019, our financial investment in people went into recruitment, retention and succession planning, which in turn, built resilience and enabled the financial growth of the business. In 2020, we will shift our focus towards embedding our strategies, and building and enabling continuous improvement and operational efficiency.

Attracting talent and enabling business growth

In order for ISG to deliver sustainable growth, people must be embedded and engaged in our vision from day one. We work to attract a diverse set of people who seek to play a vital role in our value creation story.

A unifying employer brand

In 2019, the HR team launched ‘Build Something Special’, an employer brand aimed at attracting, recruiting and retaining people seeking personal and professional growth.

Stronger talent acquisition systems

To build and maintain ISG’s external pipeline of talent, we continued to invest in our internal talent acquisition function, both in terms of new systems and tools, and in the team itself.

Real-time applicant tracking information

In 2019, ISG’s new applicant tracking system (ATS) was established to maintain and grow a talent database and pipeline. The ATS provides real-time performance data and metrics that drive efficiency and improvements in our recruitment processes, tools and the candidate experience.

A new candidate experience survey

In the last quarter of 2019, a candidate experience survey was introduced to capture feedback from both successful and unsuccessful candidates. The results of the first survey were analysed and presented to the business as an NPS, mirroring our approach to customer satisfaction, and highlighting opportunities for improvement.

Opportunities for all

We openly advertise all our opportunities to allow us to access as broad and diverse a talent pool as possible. 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.

Retaining and developing talent to build organisational resilience

Supporting organisational resilience requires being agile and innovative in response to the business needs of today and tomorrow. We develop and prepare our people now, with a constant eye on what's next.

Expanded training for diverse needs

Demonstrating our continued investment in the development of people, in 2019 we delivered more than 8,000 training days across more than 200 subjects through our Smartspace learning facility. Smartspace was expanded over the course of the year to encompass significantly more technical, professional, compliance-focused and managerial courses, in addition to educational videos of both internally and externally hosted events.

Highly personalised management programmes

During the year, our management programmes for first-line and middle managers were adapted to the unique development needs of the participants, and as a result, approximately 100 ISG managers took part. On-demand, online learning now supports managers' capabilities in coaching, delegation, motivation, giving feedback and more. In addition, we invested in executive coaching programmes for employees identified as key talent and moving into senior leadership roles.

'All 4 by 24' strategy

Offer an unbeatable employment experience

In an effort to accelerate our value creation for our people, we set ourselves a five-year goal to offer the very best employment experience, and to recruit and develop the best talent in our sector.

Definition

A number of elements go into fulfilling this goal, including upskilling and developing our people and supply chain, protecting their well-being, providing social value to our communities, and enhancing our brand. For more information on how we define this corporate goal now and through to 2024, see the 'All 4 by 24' table on page 86.

Areas of focus in 2019

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

Key performance indicator

Performance on the Best Companies™ b-Heard employee survey.

Performance

	2018	2019	2020	2021	2022	2023	2024
Target	N/A	1 Star	1 Star	1 Star	2 Star	2 Star	3 Star
Actual	One to watch	1 Star					

An expanded Futures Group programme

In the summer of 2019, our Futures Group programme, which challenged some of our most talented employees to develop a solution directly related to a business need, concluded with presentations to the Stat Board. In 2020, a new cohort will kick off the next Futures Group programme, and another select group will form a new Advanced Futures programme, targeted specifically at people aspiring to senior leadership.

#TeamISG in Hong Kong received the Good Mandatory Provident Fund (MPF) Employer Award for the fifth consecutive year. The award recognises ISG's continuous commitment to improving our employees' retirement benefits.

ISG ranked 7th in Scotland on The Sunday Times 'Best Companies to Work For' list, making it the highest rated construction company in Scotland, and one of only two to make the coveted top 50.

> "The WOWEX programme was very interesting and hands-on. It was very compact in that we learned so many things within five days."
>
> Eliza Murphy, Student, Stockport College

World of Work Experience (WOWEX)

ISG gives students a deep dive into a career in construction

The scheme

ISG's World of Work Experience (WOWEX) programme was developed in 2017, with the benefit of Flexible Funds funding from the CITB (Construction Industry Training Board). Its aim is to address any potential long-term skills gaps in our industry, and ensure we are leaving a positive legacy in the communities where we work.

2019 intake

In 2019, we held WOWEX programmes across the UK, including welcoming 26 students from Yorkshire and the North West. In November, our headquarters at Aldgate House in London welcomed pupils aged 15-17 from different schools and colleges covering 15 of the 32 London boroughs (including City of London). The students spent five days following the process of tendering for a project to final pitch, including a visit to a live construction site at City of London, Primary Academy Islington (COLPAI).

88% of participants strongly agreed they had gained new skills / knowledge

Performance overall

More than 130 learners have been through the WOWEX scheme since it launched at ISG, with 66% of all participants saying they would consider a professional career in construction.

In 2019, #TeamISG also welcomed four new apprentices into employment from the programme.

62% felt they knew more now about the construction industry

42% more students wanted to pursue a career in construction than before

Clear-cut career pathways

In 2019, we focused on building career pathways for our people. With a network of career coaches, we are investing in the infrastructure necessary to help employees better navigate their careers, plan their development and build a long-term career with ISG.

An award-winning early talent experience

In September, we welcomed 58 new early careers participants to ISG, adding to the 54 already within the business. A comprehensive development programme underpins the experience of ISG early careers employees, and it was externally commended in 2019: We achieved 37th best graduate employer and 47th best apprentice employer in The JobCrowd™ 'Top Companies' listings.

A more-engaged-than-ever workforce

A record-breaking 79% of employees participated in our annual b-Heard survey in 2019. As a result of their responses, we were awarded '1 Star' status from Best Companies™ on our journey towards our goal of being a three-star business in 2024. We also placed 17th on The Sunday Times 'Top 25 Best Big Companies to Work For' list.

A more holistic approach to well-being

In 2019, we continued to embed a broader programme of health and well-being support for our employees, including new approaches to mental well-being and critical incident aftercare.

We partnered with Mental Health UK (page 69) and similar organisations in other geographies, which enabled our people to give back and encouraged a more open dialogue on mental health. We also launched the Aviva Well-being and Digital GP apps in the UK. For more information on our approach to health and safety, see pages 50-51.

Wider recognition and rewards

In appreciation of the value our people bring to ISG, we offer a competitive total rewards package, a chance to work on impactful projects, and opportunities to make a difference through charity and community work. At the end of the year, we hosted our Value Awards. For more information on this year's Global Value Award winners, see pages 52-53.

What's next

In 2020, we will focus on attracting new employees to enable growth by leveraging our employee value proposition, developing our relationships with strategic partners, and embedding our systems and processes related to recruitment and onboarding. With regard to retention, we will aim to build resilience through measures like more developed career pathways, expanded technical curriculum, and enhanced management and leadership programmes. Finally, we will aim to optimise our approach through knowledge share and greater IT integration.

87%
of employees proud to work for ISG

92%
of employees agreed they can make a valuable contribution to ISG's success

79%
of employees agreed that ISG is run on strong values/principles

77%
of employees would recommend ISG as a great place to work to their friends

Tech-enabled employees

IT was a big priority for ISG in 2019, from the standpoint of both empowering people with the tools they need to excel, and creating an IT culture that is purpose-driven and service-oriented.

A better IT service for people

Across the business, IT made a concerted effort to build relationships with internal stakeholders to ensure they are well supported. Roll-outs like moving ISG's employee magazine, 'The Vine', to a digital platform, eArcu applicant tracking, and Dynamics NAV set out to improve the employee experience, in addition to the provision of new state-of-the-art technology. End-of-year customer satisfaction ratings of 90% resulted from an overall improved IT service, boasting 90% of phone calls answered (2018: 70%) and 80% first-time fixes (2018: 60%).

Award-winning leadership

The CEO's Outstanding Contribution Award at the end of 2019 was awarded to ISG's group IT director, Ian Tyler-Clarke, for his ability to lead and strengthen a key enabling department, his relationships with stakeholders, and his commitment to ISG.

90%
customer satisfaction ratings from overall improved IT service

90%
of phones calls answered
(2018: 70%)

80%
first-time fixes
(2018: 60%)

Health and safety – focus on leadership, behaviour and culture in 2019

	2016	2017	2018	2019
AIR	1.11	1.32	1.62	1.74
Working hours on site	36.2m	30.1m	35.7m	41.0m

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

In 2019, our global Accident Incident Rate (AIR) was 1.74. Although it represents a marginal increase on our AIR of 1.62 in 2018, the figure sits below our 2019 target of 1.99. It is also considered within the context of an increase of working hours on site from 35.7m in 2018 to approximately 41m hours in 2019.

According to Build UK's annual survey of 1,844 construction companies for the period 1 April 2018 to 31 March 2019, the industry average AIR was recorded as 3.12. ISG's global AIR for the same period was 1.69.

Key health and safety initiatives in 2019 include:

Launch of our global health and safety campaign

ISG's new 'Choose safe. Choose health' programme was introduced in mid 2019. It aims to harness the collective power of everyday choices, bringing more awareness of how our collective decision-making affects the safety, physical and mental health of individuals. In 2020, the campaign will be underpinned by programmatic elements within projects and on site, which we anticipate will help us deliver environments that allow our staff, supply chain and clients to thrive.

Increased focus on occupational health

Industry reports suggest that health-related issues are 100 times more lethal than safety issues on site, and in 2019, 57% of construction workers experienced mental health problems. In response, ISG became the first construction company to be accredited to deliver the BOHS (British Occupational Hygiene Society) 'Controlling Health Risk in Construction' training course across our business, which has increased our awareness and ability to manage occupational health risk and minimise adverse health exposures.

Choose safe Choose health

Destigmatised mental health issues

We also embarked on a long-term programme committed to tackling mental ill health across the construction industry. We have more than 170 qualified mental health first aiders, have partnered with the charity Mental Health UK (see page 69), and are looking to address many of the causes of mental ill health through the provision of financial and health advice across our sites, encouraging people to speak out and providing a work environment where support is readily available.

Personal and creative approaches

Making health and safety personal was a key theme throughout 2019, driving home the risks and roles we have as individuals and as a business. In response to an increasing number and severity of hand injuries, the business embarked upon a 'Hand Safe' campaign, which sought to reinforce the importance of a person's hands and fingers to their work and personal lives. By getting people to connect their hand health to fun activities like playing table tennis and throwing darts, and by focusing on day-to-day tasks such as tying shoelaces, we contributed to a reduction in hand injuries by 53% over a six-month period.

We also looked at new ways to deliver real-life safety training for onboarded site teams through first-hand experience. An artificial intelligence (AI) personal protective equipment (PPE) system, which highlights in real time any failures in PPE, was trialled on one project site (see page 60).

New health and safety leadership

To bring more rigour and focus to our health and safety function, in 2019 we reorganised to provide each part of the business with its own dedicated health and safety leader and team. A Safety Leadership Team (SLT) comprising each of the COOs, the health and safety, director, heads of health and safety and operational directors has been established to develop and deliver our health and safety strategy for 2020.

Moving forward, our CEO, Paul Cossell, has committed to reinvigorating our focus on health and safety through greater board-level leadership, which will be replicated throughout the business at all levels.

A better cultural understanding

At the end of 2019, we issued a health and safety survey to more than 1,400 supply chain operatives. The results were hugely positive: 95% of respondents strongly agreed or agreed that health and safety was a priority for our business, and 97% of respondents strongly agreed or agreed they felt safe on ISG projects. In 2020, we will focus on creating an even stronger culture of health and safety, which will help us to become an industry leader.

2019 health and safety awards

- 21 Royal Society for the Prevention of Accidents (RoSPA) Awards, including three Order of Distinction and two President's Awards
- Three British Safety Council (BSC) International Safety Awards, including one Distinction

Global Value Awards

Being part of #TeamISG means being part of a company that prides itself on being dynamic, entrepreneurial and inventive – but it also requires the everyday investment and engagement of our people to make it a success.

2019 'Dream smart' winner | Jack Payne

Jack joined ISG in 2014, straight out of university. With a thirst for learning, Jack finds creative and outside-the-box solutions that support both the client and the business. Driving collaboration across our teams in the UK and continental Europe, Jack challenges the team to think differently and reach higher.

2019 'Speak frankly' winner | Daniel Turner

Daniel speaks openly and honestly, motivates his team, and finds creative ways to build relationships with the wider team on projects. Daniel was part of the Hogan Lovells project delivery team, which received a customer net promoter score of 10, and resulted in the client even cooking dinner for Daniel and the team at their new office space to say thank you.

2019 'Always care' winner | Richard Hayers

Joining ISG's group IT department in 2018, Richard has been a dedicated, calm and caring member of the team. He has a fantastic ability to pull people and teams together, while also supporting his colleagues on a one-to-one basis. Richard is always the first in the room to help find a solution to a problem, and his knowledge is second to none.

2019 'Never stop learning' winner | Mike Newton

Mike has played a pivotal role in the commercial aspects of a challenging project. Recently taking an apprentice under his wing, he mentors junior employees, supports his colleagues, and is always finding ways to increase his knowledge and expertise. Mike is keen to learn new ways of working and is always focused on finding the best outcome for ISG and the client.

2019 ‘Best of the best’ winner
Ernest Yung

Ernest has been with ISG for more than seven years and has progressed quickly. Responsible for the management of multi-disciplined engineering teams, Ernest works on a diverse range of projects, and mentors our employees and supply chain, while supporting the client. Ernest drives a culture of openness and communication.

Thriving customers

Customer experience by the numbers

60%
revenue from repeat customers
(2018: 56%)

+65
Net Promoter score (NPS)
(2018: +35)

85%
customer satisfaction score
(2018: 85%)

0.84
red flag average per survey
(2018: 1.19)

Thriving customers

Over the decades, we have built our business on the trust our customers put in us. In an increasingly competitive environment with growing pressure on margins, gaining that trust is all the more important today, but doing so is no longer just about delivering on time and on budget. At ISG, we set out to help our customers' businesses thrive, and we do so by understanding their needs, delivering exceptional-quality solutions, and applying innovative thinking to solve their problems now and over the long term.

In 2016, we launched a customer experience (CX) programme, which sought to explore and better understand what our customers think about ISG and the quality of the services we provide. In particular, we sought to close the gap between our perception of our performance and the perception of us held by our customers.

Around the same time, we expanded our 'Absolute Completion' programme, which drove intensive improvements in quality management and project completions. We also started to invest more heavily in BIM and other digital technologies, ensuring we are leveraging all of the tools available to us to meet our customers' needs. In 2019, we began to reap the rewards of those efforts, reaching 60% repeat business and capturing an industry-exceeding NPS of +65.

Over the course of the year, the team undertook more than 350 surveys, including 300 post-completion reviews, representing over 94% of the projects we completed during the year – far more than the 80% we targeted for the year.

Delivery of beneficial business insights

The purpose of the CX programme is to collect and analyse our customers' experience to influence how we improve. To this end, in 2019 the CX team began delivering annual CX reports bespoke to each business unit. They also provided workshops and training for the business units, produced targeted reports for the Stat Board, and created more robust corrective-action reporting that ensured clients were involved in ratifying ISG's corrective measures.

Increased focus on qualitative customer feedback

Although NPS is the simplest and more recognised measure of CX, in 2019 we focused as much on the qualitative inputs we receive from our customers as on their numerical assessments of our performance. We asked open questions and conducted most of our surveys face to face, which led to increased customer participation and richer data. The process taught us that listening intently to spoken feedback, responding with action plans, and closing the loop with our customers is the most effective way to drive change through our business.

Focus on systematic and repeat engagement

As an organisation that delivers hundreds of project and interacts with thousands of customers a year worldwide, ISG's typical customer experience can fluctuate with an individual client over time. In 2019, we continued to build on our approach to formally engage our customers a minimum of three times during their journey on a project. We also focused on identifying the right people to survey, specifically those at the forefront of project delivery and responsible for the long-term direction and performance of the business.

The key resources

How we utilise our capital resources to create thriving customers

Social and relationship

Our relationships with our clients – and our ability to provide ongoing and substantive value to their people, businesses and communities – are what make ISG a sustainable company. In 2019, we focused on improving how we deliver projects and gaining robust and actionable insights into our customers' needs.

Intellectual

We use the insights we gain through our customer experience program to develop thought leadership and inform our marketing and approach to bids. In 2019, we hosted two Smart Series events on topics of interest to our clients.

Financial

A strong (CX) programme, our value-adding services and tools, and key client relationships improved our repeat business percentage, diversified our repeat client base and increased our revenues.

International entertainment client

In Hong Kong, ISG is very highly regarded for customer experience: In 2019, the team there achieved an NPS score of +100 and had 84% repeat business. A key reason for this success is the depth and strength of key client relationships. ISG has had a long-term relationship with an international entertainment conglomerate and, from 2020-2022, is lined up to deliver another three projects for the client.

Length of relationship:
7 years

Success factors

- Shared values
- Robust preconstruction process
- Innovative use of BIM
- Commercially fair and reasonable approach
- Long-term view on supply chain relationships
- High-quality expectations focused on zero defects
- 'Can-do' attitude to solving problems

‘All 4 by 24’ strategy

Provide the best customer experience in our industry

To deliver true value for our customers, we set ourselves a five-year goal to provide an unrivalled customer experience that enriches our relationships with our customers before, during and after project delivery.

Definition

The various influences on this goal range from project performance and outcomes, to highly skilled project teams building mutually beneficial relationships, and the development of local communities. For more information on how we define this corporate goal now and through to 2024, see the ‘All 4 by 24’ table on page 86.

Areas of focus in 2019

Customer focus
Behaviours
Knowledge-sharing
Continuous improvement

Key performance indicator

Percentage of revenue from repeat business.

Performance

	2018	2019	2020	2021	2022	2023	2024
Target	N/A	57%	59%	61%	63%	65%	68%
Actual	56%	60%					

Actionable insights from independent surveyors

By nature, our surveys allow us to quickly identify which customers require follow-up and by whom within the business. In 2019, however, we honed our approach of using a team of CX surveyors who are independent to business units. Our CX team supports the business units to identify improvements and drive action, while holding them accountable to closing the feedback loop and driving value within their relationships.

Better, more efficient quality controls

Our new company management system (CMS), rolled out in 2019, is aimed at improving our consistency of service delivery. In addition, in the UK we consolidated our ISO certifications (see page 38), which gives greater clarity to the customers we deliver services to across multiple sectors e.g. offices, retail and highly engineered facilities. In particular, our transition from OHSAS 18001 to the new ISO 45001 in 2020 will impose more stringent compliance requirements, that will assist us in continually improving our occupational health and safety performance across the business.

> “In a business-to-business industry like ours, great examples of CX programmes are hard to come by, due to the personalised nature of customer interactions and relatively small data sets. As a result, in 2019 we focused as much on the qualitative inputs we receive from our customers as on their numerical assessments of our performance.”
>
> Faiza Syed, Head of Customer Experience ISG

Global drinks manufacturer

ISG's relationship with a global drinks manufacturer is built on trust, collaboration and a commitment to continuous improvement. Following on from a decade of close ties and successful projects, in 2019 ISG won a further contract to refurbish a building that will serve as the client's new London headquarters.

Length of relationship:
10 years

Success factors

- Straightforward and regular communication
- Open and honest collaboration
- Deep institutional knowledge of customer
- Consistency of delivery
- A solutions-oriented approach
- Input into innovative construction methods
- Exemplary health and safety performance
- Right-first-time focus on quality
- Minimal disruption to everyday operations

Hogan Lovells, London, UK

BIM and digital services - driving innovation in the customer experience

Benefitting from a significant increase in investment by the business, ISG's BIM and digital services team was involved in twice as many projects in 2019 compared with the previous year – and in 2020, the team's work is expected to double again.

Driven by both customer demand for innovation and our desire to deliver exceptional customer value, our BIM and digital services team currently stands at the forefront of the industry. ISG is one of only a few Tier 1 construction companies with BSI Kitemark certification for ISO 19650 BIM. We also have patents pending on our innovative construction solutions, reflecting our investment into in-house research and development and our commitment to protecting our intellectual property.

In 2019, the team's focus was on reducing project risk and improving client outcomes. The following examples reveal how the BIM and digital services team created value for customers in 2019:

Confidential public sector client
ISG integrated BIM, virtual reality and QR codes to engage 1,500 members of staff at the organisation's 'Town Hall' meeting, and help them to feel involved in the creation of their new office space.

Lord's Cricket Ground, London, UK
The team delivered a 4D build simulation to demonstrate critical sequence and value for the customer, and engage stakeholders in a clear and visual way.

> "The staff conference this week was a great success and achieved its purpose with the sponsorship and participation you provided... These engagement sessions are vital to us to ensure that staff are kept informed and continue to feel part of the corporate conversation."
>
> **Director of Property, confidential public sector client**

City of London Primary Academy Islington, UK
To mitigate concerns expressed by the community for a build in North London, we carried out an accelerated laser-scanned survey, and built an external project simulation in two days.

Michael Uren Biomedical Engineering Research Hub, UK
Our team implemented BIM in a laboratory environment by delivering model and data sets required by facilities managers to operate the building (page 81).

Confidential technology project
We developed PPE detection AI for use on our project site. By visually verifying whether or not construction workers are wearing the required PPE, the system aims to improve compliance and ultimately, health and safety awareness (page 51).

Continued focus on high-quality completions

Since 2016, we have continued to refine our project completion and handover scheme 'Absolute Completion'. The scheme provides a universal measure for the effective completion of projects, and ensures they are delivered to a high-quality standard and all customer deliverables are met. In that time, we have seen our average quality-related customer satisfaction scores improve several percentage points year on year, growing from 80% in 2016 to 85% in 2019.

What's next

Moving forward, we will continue to roll out our quality management programmes across the business and have three areas of focus for 2020:

1. Tender stage: Improve quality risk assessment and planning.
2. Construction stage: Expand the use of field tools to enhance work-face efficiency and drive defect reduction.
3. Post-completion stage: Implement a company-wide 'Absolute Completion' process.

Smarter bid marketing

What is it

In 2019, feedback through the CX programme provided us, and in particular our marketing and bid teams, with valuable insights into the issues our customers care about most.

What we did

We held several Smart Series events, which launched in 2018 and continued apace in 2019. Bringing together customers, supply chain partners and industry professionals, we hosted two events in the year, one focusing on the procurement of construction services (London, UK, in April) and another on innovation in the industry (Madrid, Spain, in June) – both issues of interest and relevance to our customers.

> "ISG-hosted industry events like Smart Series help us to enhance our understanding of how the construction industry can operate more efficiently, and allow us to develop and execute industry-leading practices. They are not only a great weapon in our business development arsenal, but also allow us to express a contractors' viewpoint to help others."
>
> Jamie McGahan, Divisional Commercial Director, ISG


soup kitchen
@SOUPKITCHENLONDON
Onward
Display

Thriving communities

Community engagement by the numbers

£509,508
charitable fundraising, pro bono support and gifts in kind

(2018: £348,237)

39.9/50
average Considerate Constructors Scheme score (UK)

(2018: 39.6/50)

4,631
apprentice weeks (UK)

(2018: 3,890)

8,633
students engaged through curriculum enhancement activities and work placements (UK)

(2018: 6,419)

Thriving communities

Giving something back is important to ISG, because it helps to create a world in which our communities and people can flourish. We are dedicated to using our expertise, resources and market presence to benefit our local and global communities, and we aim to do our part in contributing to a world that is environmentally healthy, economically stable, politically fair, and supports equal opportunities for all.

We create thriving communities through our social value strategy which is embedded in every project. This is through a combination of project-oriented initiatives, charity partnerships, and support for our employees who wish to pursue their own fundraising and volunteering interests. In 2019 we created over £3.5bn of social value for our communities in the UK, £2.29 for every £1 of investment (see pages 66-67).

Also of note are our newly formed relationships with mental health charities around the world. Just one year into our UK charity partnership with Mental Health UK, we've already raised more than £118,000 of our £300,000 three-year target, while continuing to roll out initiatives designed to raise awareness of this growing issue in our industry (see page 69).

In 2019, we also reconsidered our long-standing approach to generating social value. For many years, we have worked to attract young people to the construction industry, helped unemployed people into work and upskilled the existing workforce to improve their employment prospects. Today, we are focused on deepening the impact of those activities by gaining greater insights into the specific needs of our communities and responding in ways that provide meaningful and enduring value.

More people helped through our work

Through our social value activities over the years, we have had a positive impact on tackling some of society's big issues, including the skills shortage, unemployment and productivity. In 2019, we continued that work, delivering 4,631 apprentice weeks and engaging 8,633 students through learning and work placements, while also focusing on local spend and working closely with our supply chain to support small and medium-sized enterprises (SMEs) and local third-sector organisations.

A drive for deeper and broader impact

In 2019, we set out to make our social value activities more measurable, far-reaching and impactful. In addition to embedding social value and sustainability targets on projects across the business, we also broadened our capabilities, with social value managers distributed across the business and the integration of expertise from the third sector. Our ambition is to go beyond the industry standard of only hitting project-set KPIs, to help create prosperous communities everywhere we work. As a result, we are now actively involved in shaping public sector framework principles, driving our customers' social value agendas, and sharing knowledge and best practice amongst our clients, consultants and supply chain partners.

Access to better data

Every community is different, and so every social value plan should be too. In 2019, we reviewed our capabilities in line with UK National Themes, Outcomes and Measures (TOMS), a tool for measuring, managing and reporting social value in accordance with the Public Services (Social Value) Act 2012. As a result, we set out to integrate more local authority data, national and local labour market data, health data, indicators of deprivation and crime data into our projects, to enable us to better understand the local needs and priorities of the communities where we work.

Plans customised by communities

Better data informs our social value plans, but we believe the detail can only be filled in by the stakeholders themselves. In 2019, we adopted a collaborative, partnership-led model for working with communities and key stakeholders. We seek subjective input from interviews, surveys, focus groups and facilitated workshops, in order to get feedback on our progress on short- and long-term value delivery.

The key resources

How we utilise our capital resources to create thriving communities

Social and relationship

The sustainability of our business is driven in part by the relationships we build with our communities and the connections we build on our customers' behalf. In 2019, we embedded social value targets across ISG and worked to deliver tangible and measurable value to local people, businesses and charities.

Human

Access to skilled employees, now and in the future, is vital to the health of our business. In 2019, we continued to focus on enhancing the employment and skills of the communities where we work, providing our Level 3 Professional Construction Practice qualification that nurtures the development of our future workforce.

Financial

In 2019, we invested not only in project-specific community initiatives, but also through our corporate charity partnerships, employee volunteering opportunities, and matched-funding to ISG employees for their personal fundraising endeavours. All ISG employees are entitled to two days off from work a year to pursue volunteering.

> "At ISG, we don't treat social value as a numbers game driven solely by KPIs. We see our role as listening and responding to the voices of local stakeholders to ensure we deliver long-term value in the ways it's needed most."
>
> Fozia Parveen, Head of Social Value, ISG

Game-raising procurement practices

As a result of our sophisticated data analysis through SPC, we learned that the single most important multiplier factor for social value outcomes is procuring through local supply chains. As a result, in October 2019, ISG entered a partnership with Social Enterprise UK (SEUK) through its 'Buy Social Corporate Challenge'. This bold initiative, which challenges high-profile businesses to collectively spend £1.0bn with social enterprises, gives us the mechanism and focus to benchmark where we are today. Just as importantly, it challenges us to further enhance our procurement practices through the lens of social value.

Increasing our social value scope to include carbon emissions and environmental improvements

We have started putting a social value on our ability to reduce carbon emissions through good design and construction, as well as other environmental improvements. Through our involvement in groups such as the London Business Climate Leaders initiative, and complying with Non-Road Mobile Machinery (NRMM) low-emissions targets, we aim to support the improvement of air quality in our cities, as well as reducing our wider operational emissions to minimise the impacts of climate change on global communities. For our most recent carbon reduction strategy results, see pages 74-80.

What's next

In 2020, we will be ensuring we capture all the aspects of social value that we create including the value of environmental improvements and innovations. We will also be revolutionising the way we ensure that we leave an enduring legacy at our projects. We will be ensuring we discuss with our clients the benefit of setting customised social value targets, based on local authority or individual boroughs' published Needs Assessments. We will also be using the 'Appreciative Inquiry' techniques to ensure we are delivering what the local community requires, and that it will have enduring value after we have left.

£3,555,924,047
total social value

£3,489,515,282
total economic impact

£66,408,765
total social return on investment (SROI)

Total social value ratio:

ISG generates £2.29 for every £1 spent

The SROI value is comprised of:

Total SROI

Fiscal savings to UK government and taxpayers associated with reduced cost for welfare, health services, education, emergency services, housing and social care.

£13,530,804
fiscal savings

Economic benefits to HM Revenue and Customs (HMRC) associated with tax, National Insurance and earnings due to reduced worklessness and sickness days.

£19,403,447
economic benefits

Well-being improvements associated with employment and skills development, qualifications, education support, school and community engagement, and improvements to physical and mental health.

£29,738,226
well-being improvements

Environmental benefits associated with reducing, recycling and diverting waste, reducing CO_2 emissions, as well as ecological protection.

£3,736,288
environmental benefits

Social Profit Calculator

Measuring the value we provide to communities

What it is

Leading technology platform, Social Profit Calculator (SPC), accredited by Social Value UK and Social Value International, calculates the value of a business' activities. In 2018, we partnered with the organisation to become one of the first UK contractors to provide our customers with an accurate report on the impacts of their project investments, through construction and during operation.

How we use it

We worked with SPC in 2019 to determine the social, economic and environmental impact of ISG's Fit Out and Construction operations across the UK for the months from September 2018 to September 2019. Calculated against turnover using a combination of our social return on investment (SROI), economic impact across our business, as well as our added social value activities, our total economic impact for this 12-month period was £3.5bn, with an SROI of £66.4m. This figure reflects the impact of our targeted social value strategies and proactive approach to creating opportunities for education, skills development, and sustained employment.

What's next

In reality, we believe the value we have created across our global business in 2019 is much more than the number above. In 2020, we will be ensuring we capture the value of all aspects of social value that we create including all our volunteering activities, charity partnership work, innovation activities and environmental improvements.

Around the world – ISG creates value for communities in more ways than one

High-tech training in Belgium

In Belgium, where we have a large technology project on site, ISG has been working with the local university and college to implement a traineeship programme. Five students were placed into training in 2019, and two were recruited by ISG at the end of their traineeships. With more than 4,000 apprenticeship weeks delivered across our business and on our sites, ISG is supporting communities and securing the pipeline of talent required to help our industry to thrive.

> "Site visits, such as the one to Velux's upgraded headquarters, are an excellent opportunity for our students to contextualise what they are learning at college."
>
> Martina Brady, Quantity Surveying Lecturer, Fife College

A window into work in Fife, UK

In October 2019, 50 students from Fife College in Scotland joined the ISG team on site at the Velux project, a £7m office expansion serving the roof window manufacturer. The students, who are studying quantity surveying, architectural technology, interior design and the built environment, toured the site and learned about the project. Events like this, held at ISG's offices and sites, have supported 8,633 students to build skills in 2019 and better understand the wealth of opportunities open to them in the construction industry.

Routes back to employment in Sheffield, UK

In Sheffield, ISG worked with Sheffield City Council, Jobcentre Plus and local training provider, Portland Training, to offer work experience for placements from the council's four-week construction skills programme. In February, we supported a candidate with on-site work experience which led to his registration through our preferred recruitment agency, paid work on site from March, and registration for a fully funded NVQ Level 2 in joinery. At ISG, our engagement with communities is designed to provide opportunity to populations that might otherwise be hard to reach.

> "ISG is a huge influencer in making this programme a success and has already provided an opportunity for one of our learners from the first cohort to progress his learning into a career and improve his future outlook."
>
> Kingsley Paul, Adult Education Budget Contract Manager, Portland Training

Running for colleagues in Hong Kong

Many of our charitable causes directly support the people in our industry. For a fourth consecutive year, a team of five ISG and Commtech Asia employees in Hong Kong joined an annual fundraising run, 'Lap Dog Challenge 2019', to raise funds for a charity that provides financial assistance to construction workers who have fallen victim to accident or illness, as well as their families. Our team completed 442 laps around a 400m running track and a combined distance of 177km within the five-hour time limit, successfully raising over £29,000 to contribute to the total amount of over £156,000 raised throughout the event.

Accessing great projects in London, UK

In 2019, we transformed an old classroom block at Barking and Dagenham College into one of the country's first Institute of Technology centres. Awarded to ISG through the influential Pagabo framework, the project provided more than 14 community events, sponsored (in partnership with the supply chain) eight apprentices, and delivered a social return on investment of over £2.1m.

> "Through my placement, I worked on a new, state-of-the-art five-storey teaching block for Richmond upon Thames College in Twickenham. I experienced the project from the groundworks stage through to near completion, so I've had exposure to all the different trades and sequencing stages of a project."
>
> Haaroon Belaid, Student, Barking and Dagenham College

Thriving places in the United Arab Emirates

Our projects create thriving communities too. In the Middle East, ISG has had a significant impact on Dubai and Abu Dhabi through the delivery of two high-quality public-facing projects. Entertainment venue SoBe, for which ISG delivered the fit out, was named 'Best New Nightlife Venue' at the Time Out Dubai Music & Nightlife Awards 2019. At ISG's newly refurbished Zayed Sports City Stadium in Abu Dhabi, Pope Francis held a historic public mass in February, which drew an audience of 100,000 people.

> "The stadium has been completely upgraded – from concourses and support areas to all electromechanical systems – making it an ideal venue for this historic event."
>
> Scott McCulloch, General Manager, ISG in the Middle East

New UK charity partner - Three-year partnership with Mental Health UK gets off to a strong start

The need

Research into mental health within the construction industry shows that up to 57% of construction employees have experienced mental ill health issues at work. Also, according to a survey of 724 ISG employees conducted in August 2019, we have work to do to increase awareness and support of mental health in our workplace.

Our response

In 2019, we formed relationships with several mental health charities around the world. Our three-year partnership with Mental Health UK (MHUK) prioritises destigmatising mental health issues within our work environment, and more broadly, within the industry. We set an overall fundraising target of £300,000 over the life of the partnership.

£100,000

fundraising (target) 2019

£118,000

fundraising (actual) 2019

50

number of fundraising initiatives by ISG people

Example initiatives

#ImAllEars campaign include

In our first awareness campaign for Mental Health Awareness Week in May, employees and subcontractors on site were able to affix a pair of blue ears stickers on computers or hard hats, showing solidarity for those in need of support. Additional green ears were given to trained Mental Health First Aiders.

Kicking the mental health stigma

In July, our Agility business hosted football tournaments, drafting in clients and contractors. Tied in with Men's Health Week, and with an on-pitch presentation from our partners at MHUK, the large turnout raised awareness of mental health, as well as **£3,210** for the charity.

ISG's 'Cycle for Charity' challenge

In September, #TeamISG took part in our 40- and 74-mile cycle routes through the scenic countryside of Oxfordshire and Buckinghamshire. With 300 cyclists completing more than 18,000 miles, we raised **£33,500**.

> **"ISG's commitment to making mental health a part of everyday conversations is fantastic news. It is another big step forward towards a society that understands and accepts that mental illness can affect all of us, no matter who we are."**
>
> **Brian Dow, Managing Director, Mental Health UK**

Going to new heights

Teams across the business climbed mountains to complete the Yorkshire 3 Peaks, traditional 3 Peaks, Mont Blanc and Welsh 3000 challenges, raising an impressive **£16,350**.

Outcomes

The money raised will make a big difference to MHUK and its service delivery partners, fund provisions like their support helpline, their in-depth advice service, and community support groups across the country.


Stronger

Thriving supply chain

Supply chain by the numbers

51.5%
procurement through ISG's key supply chain partners (UK)

(2018: 50.2%)

Thriving supply chain

At ISG, the delivery of our services relies heavily on the successful procurement and management of trusted and proven supply chain partners. In order to reduce risk and maintain the quality, diversity and flexibility necessary to meet the needs of our customers, we must continually develop our supply chain across geographies and sectors.

Below, we outline what we did in 2019 towards creating a thriving supply chain:

Increasing strategic supply chain spend

Our relationships with our key supply chain members enable consistent delivery, while also reducing risk and ensuring quality standards remain at the highest levels. In 2019, we achieved 51.5% of procurement with our key supply chain partners in the UK, an improvement on our 2018 performance of 50.2%. We expect a level of increase in compliance levels in 2020 and beyond, as we work collaboratively with our supply chain partners.

An inaugural event for 100+ supply chain partners

Driven by our commitment to keeping our suppliers aligned with our business goals and values, in March 2019 we held our first-ever ISG Supply Chain Conference in London, UK, which was attended by more than 100 of our key supply chain partners from the UK and continental Europe.

First Supply Chain Excellence award

In July 2019, ISG took home its first-ever Construction News award for Supply Chain Excellence (page 73). The judges remarked on the quality of supply chain relationships, as represented by the BBC Cymru Wales office project: “There was collaboration upstream and downstream, innovation, and recognition of a supply chain ecosystem.”

Expanded training to tackle complexity

We continue to operate Smartspace, our in-house facility to provide training to supply chain partners. Because our projects are growing evermore complex in terms building services provision, in 2019 we developed and delivered new training to more than 100 operational and commercial ISG staff to help address the planning, procurement and interface challenges of our projects.

Improved payment performance

ISG is committed to fair pay of its suppliers. Over the past few years, we have improved the time it takes to pay our suppliers, and our number of payments made within terms has improved by 22%. ISG pays on average within 40 days, faster than the industry average of 47 days, and we have an aim to hold zero retention for all subcontracts by 2025.

What’s next

As we establish ourselves in many key markets across Europe and beyond, the supply chain ecosystem becomes increasingly important. In 2019, we developed our plans to expand our current supply chain to help future-proof our capacity for delivery in these places. In 2020, we will continue to focus on supply chain expansion, particularly as the business seeks to become the top provider of engineering services across Europe.

The key resources

How we utilise our capital resources to create a thriving supply chain

Social and relationship

In 2019, we worked to engage our supply chain partners to align with our vision, our values and the strategic direction of our business.

Financial

In 2019, we delivered considerable benefits back to all business units in ISG by working together with our key supply chain partners.

Intellectual

In 2019, we leveraged our perspective, specialism and knowledge of the industry to the benefit of our supply chain. In addition to running our in-house training facility, we provided ongoing events, courses and other development activities.

BBC Cymru Wales

A collaborative approach to a complex project

ISG's win for Supply Chain Excellence was in part because of our work on the delivery of the new BBC Cymru Wales office in Cardiff. ISG brought our one-team supply chain approach to the broadcasting headquarters, which had complex mechanical and electrical (M&E) requirements, a Foster + Partners-designed steel-frame feature, and the need to achieve a BREEAM 'Outstanding' environmental performance rating.

Early on, ISG brought in M&E subcontractors, CMB and Evan, to work with the client and consultants and add value through the design development, as well as structural-steel specialist, Severfield, to work on the steel frame. We used virtual reality modelling to help fully understand the design before any work started. The result was a building delivered precisely on time and budget, with a BREEAM 'Outstanding' rating and a dramatic high-quality finish.

Thriving industry

Environmental performance by the numbers

10%
reduction of GHG emissions against 2015 baseline – three-year rolling average
(2018: 31%)

A-
CDP climate change score
(2018: B)

1.63t/ £100,000
construction waste production / revenue (UK)
(2018: 1.9t/ £100,000)

97.4%
diversion of construction and demolition waste from landfill (UK)
(2018: 96.9%)

Thriving industry

A thriving construction industry is good for all of us. As one of the largest and most influential companies in our sector, we recognise that we have an enormous responsibility to develop best practice, to lead with purpose, and to collaborate in ways that break down conventional barriers and ignite the collective power of our industry's vast skills and expertise. For this reason, after our record-breaking financial year in 2018, we made driving revolutionary change in our industry a key tenet of our strategy for the next few years.

At the start of 2019, we set out to make a difference – and make a difference we did, by investing in technology (pages 38 and 60), and innovating in our approaches to our people (pages 42-53), social value (pages 66-67), health and safety (pages 50-51) and customer focus (pages 54-61). We challenged ourselves to have open, honest and collaborative conversations with our supply chain (pages 70-73), our employees and our customers, to ensure we were best equipped to solve problems together. At the same time, however, we struggled to clearly and effectively define and measure our success against this goal. In simple terms: How do we measure revolutionary change in our industry?

It's a question we will continue to address throughout 2020, but we know for certain that embedding our approach to sustainability and leading in our response to climate change will continue to be a vital part of the answer. In 2019, we have taken important steps forward in our effort to reduce our environmental footprint, reduce waste, and to help our clients to mitigate the impacts of their built assets.

Environment and emissions

ISG is committed to both reducing our own carbon emissions and supporting our clients in their endeavours to achieve carbon neutrality. In terms of our own emissions, we are working with other members of our industry to establish methodologies for measuring and reporting carbon emissions across a continually changing landscape.

In 2015 we set a baseline for our global greenhouse gas emissions and set about developing a reduction strategy. On this journey we have continued to re-evaluate our data capture methodologies and seek to increase the depth and transparency of our reporting, as reflected in our CDP carbon reporting score (see page 77).

Given a portfolio of projects that can range from a six-week office fit out to the delivery of a datacentre campus over five years, there is no easy way to show progress. We have committed to the widely recognised Science Based Target initiative (SBTi), but this is a crude way of looking at absolute emissions and does not always reflect an accurate picture. 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 each year, and whether or not we pay for energy used on our sites. Also, when a business is in decline its carbon emissions reduce. Conversely, when a business is growing, as we are at ISG, it is very hard to portray an accurate view of our relative performance to our stakeholders.

Breakdown of our 2019 absolute scope 1*, 2, 3*** greenhouse gas emissions**

SBTi Scopes	Market-based (tCO_2e)
Scope 1	10,243
Scope 2	1,714
Scope 3	443
Scope 1+2	11,957
Scope 1+2+3	12,401

* Scope 1 = direct emissions from ISG-owned or controlled sources e.g. use of diesel on site through vehicles.
** Scope 2 = indirect emissions from the generation of purchased energy e.g. use of electricit6y to power sites and offices.
*** Scope 3 = indirect emissions (not included in scope 2) that occur in the value chain of ISG e.g. business mileage of our employees and emissions from non-project-related goods and services that we procure.

What we have learned so far is helping us to develop more industry-leading carbon management methods, and to re-evaluate the applicability of accounting, such as the SBTi, to businesses such as ours. Many of our clients are now looking to get to net zero carbon as defined by the World Green Building Council, UK Green Building Council (UKGBC) and London Energy Transformation Initiative (LETI) and, through our participation in industry working groups, we are evaluating the methods for our industry to also achieve net zero carbon.

From 2020 we will continue to evaluate industry methodologies for setting net zero carbon targets. We will also be developing more granularity to our carbon data, focusing on measuring the various elements that make up our overall carbon footprint, and setting specific reduction targets for each. This will enable us to report more clearly on the variable and growing areas of our operations and help to distinguish between reducing carbon in our activities and the growth of our business. Our route to net zero carbon is also dependant on our supply chain and availability of associated technology across our geographies, so we will be developing a pathway of how we expect our projects to enable this journey. If it is still applicable, part of this solution may be using our Science Based Target work as a starting point, although this initiative is rapidly being superseded by other methodologies.

A leading approach to climate change

For the sixth consecutive year, in 2019 ISG has voluntarily responded to the internationally recognised CDP climate change programme. The programme and score reporting allow companies to benchmark and compare their progress towards environmental stewardship against peers, in order to continuously improve their climate change governance and administration.

In 2018, after the introduction of new areas of disclosure and a new scoring methodology, we saw a drop in our score to a B (Management level), but still exceeding the CDP and sector average of B-.

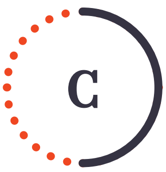
In 2019, having taken on board the report feedback and improved the transparency and depth of our reporting, we have regained a score of A-, demonstrating 'Leadership' in our approach, and performing above the CDP global, European and sector average of C.

ISG plc CDP score

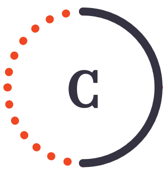
Region: Europe
Country: UK
Questionnaire: General
Activity Group: Commercial and consumer services

ISG plc received an A- which is in the Leadership band. This is higher than the Europe regional average of C, and higher than the commercial and consumer services sector average of C.

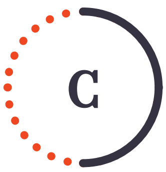
Average performance



Commercial and consumer services



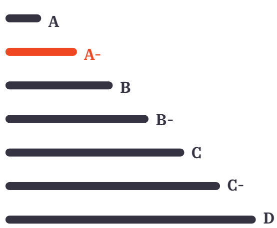
Europe



Global average

Understanding the CDP report

Leadership (A/A-)
Implementing current best practices
Management (B/B-)
Taking coordinated action on climate issues
Awareness (C/C-)
Knowledge of impacts on, and of, climate issues
Disclosure (D/D-)
Transparent about climate issues



'All 4 by 24' strategy

Drive revolutionary change in the construction industry

In an effort to create game-changing value for our industry, we set ourselves a five-year goal to become our sector's leading innovative, tech-led organisation, known for investing in research and development, learning from specialists across industries, and collaborating with our customers, peers and supply chain.

Definition

This goal includes empowering our people and supply chain to work together to drive innovation, encouraging corporate and personal responsibility for our collective health and safety, engaging our communities to understand their needs, and enhancing our brand. For more information on how we define this corporate goal now and through to 2024, see the 'All 4 by 24' table on page 86.

Areas of focus in 2019

- Review and address our emissions and standards
- Work more collaboratively with our supply chain
- Drive towards carbon-neutral construction sites
- Invest in change

Key performance indicator

Percentage reduction in ISG's greenhouse gas emissions on a three-year rolling average against our 2015 baseline.

Performance

In 2019, we reduced our global greenhouse gas emissions by 10% on a three-year rolling average from our 2015 baseline. We are currently re-evaluating our data capture methodologies and reduction targets moving forward (see pages 76-77). We aim to reduce our emissions to a net zero carbon position by 2030.

The key resources

How we utilise our capital resources to create a thriving industry

Natural

In 2019, we worked to engage our supply chain partners to align with our vision, our values and the strategic direction of our business.

Social and relationship

In 2019, we delivered considerable benefits back to all business units in ISG by working together with our key supply chain partners.

Financial

In 2019, we leveraged our perspective, specialism and knowledge of the industry to the benefit of our supply chain. In addition to running our in-house training facility, we provided ongoing events, courses and other development activities.

A deeper look at embodied carbon

In 2018, we set out to reduce our carbon impact through several key initiatives, including identifying embodied carbon in our projects. In 2019, we engaged with clients and our supply chain to trial various software options on some of our projects. Our aim is to identify the design decisions we can influence that will have the greatest effect on reducing embodied carbon impact. We plan to develop this capability in 2020 and create a standard approach to embodied carbon measurement and reduction, that we can offer as part of our services.

Building Awards 2019

CEO of the Year, Paul Cossell

At the 2019 Building Awards, ISG's CEO, Paul Cossell, won 'CEO of the Year', an accolade that recognises and rewards genuine excellence among the construction industry's business leaders. Nominated by the heads of the top 100 construction companies in the UK, including contractors, housebuilders, consultants, developers, architects and manufacturers, Paul was selected by the judging panel for his vision, business strategy and financial performance, and his contribution to the wider industry and built environment.

ISG was also shortlisted for Major Contractor of the Year (over £300m). Although we did not take home the prize, we were selected for a special commendation from the judges who cited our commitment to innovation as a reason for the mention.

> "We are in a revolution and things are moving very quickly. We need a balance of experience and lessons learned from people who have been around for a long time, but also the creativity and different ways of working that come from the younger generation. The skill for us is going to be making sure that we listen, and don't block that potential."
>
> Paul Cossell, CEO, ISG, and CEO of the Year, Building Awards

Achieving net zero for clients

Improving our knowledge across embodied carbon has also helped us to better support and collaborate with our clients. Throughout 2019, we worked with several customers to help identify ways in which they can convert their estates / portfolios to net zero carbon. For a UK local authority, we developed a sustainability brief for developing net zero educational facilities, and we are also helping to design a net zero UK distribution centre for a major international retail client. Working in this innovative and collaborative way is enabling us to deliver more robust and sustainable buildings, while reducing the whole-life cost of buildings for our customers.

Making our own offices sustainable

To achieve optimal environmental and well-being performance standards for our own working environments, we developed a set of minimum standards that draw on the wealth of best practice provided by schemes such as BREEAM, LEED, WELL and Ska rating. We are now trialling our Sustainably in Use Standard (SUS) on our own offices, and will use it to assess new office spaces as we grow. It will ensure we negotiate appropriate terms with landlords, provide working environments that support the health and well-being of our people, and deliver upgrades that achieve new building standards.

Technology at the forefront of the industry

Our investment in technology and BIM puts us ahead of the industry (see page 60). One crucial way we use BIM models is to support embodied carbon calculations that help steer clients to the most effective design. At the other end of the spectrum, we are increasingly linking BIM to electronic operations and maintenance (O&M) manuals (as well as Building Management Systems and digital twin information), which allows us to help clients set up condition-based maintenance programmes that reduce maintenance cost and ensure buildings are operated in the manner they were designed.

In 2019, we also trialled innovative technology in partnership with our supply chain partners, to eliminate as much carbon as possible from our construction sites. For example, we used hybrid generators where temporary building supplies were not immediately available for our sites, and we trialled electric plant on our sites prior to the technology going on public sale.

The Vale of Glamorgan Council

An innovative approach to carbon sets new standards for school

ISG is delivering an £18.5m project with The Vale of Glamorgan Council to redevelop and extend the popular Welsh medium school, Ysgol Gymraeg Bro Morgannwg, in the town of Barry. Procured via the influential SEWSCAP capital works framework, this scheme forms part of the Welsh government's 21st Century Schools and Colleges Programme, designed to transform and upgrade the country's education estate.

In addition to working with the council to deliver social value, ISG has also been developing an innovative approach to net zero carbon covering design, construction and performance in use.

> "Partnerships and collaboration are vital to the work we carry out in the public sector, and we are constantly innovating to make projects more efficient and reduce wasteful practices. Important capital frameworks, like SEWSCAP, provide the space and early involvement that enables contractors to problem-solve creatively, and develop innovative solutions that prove transformative to programmes, budgets and social value outcomes for our local communities."
>
> Zoe Price, Chief Operating Officer, Construction

New targets for 2020

We recognise the importance of continual improvement, and re-evaluation of our performance. In line with this, we have further re-appraised our submission to the SBTi to consider updated scientific research highlighting a need to limit global temperature increases to 1.5°C. Further to this, updated guidance from SBTi has enforced linear target setting for our industry, as opposed to the previously used Sectoral Decarbonisation Approach (SDA) Tool. The above approach has led us to review our targets and reapply to SBTi based on a shorter timeline and more aggressive reduction, in line with the updated scientific research.

We will also be setting more granular targets to allow us to accurately portray our achievements in reducing carbon emissions across a diversely changing and growing business. This will include differentiating our office carbon emissions from that of our construction sites, and benchmarking different types of construction projects. This will allow us to identify how the mixture of project types and lengths impacts on our overall carbon emissions.

Waste reduction

Reducing our construction waste is a key part of driving resource efficiency, protecting our planet, and achieving optimal operational efficiency. Since establishing our robust waste plan in 2016, we have built on it through our expertise in BREEAM, LEED, Ska rating and WELL building certification standards, and in 2019, we were well positioned to drive the waste efficiency agenda among our clients and project teams.

Over the past year, we have also placed a greater focus on waste elimination through design and pre-refurbishment audits to identify reuse or closed-loop recycling opportunities, and we've used our expertise to influence UK government policy and partner with industry sustainability organisations, like the Supply Chain Sustainability School's Off-Site Manufacturing leadership group, and the UK Green Building Council (page 81). As we look to the future, we seek to disrupt how our industry thinks about waste, shifting conversations towards a circular economy approach.

Circular economy

An ISG-sponsored guide brings circular principles to construction

What it is

In 2019, the UK Green Building Council's (UKGBC) circular economy programme developed the 'Circular Economy Guidance for Construction Clients' to provide comprehensive practical information for clients that want to incorporate circular principles in their project briefs.

Why it matters

The circular economy is now a central tenet of our sustainability strategy. As a leader in waste reduction results, we believe our involvement in these types of initiatives can help influence client decisions, and move the industry towards waste's next frontier: A more circular economy where goods, products and materials are reused, repurposed or returned for re-manufacture at end of life.

What's next

The exemplar guide, produced in partnership with our key clients like The Crown Estate, and consultants such as AECOM and BuroHappold, is now being used on pilot projects. In 2020, ISG will help to shape the programme's 'Reuse: How to' guides, which aim to maximise reuse opportunities within existing developments and on construction sites.

Circular Economy Guidance for Construction Clients PDF download

Biomedical Engineering (BmE) Hub, Building E

From BIM to BREEAM, a modern research centre is born

ISG was appointed to design, build, and fit out the new £90m Michael Uren Biomedical Engineering Research Hub at London's Imperial College. The BmE Hub achieved a BREEAM 'Very Good' environmental performance rating and was delivered in BIM to Level 2 maturity.

Fast fact:

The construction of the BmE Hub has been made possible thanks to a £40.0m gift from Imperial alumnus, Sir Michael Uren OBE, and his foundation – the largest-ever donation made to a London university by an alumnus, and one of the largest in the history of any UK higher education institution.

Level 3 Applied Diploma in Professional Construction Practice

Future-proofing the industry by reinventing education

Background

In 2018, ISG joined forces with the awarding organisation, WJEC, to co-develop the UK's first Level 3 Applied Diploma in Professional Construction Practice (PCP). Equivalent in value to an A-level, the new qualification aims to get more people work-ready, with the right skills to enter the construction industry.

2019 performance

At the Southern Construction Framework Annual Conference in May, the PCP won the 'Innovation of the Year' award.

To date, six colleges have signed up to ISG's Learning Alliance, which is working towards offering the course in 2020. They include ISG's public sector framework clients, Richmond upon Thames College, and Barking and Dagenham College. Another four sixth-form schools and colleges began delivering the course in 2019.

The PCP has been embraced across ISG, with more than 30 members of our UK team taking on additional roles as learning facilitators to support course delivery. This is providing an invaluable level of support on course development and learning outcomes, as well as an industry viewpoint and the opportunity for our people to volunteer their time and give back.

What's next

By 2020, approximately 5,000 pupils will take the Level 1/2 'Constructing the Built Environment' course in England and Wales. We are also looking at the options for rolling out the PCP modules internally to our higher apprentice candidates, to support their learning and to gather valuable feedback. In turn, this feedback will help us to continuously improve and update learning materials and case studies.

Surpassed targets in 2019

In 2019, we surpassed our year-on-year 5% target by achieving a construction waste reduction of 14.2% from 2018 and developed greater in-house waste expertise, that has extended across our supply chain.

As a result of the growing awareness and culture of waste reduction across our projects, in 2019, we collaborated well with our suppliers to manage waste more effectively across projects. For example, tools like BIM, virtual reality and augmented reality, and off-site manufacturing, provided greater transparency and accuracy of installation. Reviews and / or rationalisations of design elements drove material efficiency, and where relevant, materials were returned to manufacturers for closed-loop recycling.

Reuse for community benefit

ISG partnered with one of our preferred circular economy reuse partners, Collecteco, on a number of occasions in 2019, to:

- Reuse a wide range of shop fittings and fixtures in the charity sector, including 40 tonnes of materials diverted from one large department store alone, which resulted in over £167,000 worth of in-kind funding for the recipient charities.
- Store 1,047 brand-new LED light fittings removed from a central London building for testing, re-warranty and reuse at a Cambridge office refurbishment.
- Develop an industry-leading approach to waste removal that looks to move unwanted materials up the waste hierarchy, so that offcuts and unused items are reused throughout Collecteco's wide network of partner companies.

Industry-leading conversations

We believe our industry should be working together to tackle the big issues facing both construction and the world. In 2019, through early engagement with our customers and our customer experience programme (pages 54-61), and initiatives like our Supply Chain Conference (page 72), we made strides to open up more regular and meaningful conversations with our stakeholders. We also responded directly to the issues in front of us, as with our high-rise residential committee, which is looking at future-proofing buildings in response to the Grenfell Tower fire in London, UK.

In 2020, we will advance our efforts in environmental protection, and the reduction of emissions and waste. We will also focus on collaboration with our supply chain partners.

Department for Education

Dynamic delivery through standardisation

In early 2019, ISG responded to the UK government's consultation on off-site construction and manufacturing on new build projects, by showcasing our model approach to classroom design for the Department for Education (DfE). Our solution encompassed 1,300 individual components and a fully populated online library with rich BIM asset data. To assist the decision-making process, we offered advice and guidance on the adoption and implementation of the approach, the mitigating circumstances for adopting businesses, and the core benefits and risks of rolling this system out, locally and nationally.

Fast fact:

At the end of 2019, ISG was working on five school projects for the Department for Education.

Strategy and governance


Link
Bookmark
File Attachment
Image Annotation
Audio & Video
PDF
Sign
Protect
Links
Insert
Find
Convert
PDF 2 Word
ME, HEADBOARD, PAINTING & WALLPAPER IN PROGRESS
AINTING IN PROGRESS
246.21%
5:25 PM
13 Jun 2018

Integrated strategy

In 2018, ISG set out to engage our stakeholders in more meaningful discussions about our ability to create holistic value beyond profit. At the same time, we became more intentional about embedding integrated thinking into our business, ensuring we were making decisions and developing strategies that deliver on our vision.

Our first step was to establish our material issues – the outside forces that have the potential to materially impact on our ability to generate the type of value we seek.

We also considered these material issues in terms of how they relate to our risks and opportunities (page 93), and operating context (page 22). A full description of our approach to undertaking our materiality assessment, and the outcomes, can be found in our 2018 Annual Report.

At the end of 2018, we developed our first integrated strategy: 'All 4 by 24', which set out four corporate goals that aim to best utilise our resources and drive our desired value outcomes. Our 'All 4 by 24' strategy sets targets for 2024 that will push forward ISG's integrated value creation. For more on our value creation model, see page 21.

The table on page 87 demonstrates how our corporate goals drive value creation, and the material issues being addressed. For more details about our material issues, see pages 18-19.

Access to skills and talent

Business conduct and transparency

Social value via project delivery

Energy use and emissions

Environmental protection and enhancement

Climate change

Greater client sustainability requirements

Labour practices and human rights

Resource efficiency and the circular economy

Changing customer quality demands

Good financial performance

Responsible procurement practices

Although they are by no means our only measurement tools, the following key performance indicators (KPIs) will guide our strategic activities through to 2024:

	2019	2020	2021	2022	2023	2024
Offer an unbeatable employment experience	1* b-Heard feedback	1* b-Heard feedback	1* b-Heard feedback	2* b-Heard feedback	2* b-Heard feedback	3* b-Heard feedback
Provide the best customer experience in our industry	57% repeat business	59% repeat business	61% repeat business	63% repeat business	65% repeat business	68% repeat business
Achieve optimal operational efficiency	2.0% Underlying PBT	2.4% Underlying PBT	2.8% Underlying PBT	3.2% Underlying PBT	3.6% Underlying PBT	4.0% Underlying PBT
Drive revolutionary change in the construction industry	When we first set our 'All 4 by 24' strategy, science-based targets and carbon neutrality were revolutionary concepts in our industry. We are pleased to say they are becoming common aims across the built environment. In line with this, we will set new targets for our 'Drive revolutionary change in the construction industry' goal during 2020.					

Offer an unbeatable employment experience (KPI: as measured by the Best Companies™ b-Heard employee survey)	**Upskilling our employees and supply chain** ▪ Training and development ▪ Providing job resilience and adaptability ▪ Reducing staff turnover **Safeguarding the health and well-being of our stakeholders** ▪ Minimising accidents and incidents ▪ Protecting long-term physical and mental health **Providing social value to our local communities** ▪ Job creation ▪ Skills development ▪ Reducing the labour and skills gap in the industry ▪ Pro bono work and charitable support ▪ Volunteering opportunities for our people to give back to our communities **Enhancing our brand** ▪ Employee feedback ▪ Attracting and retaining talent	▪ Talent recruitment and retention ▪ Social value ▪ Health and well-being ▪ Quality of service and product ▪ Resource efficiency ▪ Financial performance
Provide the best customer experience in our industry (KPI: % revenue from repeat business)	**Improving building stock performance for clients** ▪ Increasing quality of product ▪ Optimal energy performance ▪ Reducing whole life cost for our customers ▪ Reducing environmental impacts from inefficient building performance **Safeguarding the health and well-being of our stakeholders** ▪ Minimising accidents and incidents ▪ Protecting long-term physical and mental health ▪ Creating healthy environments for our customers and their employees **Supporting local and global economics** ▪ Investing in local supply chain **Enhancing our brand** ▪ Attracting and retaining talent **Upskilling our employees and supply chain** ▪ Increasing quality of service **Providing social value to our local communities** ▪ Meeting customers' sustainability requirements ▪ Job creation ▪ Skills development ▪ Pro bono work and charitable support ▪ Volunteering opportunities for our people to give back to our communities **Providing our clients with better places to work** ▪ Creating spaces that support health and well-being ▪ Ensuring quality of service and product ▪ Meeting customer's sustainability requirements	▪ Quality of service and product ▪ Energy and emissions ▪ Climate change ▪ Customers' sustainability requirements ▪ Resource efficiency ▪ Social value ▪ Health and well-being ▪ Procurement practices ▪ Labour practices ▪ Talent recruitment and retention ▪ Financial performance
Achieve optimal operational efficiency (KPI: % net margin)	**Supporting local and global economics** ▪ Financial return to our owner and our employees ▪ Turnover to our supply chain ▪ Tax contributions to governments ▪ Providing and safeguarding employment **Reducing our environmental impacts** ▪ Resource effciency / waste minimisation / reducing our greenhouse gas emissions **Safeguarding the health and well-being of our stakeholders** ▪ Minimising accidents and incidents ▪ Reducing long-term health impacts and absenteeism ▪ Creating healthy environments for our customers and their employees **improving building stock performance for ISG and our customers** ▪ Optimal energy performance ▪ Reducing whole life cost ▪ Reducing environmental impacts from inefficient building performance ▪ Meeting cusotmers' sustainability requirements **Upskilling our employees and supply chain** ▪ Reducing staff turnover ▪ Improving quality of service and product	▪ Financial performance ▪ Resource efficiency ▪ Energy and emissions ▪ Health and well-being ▪ Quality of service and product ▪ Procurement practices ▪ Labour practices ▪ Social value ▪ Talent recruitment and retention ▪ Customers' sustainability requirements ▪ Pollution control ▪ Climate change
Drive revolutionary change in the construction industry (KPI: % reduction in ISG's greenhouse gas emissions)	**Reducing our environmental impacts** ▪ Resource effciency / waste minimisation / reducing our greenhouse gas emissions **Improving building stock performance for clients** ▪ Optimal energy performance ▪ Reducing whole life cost **Delivering net zero carbon buildings** ▪ Passive House certification ▪ Embodied carbon reductions ▪ Designing and building for performance ▪ Ongoing performance measurement and management **Supporting local and global economics** ▪ Investing in local supply chain ▪ Promoting local employment ▪ Reducing transport emissions	▪ Energy and emissions ▪ Climate change ▪ Pollution control ▪ Financial performance ▪ Customers' sustainability requirements ▪ Resource efficiency ▪ Social value ▪ Procurement practices ▪ Quality of service and product

Stakeholder engagement

Our value outcomes are aligned closely with the needs of our stakeholders, and so it's crucial that they play a key role in informing our decisions and strategy. For this reason, we regularly reach out to our stakeholders for insights into their needs and concerns. This information helps us to gain a better understanding of the impact of our decisions on their interests, and underpins good governance across our business.

As of 1 January 2019, new legislation has come into effect reinforcing the importance of Section 172 (s.172) of the Companies Act 2006. The legislation requires directors to act in a way that promotes the success of the Company for the benefit of stakeholders whose interests feature in the 'success of the Company'.

Section 172 requires our directors to have regard (among other matters) to:

- the likely consequences of any decision in the long term
- the interests of our employees
- the need to foster relationships with suppliers, customers and others
- the impact of our operations on communities and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly, as between members of the Company.

Throughout this report, and specifically in this section, we provide an overview of the actions undertaken by the Board to demonstrate ISG's compliance with s.172 of the Act. For definition of our stakeholder groups and their interests, see page 20. Building on the materiality assessment undertaken in 2018 (see page 86), in 2019, we have continued to further engage with, and take into consideration, the interests of those stakeholders who are material to the long-term success of the business.

Over the course of the year, the Board has received updates from senior leaders on how we have engaged with these stakeholders, the feedback we have received, and the impact of that feedback on ISG's policies, processes and procedures. This information has also informed decision-making by the Board, which has in turn affected the direction and strategy of the business. The table on the following pages summarises key interactions, outcomes of engagement, and effects of engagement on Board decisions for each stakeholder group.

Customers (see also pages 54-61)

Engagement interactions	Outcomes from engagement
■ Ongoing engagement with project teams from pre-construction to post-completion ■ CX programme ■ Strategic engagement with customers regarding their future needs	■ Learnings informing relationship management ■ A great Net Promoter Score (NPS) of +65 ■ Identifying opportunities to support customers with the sustainable construction and ongoing effective occupation of their spaces ■ New opportunities with customers as they grow or develop

Effects of engagement on Board decisions

- Investment in the expansion of our CX programme to ensure customers' needs and drivers are input into our strategic decision-making, and support our thriving financial position
- Directing changes in our CX programme around the timings of surveys
- Supporting customers with net zero carbon design of buildings, and development of a Post Occupancy Evaluation (POE) offering to be trialled
- Decisions taken on ISG's global footprint including our new offering in Vietnam

Employees (see also pages 42-53)

Engagement interactions	Outcomes from engagement
■ Annual employee survey ■ HSQE site inspections and audits ■ Internal communications including CEO and MD emails, our intranet, manager briefing packs, business unit quarterly or half-yearly updates, end-of-year communications events etc. ■ Bi-annual Global Leadership Conference (GLC) ■ Performance Development Review (PDR) process ■ Targeted communications with employees regarding changes in regulations and opportunities within the business ■ Corporate and local charity partner selections, and ongoing volunteering and charitable engagement initiatives	■ Local action plans developed from survey results for embedding in 2020 ■ HSQE campaigns focused on issues raised, development of training and changes in policy and procedure ■ Changes to our internal communications strategy including the digitisation of our quarterly employee magazine to an online resource updated daily ■ Identification and confirmation of skills and experience of employees to meet business needs ■ Involving employees in giving back to our local and global communities, and providing opportunities for skills development where possible

Effects of engagement on Board decisions

- Changes in the culture and tone of the business driven from the top
- Development of the company strategy incorporating feedback from GLC working sessions
- The launch of our new health and safety programme 'Choose safe. Choose health'
- Investment in our people, IT and internal communications
- Development and delivery of a comprehensive learning and development curriculum to allow our people to fulfil their potential
- Development of bespoke training through ISG's Smartspace training provision, including taught and e-learning offerings
- Transfer of employees across business units and geographies providing opportunities for development and promotion
- Informing the appointment and direction of charitable partnerships that align with business priorities, employee interests and community needs

Financial institutions (see also pages 37-41)

Engagement interactions	Outcomes from engagement
■ Regular meetings with banks, bondsmen and credit insurers by ISG's CFO and the Treasury team ■ Annual meetings with banks and bondsmen to present strategy and forward-looking plans ■ Monthly performance reporting	■ Opportunities to discuss the industry landscape and market environment ■ Banks and bondsmen able to broaden their understanding of ISG's performance and operations

Effects of engagement on Board decisions

- Decision to increase ISG's capacity of the performance of bond lines, supporting sustainable growth of the business

Supply chain (see also pages 70-73)

Engagement interactions	Outcomes from engagement
■ Supply chain pre-qualification and ongoing management process ■ Regular meetings between our supply chain team, senior management representatives and supply chain partners to discuss performance, opportunities, and keeping abreast of local, national and international crises which may affect the industry ■ Ongoing engagement with project teams from pre-construction to post-completion ■ On-site direct and anonymised feedback mechanisms for operatives as well as reward schemes, including health and safety survey ■ Annual supply chain conference in the UK ■ Payment performance reporting ■ Targeted topical communications regarding changes in regulations	■ Continued compliance with ISG standards and maintaining their position on our supply chain ■ Supply chain partners enabled to pitch for work in sectors and geographies they may have been unaware of ■ Tender and pre-construction meetings supporting collaboration and innovative solutions to come forward. Construction and post-construction meetings supporting lessons learned and performance improvement ■ Improved site communications, changes in management approaches, provision of amenities and training, recognition and reward of best practice by individuals ■ Sharing ISG's strategy, plans and expectations, and recognising and rewarding exemplar supply chain partners for their contributions ■ Sharing market intelligence to inform or benefit the supply chain ■ Continued focus on improvements to payment terms which are already industry leading ■ Supporting partners through changing regulations which can be burdensome

Effects of engagement on Board decisions

- Investment in R&D to support modular construction methods in future projects
- Better understanding of challenges faced by our supply chain in delivery and therefore supporting collaborative conversations
- Development of HSQE strategies and campaigns
- Future investment in supply chain due diligence, enabling us to work more closely with our partners

Investors

Engagement interactions	Outcomes from engagement
■ Regular communication with ISG's ultimate controlling party, William Harrison (Board Chairman) and the Cathexis Group ■ Bi-annual strategy discussions ■ Monthly trading updates	■ Involvement in all key commercial and strategic decisions of the Group

Effects of engagement on Board decisions

- Board decisions are aligned with investor expectations and risk profile

Communities (see also pages 62-69)

Engagement interactions	Outcomes from engagement
■ Consultations with local authorities, and commercial and residential stakeholders through planning and during construction ■ Discussions with key community stakeholders in the development of social value plans ■ Engagement and support of educational establishments, charities and community organisations ■ Engagement with new local supply chains and employment and training providers	■ Formulation of project programmes and construction methods to minimise impacts on neighbours, and facilitation of ongoing communication ■ Identification of community needs e.g. targeted investment, employment, training, engagement etc ■ Supporting the development of our early careers' talent pipeline and that of our supply chain ■ Delivering social value to local communities through engagement of local suppliers and the upskilling and employment of local people ■ Involvement of our people in creating value through volunteering, mentoring, charitable giving, pro bono and gifts in kind

Effects of engagement on Board decisions

- Development and alignment of our early careers and social value strategies
- Investment in human and material resources and tools to deliver, record and report social value
- Investment in the development and roll out of our Level 3 Applied Diploma in Professional Construction Practice

Industry bodies (see also pages 74-83)

Engagement interactions	Outcomes from engagement
■ Participation in industry forums and working groups ■ Consultation with legal advisors and industry professionals ■ Attendance at industry conferences and marketing events ■ Conducting interviews with industry media, including Paul Cossell's interview for Data Economy with our customer at Digital Realty	■ Tackling industry issues such as resource efficiency and circular economy ■ Review and development of our management systems ■ Growing our own knowledge of industry issues and how to solve them, and developing our understanding of technologies and how to adopt them for mutual benefit ■ Sharing knowledge and thought leadership with our industry colleagues

Effects of engagement on Board decisions

- Continued focus on innovation through investment in BIM, R&D and new technologies
- Establishment of a high-rise residential building (HRRB) management process with a designated committee, including a suitably qualified independent fire engineer
- Commitment to re-evaluating our carbon measurement and setting targets to reduce our emissions to a net zero carbon position by 2030

Governance and management

ISG's vision and values-driven thinking are at the centre of our governance strategy. The ISG Statutory Board (Stat Board) is the primary governance and oversight body for ISG, and its responsibilities include providing entrepreneurial leadership, approving and shaping our long-term strategy, reviewing management performance and upholding our brand.

ISG is led by our CEO, Paul Cossell, who takes overall responsibility for ISG, our strategy, and our subsidiaries across the world. Paul is supported by members of the Stat Board: Mark Stockton, CFO; Richard Hubbard, CMO; Jane Falconer, CHRO; Matt Blowers, COO of Fit Out; Bart Korink, COO of Engineering Services; and Paul Weaver, who in 2019 transitioned from COO of Engineering Services into the role of CIO. Zoe Price has been appointed to the role of COO for UK Construction in 2019 and will join the Stat Board in 2021.

The ISG Stat Board is supported by teams responsible for strategy development, implementation and performance reporting across core functions including finance, legal, supply chain management, HR, IT, marketing and communications, business development, health and safety, quality and sustainability.

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

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

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

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

Managing our risks and opportunities

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

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

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

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

A central Risk Committee, headed by Chief Financial Officer, Mark Stockton, convenes every two months to review risks, identifying the appropriate mitigation measures or positive actions to be taken, and any investment required to effectively address matters in the short, medium and long term. The Risk Committee reports directly to the Statutory Board and has strong links with the Business Change Board and other key forums to advise on change management from risk mitigation.

The Risk Committee:

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

The Business Change Board, convenes monthly, with the responsibility of ISG's decision-making on business change activities to ensure ISG prioritises improvement projects based on potential value to the Group and alignment with its strategy. It monitors projects to ensure they are delivered on time, and business benefits are realised in a timely fashion.

The Business Change Board:

- Reviews, approves and prioritises new business change requests, based on budget available taking into account both the growth and risk management plans of the Group
- Ensures 'privacy by design' for all new / amended business processes, via the use of data protection impact assessments for projects involving personal data
- Manages overall portfolio spend to budget, ensuring suitable resourcing for prioritised projects, and holds project teams to account on spend, time and value creation
- Communicates Business Change Board decisions through the business
- Reports progress and makes recommendations to the Statutory Board

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

ISG has identified opportunities, many of which have the potential to minimise several of our business risks, while at the same time supporting one or more of our corporate goals, and which serve to create value for our business and our communities. We review potential opportunities for their viability and implement appropriate steps to achieve within the activities of the Business Unit Boards, Risk Committee and Business Change Board.

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

At the date of this report the key risk to the Group is the impact of COVID-19 to our ongoing operations. This is a live situation and the Group is carefully monitoring all developments and implementing mitigation actions to protect our people and our business. See the detailed discussion on page 12.

Risks and impact	Mitigation
Supply chain, procurement and labour practices ■ Subcontractors and suppliers may not be able to meet their material and service provision obligations due to reasons such as overstretching their capacity, going into receivership, or mismanagement of their supply chain. ■ Subcontractors and suppliers may contravene legislation through a lack of understanding of the risks, and competence in their own procurement practices, putting ISG at risk of non-compliance with legislation and local codes of practice. ■ Risk of prosecution and financial penalties, and potential impact on reputation.	■ Various checks and balances are in place to ensure the Group is not dependent or exposed to any one, or a small number of, subcontractors or other suppliers. ■ The financial stability of each subcontractor is regularly monitored, and appropriate retentions are held. 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. This is supported by robust management procedures and training for our employees and subcontractors. ■ ISG has in place corporate policies that address key issues such as The Modern Slavery Act 2015, The Bribery Act 2010, and prohibiting the use of products from species prohibited under CITES or from illegal sources. ■ In the UK, existing and potential new subcontractors are required to sign up to our antislavery and human trafficking supply chain commitment (the Supply Chain Commitment) as part of the subcontractor approval process. ■ Relevant employees are required to undertake mandatory e-learning modules on Modern Slavery and Anti-Bribery. We also provide awareness training for our site workforce on relevant topics, including information within our site inductions, bespoke workshops where appropriate, and awareness materials displayed on site. ■ Our site induction processes include ‘right to work’ checks.

Risks and impact	Mitigation
Overreliance on key customers	■ ISG monitors the levels of work with each customer and actively seeks a balanced portfolio of work both within public and private sectors, across geographies and industry sectors. ■ The nature of our projects can result in high trading levels with single customers in a specific financial year however when reviewed on a longer term basis a more balanced level of work is seen across the customer portfolio.

Risks and impact	Mitigation
Project delivery and quality of service / product ■ The ability of the Group to continue winning contracts at appropriate profit margins and with acceptable terms and conditions, in markets that are competitive. ■ Failure to manage or deliver a key project in accordance with the agreed contract, to an appropriate standard and within the timescales agreed. This may lead to disputes and have an adverse impact on both the profitability of the Group and its reputation. ■ Overstretching of the Group's supply chain as both markets and sectors grow, which could lead to subcontractor failure.	■ The Group has a controlled approach to contract bidding and selection (within clearly defined delegated authority levels and agreed sector focus). This ensures that work undertaken matches the capability and resources available, that contractual terms are acceptable, and that clear responsibility for scrutiny and approval is given to the appropriate level of management. ■ Contracts that are in progress are controlled and managed through the Group's operating structure. Regular and detailed reviews take place within each business unit and centrally to monitor forecast revenues, costs to complete the project and cashflows. ■ Appropriate Group risk registers are maintained. Enhanced management and supervision is necessary for projects that are deemed to be higher risk. ■ Regular reviews are also undertaken of each business unit's results, together with monthly / quarterly operational and budgeting / forecasting reviews. ■ The Group operates a project audit team that reports into the Risk Committee to help ensure that projects are delivered to cost and timetable.

Risks and impact	Mitigation
Health, safety and well-being of stakeholders ■ A failure to manage the Group's health and safety risks could result in serious harm to employees, subcontractors, the public or the environment. ■ The Group could be exposed to significant potential liabilities and reputational damage. ■ There may be a breach of local regulatory requirements.	■ In the UK and several other countries in which the Group currently operates, its processes and procedures comply with the requirements of OHSAS 18001. Efforts are being made to gradually introduce these standards throughout the global business. ■ The safety of the Group's employees, supply chain, and members of the public, is of paramount importance. ■ A comprehensive policy and framework is in place (to include regular site visits, the recording of accidents, near miss and hazard reporting). ■ The Accident Incident Rate (AIR) is monitored closely in all operating companies within the Group. The Board also reviews these Group AIR statistics at the start of each monthly Board meeting, to consider trends within the business and discuss specific issues or concerns. ■ Best practice is shared within the Group via a health and safety forum, which operates under a zero-tolerance approach to unsafe practices. ■ Health and safety leaders are appointed within each business unit. A health and safety committee also meets regularly, which is made up of representatives from across the business. ■ Regulatory requirements in relation to health and safety, and any changes to these, are regularly monitored by the group health and safety director.

Risks and impact	Mitigation
Pollution control and environmental management ■ A failure in our environmental management could potentially result in a pollution incident, or adversely affect biodiversity, causing environmental harm and resulting in potential liability and reputational damage. ■ Management of incidents may also impact on time and costs associated with investigation, remediation and loss of working hours / impact on programme.	■ The Group is committed to fulfilling its environmental compliance obligations and to take every reasonable measure to conduct its business activities in a safe and responsible manner. The Group aims to minimise negative impact and, where possible, provide positive enhancements to the environment. ■ Our environmental management systems are developed and maintained in line with the best practice recommendations of ISO 14001:2015, and all applicable environmental legislation and regulations. ■ ISG is committed to protecting and, where possible, enhancing the environment. We have in place management procedures, guidance and training to support the effective planning and execution of our operations while minimising and mitigating environmental risks. This also includes robust incident reporting and investigation procedures, with trend analysis, informing any appropriate updates and changes to our management systems. ■ We submit to audit by third-party certification bodies, and our clients where requested, demonstrating our responsible approach to environmental management and commitment to continual improvement.

Risks and impact	Mitigation
Legal, regulatory and reporting compliance ■ The Group is required to ensure compliance with ever-changing and increasing legal, regulatory and reporting requirements, in the United Kingdom (UK), European Union (EU) and other countries in which it operates. This includes (but is not limited to) matters such as health and safety, the environment, accounting and taxation, human resources, anti-bribery, modern slavery and the General Data Protection Regulation (GDPR). ■ Part of the Group's growth strategy requires entry in new countries and markets, where there may be different and / or additional legal, regulatory and compliance frameworks. A failure to comply with such requirements could lead to large financial penalties and / or reputational damage.	■ A regular review of the Group's key policies is carried out at Board level to ensure they remain relevant for the business and in line with legal and regulatory requirements. ■ The Group uses external advisors / consultants, where deemed necessary, to advise on policy and the various compliance responsibilities that need to be adhered to. ■ We have introduced a group-wide 'Code of ethics and business conduct'. This document provides a clear set of standards for all areas of the Group to follow, in terms of the laws and principles governing our behaviour and decision-making processes, both now and in the future. At the heart of the Code is the basic principle that the Group should always follow the laws of the countries in which it operates. ■ Beyond the law, the Group must always be guided by its values and ensure that it does the right thing for its stakeholders, to include employees, customers, suppliers, shareholders and the wider community.

Risks and impact	Mitigation
Recruitment, development and retention of employees ■ A high-calibre workforce is crucial to delivering the Group's strategy and in ensuring the delivery of a high-quality service. ■ Growth of the business through increased revenue, exceeding talent availability to service our projects, could put our quality of service and product at risk, impacting customer experience. ■ Competitors may try to poach key employees from within the Group who are difficult to replace. ■ A loss of key employees may cause staffing issues, which may adversely impact on both project delivery and wider growth opportunities. ■ A lack of externally available, suitably effective training courses to meet the skills and development needs of employees and the supply chain could result in a knowledge gap, and impact the quality of our service and product.	■ Resource planning ensures that we can build the pipeline of talent we need to meet the business requirements. ■ Our performance development review provides the opportunity for regular performance discussions, identifies areas for personal development, and allows for a conversation about career aspirations. ■ ISG's in-house learning and development vehicle, Smartspace, allows employees to access learning that ensures we develop the capabilities we need while also supporting personal growth and development. ■ A global annual employee survey is carried out which allows us to develop action plans to drive improvements in employee engagement. ■ The remuneration of employees is firmly linked to performance and where bonus plans are part of the total remuneration offering, they are linked to the achievement of business goals.

Brexit

The UK left the European Union on 31 January 2020, however, we continue to operate under EU regulations during the transition period, which is due to end on 31 December 2020. The final trading terms are still under negotiation. The Group will continue to monitor the outcome from the negotiations during the transition period for their impact to ISG. Where changes to our operating practices are needed these will be developed ahead of the end of the transition period.

The Group has previously assessed the risks of several Brexit scenarios and will use these results and related developed mitigation strategies for any operating practice changes required.

Outlook

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

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

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

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

Annual financial statements

ISG PLC
DIRECTORS REPORT

The directors of ISG plc present their annual report and the audited financial statements for the 12-month period ended 31 December 2019.

Principal activities
ISG is an international construction services company, operating from three service lines: fit out, construction and engineering services. The Group works across a number of core sectors: offices, technology, science and health, retail; hospitality, leisure and living; and education and public sector, and operates in 25 countries within Europe, the Middle East and Asia.

Business review
A review of the Group's activities during the period, trends and factors likely to affect the business and its future prospects are set out within various sections of the strategic report, to include the performance at a glance section on pages 4-5, Chief Executive Officer's review on page 11, the business review on pages 22-35, the financial review on pages 38-41 and risk and opportunities section on pages 93-99.

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

Going concern
Information on the business environment in which the Group operates, including the factors that are likely to impact the future prospects of the Group, are included within various sections of the strategic report, including Chief Executive Officer's review on page 11, the material issues section on pages 18-19, and the risks and opportunities section on pages 93-99. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the financial review on pages 40-41. In addition, the consolidated financial statements on page 108 onwards set out the Group's objectives, policies and processes for managing its capital, financial risks, financial instruments and hedging activities, as well as its exposure to credit risk and liquidity risk.

A specific section has been added to the strategic report at page 12, which discusses the impacts and mitigating actions the Group is taking in relation to the risks created by the COVID-19 pandemic.

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. In addition to the specific considerations of the impact of COVID-19, these forecasts are based on the Group's existing forward order book and workload together with assumptions in respect of new business. They reflect an assessment of current and future market conditions and risks and uncertainties in the business, their impact on the Group's trading performance, and the actions taken by management in response to current market conditions. The forecasts completed on this basis demonstrate that the Group will be able to operate with its available resources. In addition, management has considered various mitigating actions that could be taken if future market conditions deteriorate beyond their current assessment.

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

Governance
Following the introduction of the new UK Corporate Governance Code and the publication of the Wates Principles, and considering full reviews of its own governance arrangements, the Board has agreed not to apply any formal corporate governance code. It is governed by its own guidelines which are broadly consistent with the Wates Principles. The Group's governance position will be kept under review by the Board. See the governance and stakeholder engagement sections of the strategic report on page 92 and 88-91 respectively.

Results and dividends
Revenue for the year ended 31 December 2019 was £2.6bn (2018: £2.2bn); underlying profit before tax amounted to £52.5m (2018: £38.5m) and statutory profit before tax amounted to £44.2m (2018: £27.4m). No dividends have been paid or are proposed for the financial year ended 31 December 2019. In December 2018, the Company declared and paid dividend of £25.0m to its immediate parent. This amount was immediately loaned back to the Company, resulting in no net cash impact to the Company and Group. This loan was fully repaid during the 2019 financial year. See Note 27 for further consideration of this transaction.

ISG PLC

DIRECTORS REPORT

Share capital
The Company has one class of shares, being ordinary shares of £1.00 each, that carry no rights to fixed income. As at 31 December 2019, the number of ordinary shares in issue was 49,483,864, of which 49,483,864 were fully paid.

Directors
The directors who held office throughout the financial year ended 31 December 2019 and to the date of this directors' report unless otherwise stated were:

W Harrison	
P Cossell	
M Stockton	
P Weaver	
R Hubbard	
J Moy	
J Falconer	(appointed 31 January 2019)
M Blowers	(appointed 31 January 2019)
G Kew	(appointed 31 January 2019, resigned 17 October 2019)
B Korink	(appointed 24 July 2019)
J Friedman	(resigned 30 September 2019)

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

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

Employees
Further details in relation to employment policies, employee engagement, consultation and development, talent attraction and retention, are shown on pages 43-53 in the Thriving people section of the strategic report.

Health and safety
The Board considers health and safety to be a key priority within the Group and has continued to maintain its focus on this area throughout the period. Further details in relation to the Company's health and safety commitments are shown on pages 50-51 within the Thriving people section of the strategic report.

Environmental reporting
The Board is committed to ensuring that the Group continues to fulfil its environmental compliance obligations and to take every reasonable measure to conduct its business activities in a safe and responsible manner. The Group aims to minimise negative impact and, where possible provide positive enhancements to the environment. Further details in relation to the Company's environmental commitments are shown on pages 75-83 in the Thriving industry section of the strategic report.

Political donations
The Company made no political donations during the financial year ended 31 December 2019.

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

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

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

ISG PLC
DIRECTORS REPORT

Auditor
Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue as the Group's auditor.

N Heard
Company Secretary
5 May 2020

ISG PLC

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law; and the company financial statements in accordance with United Kingdom Accounting Standards (UK GAAP) 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
5 May 2020

M Stockton
Chief Financial Officer
5 May 2020

ISG PLC

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ISG PLC

Opinion

We have audited the financial statements of ISG Plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement the Company balance sheet, the Company statement of changes in equity and the 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 2019 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 as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

ISG PLC

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ISG PLC

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

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

Gary Hanson (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
5 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ISG PLC

CONSOLIDATED INCOME STATEMENT | 12 months ended 31 December 2019

	Notes	12 months ended 31 December 2019 Underlying items £'m	Non-underlying items[1] £'m	Total £'m	12 months ended 31 December 2018 Underlying items £'m	Non-underlying items[1] £'m	Total £'m
Revenue	5	**2,584.1**	**5.6**	**2,589.7**	2,237.6	-	2,237.6
Cost of sales		**(2,399.7)**	**(5.7)**	**(2,405.4)**	(2,088.1)	-	(2,088.1)
Gross profit/(loss)		**184.4**	**(0.1)**	**184.3**	149.5	-	149.5
Amortisation of intangible assets	13	**(1.4)**	**(5.1)**	**(6.5)**	(1.1)	(10.7)	(11.8)
Administrative expenses		**(128.8)**	**(2.9)**	**(131.7)**	(109.7)	(0.4)	(110.1)
Operating profit/(loss)	6	**54.2**	**(8.1)**	**46.1**	38.7	(11.1)	27.6
Finance income	8	**0.2**	-	**0.2**	0.2	-	0.2
Finance costs	9	**(1.9)**	**(0.2)**	**(2.1)**	(0.4)	-	(0.4)
Profit/(loss) before tax		**52.5**	**(8.3)**	**44.2**	38.5	(11.1)	27.4
Taxation	10	**(13.0)**	**0.5**	**(12.5)**	(6.3)	2.1	(4.2)
Profit/(loss) for the period		**39.5**	**(7.8)**	**31.7**	32.2	(9.0)	23.2
Attributable to:							
Owners of the company		**39.5**	**(7.8)**	**31.7**	32.2	(9.0)	23.2
Non-controlling interests	28	**-**	**-**	**-**	-	-	-
		39.5	**(7.8)**	**31.7**	32.2	(9.0)	23.2

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 2019

	Notes	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'m
Profit for the period		**31.7**	23.2
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(5.2)**	(0.2)
Total comprehensive income for the period		**26.5**	23.0
Attributable to:			
Owners of the company		**26.5**	23.0
Non-controlling interests	28	**-**	-
		26.5	23.0

The accompanying notes form part of these financial statements.

ISG PLC

CONSOLIDATED BALANCE SHEET | As at 31 December 2019

	Notes	2019 £'m	2018 £'m
Non-current assets			
Goodwill	12	**168.9**	173.3
Other intangible assets	13	**26.6**	30.6
Property, plant and equipment	14	**38.1**	9.6
Deferred tax assets	18	**5.9**	5.1
Trade and other receivables	15	**34.5**	15.5
		274.0	234.1
Current assets			
Current tax assets		**17.3**	14.6
Trade and other receivables	15	**379.4**	358.6
Due from customers for contract work	16	**104.6**	167.3
Cash and cash equivalents	17	**116.9**	102.8
		618.2	643.3
Total assets		**892.2**	877.4
Current liabilities			
Borrowings	19	**-**	(0.4)
Lease liabilities	20	**(6.5)**	-
Provisions	22	**-**	(0.7)
Current tax liabilities		**(16.8)**	(12.3)
Trade and other payables	21	**(595.5)**	(608.0)
Due to customers for contract work	16	**(98.6)**	(112.4)
		(717.4)	(733.8)
Non-current liabilities			
Borrowings	19	**-**	(25.0)
Lease liabilities	20	**(24.1)**	-
Provisions	22	**-**	(1.3)
Deferred tax liabilities	18	**(3.8)**	(5.4)
Trade and other payables	21	**(23.9)**	(13.3)
		(51.8)	(45.0)
Total liabilities		**(769.2)**	(778.8)
TOTAL NET ASSETS		**123.0**	98.6
Equity			
Called up share capital	26	**49.5**	49.4
Share premium account	26	**34.1**	34.1
Foreign currency translation reserve		**1.0**	6.2
Other reserves	28	**(1.2)**	(1.2)
Retained earnings		**39.5**	10.0
Equity attributable to owners of the company		**122.9**	98.5
Non-controlling interests	28	**0.1**	0.1
TOTAL EQUITY		**123.0**	98.6

The consolidated financial statements of ISG plc (company number 10081578) were approved by the Board of directors and authorised for issue on 5 May 2020. They were signed on behalf of the Board of directors. The accompanying notes form part of these financial statements.

P Cossell
Chief Executive Officer

M Stockton
Chief Financial Officer

ISG PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 12 months ended 31 December 2019

	Notes	Share capital £'m	Share premium £'m	Other reserves £'m	Foreign currency translation reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Balance at 1 January 2018		49.4	34.1	-	6.4	11.8	101.7	(0.4)	101.3
Profit for the period		-	-	-	-	23.2	23.2	-	23.2
Other comprehensive income		-	-	-	(0.2)	-	(0.2)	-	(0.2)
Total comprehensive income		-	-	-	(0.2)	23.2	23.0	-	23.0
Dividends to parent	27	-	-	-	-	(25.0)	(25.0)	-	(25.0)
Purchase of NCI	28	-	-	(1.2)	-	-	(1.2)	0.5	(0.7)
Balance at 31 December 2018		49.4	34.1	(1.2)	6.2	10.0	98.5	0.1	98.6
Adjustment on adoption of IFRS 16		-	-	-	-	(2.2)	(2.2)	-	(2.2)
Balance at 1 January 2019		49.4	34.1	(1.2)	6.2	7.8	96.3	0.1	96.4
Profit for the period		-	-	-	-	31.7	31.7	-	31.7
Other comprehensive income		-	-	-	(5.2)	-	(5.2)	-	(5.2)
Total comprehensive income		-	-	-	(5.2)	31.7	26.5	-	26.5
Share capital paid	26	0.1	-	-	-	-	0.1	-	0.1
Balance at 31 December 2019		**49.5**	**34.1**	**(1.2)**	**1.0**	**39.5**	**122.9**	**0.1**	**123.0**

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

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

The accompanying notes form part of these financial statements.

ISG PLC

CONSOLIDATED CASHFLOW STATEMENT | 12 months ended 31 December 2019

	Notes	**12 months ended 31 December 2019 £'m**	12 months ended 31 December 2018 £'m
Cash flows from operating activities			
Operating profit for the period		**46.1**	27.6
Amortisation of intangible assets	13	**6.5**	11.8
Disposal of goodwill	12	**1.4**	-
Depreciation on property, plant and equipment	14	**9.3**	1.9
Decrease in provisions	22	**(2.0)**	(7.2)
Decrease in inventories		**-**	0.1
Net movement in trade and other receivables		**22.8**	(193.4)
Net movement in trade and other payables		**(15.6)**	218.9
Cash generated from operations		**68.5**	59.7
Income taxes paid		**(13.0)**	(10.5)
Net cash inflow from operating activities		**55.5**	49.2
Cash flows from investing activities			
Net payments for property, plant and equipment, and software	13/14	**(9.1)**	(7.9)
Net cash outflow from investing activities		**(9.1)**	(7.9)
Cash flows from financing activities			
Proceeds from borrowings	17	**-**	25.0
Proceeds from share capital	26	**0.1**	-
Repayment of borrowings	17	**(25.4)**	(11.4)
Net interest paid		**(0.9)**	(0.2)
Payment of lease liabilities		**(8.6)**	-
Dividends to parent company	27	**-**	(25.0)
Transactions with non-controlling interests	28	**-**	(1.5)
Net cash outflow from financing activities		**(34.8)**	(13.1)
Net increase in cash and cash equivalents		**11.6**	28.2
Cash and cash equivalents at the beginning of the period		**102.8**	75.7
Effects of exchange rate changes on balances of cash held in foreign currencies		**2.5**	(1.1)
Cash and cash equivalents at the end of the period	17	**116.9**	102.8

The accompanying notes form part of these financial statements.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. ADOPTION OF NEW AND REVISED STANDARDS

During the financial period, the Group has adopted IFRS 16 – "Leases" in these financial statements. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Adoption of IFRS 16 – Leases
The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result the Group has changed its accounting policy for that year for lease contracts as detailed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in the accounting policies are disclosed below.

a) Definition of a lease
Previously the Group determined at contract inception whether an arrangement is, or contains, a lease under IFRC 4. Under IFRS 16 the Group assesses whether a contract is, or contains, a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transitions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

b) Lessee
As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities.

The Group decided to apply recognition exemptions to short-term leases. For leases of other assets, which were classified as operating under IAS 17, the Group recognised right-of-use assets and lease liabilities.

c) Leases classified as operating leases under IAS 17
At transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured as if the standard had been applied since the commencement date of the lease but discounted using the Group's incremental borrowing rate as at 1 January 2019.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of assets with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded indirect costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

d) Impact on financial statements
On transition to IFRS 16 the Group recognised an additional £30.2m of right-of-use assets and £36.5m of lease liabilities. A deferred tax liability of £5.9m was recognised on the right-of-use asset and a deferred tax asset of £6.9m on the lease liability. Onerous lease accruals were used to impair the opening right-of-use assets (£1.5m) and retained earnings was affected by the release of rent free accruals (£1.5m). Other adjustments totalling £0.1m were made when IFRS 16 was applied In total, retained earnings was adjusted by £2.2m.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The average rate applied is 3.07%.

	1 January 2019 £'m
Net operating lease commitments at 31 December 2018 as disclosed in the Company's financial statements	41.9
Discounted using the incremental borrowing rate as at 1 January 2019	36.2
Recognition exemption for short-term leases and low-value assets	(0.4)
Effect of re-evaluating for the purposes of IFRS 16 lease break clauses	0.7
Lease liabilities recognised as at 1 January 2019	36.5

Adoption of IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 January 2019. The adoption of IFRC 23 results in a £nil change in the Group's corporate tax liabilities and retained earnings.

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, as well as including assessments of current and future market conditions and other risks and uncertainties in the in the business; the Board has also taken into account the effects that COVID-19 may have on the business. As discussed further in the COVID-19 section of the strategic report (page 12) and Note 32, when considering the impact, the Board has also considered the mitigation actions they have taken to date or which are still available to be taken into their assessment of the Group's future profitability and liquidity. These mitigating steps include cash management, reduction or deferral strategies for operating and capital expenditure and support from Government programs available to support businesses through the current environment. With these factors considered the Board believes that the Group is well placed to manage the business risks despite the current uncertain economic outlook.

However, the Board notes that at the date of approval of these financial statements there remains significant doubt over the extent and duration of the impacts that COVID-19 will have on the business. While the Group is well placed with a healthy cash balance and no debt as at 31 December 2019 and to the date the financial statements are approved, these resources are finite and should the impacts of COVID-19 be significantly greater than currently anticipated then additional working capital funding may be required, although our ultimate parent company stands ready to continue its support of the ISG Group.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On the basis of the exercise described above and with consideration of the actions taken or to be taken by the Board to mitigate the impact of COVID-19 on the business, the directors have a reasonable expectation that the Group and Company have adequate resources to continue operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements of the Group and the Company.

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.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other intangible assets

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

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

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

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

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

Trademark and licences	2-10 years
Customer relationships	3 years
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 the assets. The estimated useful lives are as follows:

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

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

Impairment of non-financial assets other than goodwill

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

The recoverable amount of an asset is the greater of its fair value less costs 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.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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

(a) Trade and other receivables

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

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

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

(b) Cash and cash equivalents

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

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

(c) Trade payables

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

(d) Borrowings

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

Impairment of financial assets

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

Amortised cost

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

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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.

The provision in 2018 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. From 1 January 2019 the impact of potential onerous leases are included in the right-of-use asset impairment review, see Note 2.

Share capital

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

Foreign currencies

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

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

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

ISG PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information as not be restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately where they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2.

Policy applicable from 1 January 2019

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

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

This policy is applied to contracts entered into or changed on or after 1 January 2019.

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Policy applicable prior to 1 January 2019
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, lease liabilities, the unwinding of discounts on contingent deferred consideration and the amortisation of prepaid bank facility arrangement fees and commitment fees charged by lenders on the undrawn portion of available bank facilities that have been amortised over the length of the associated facilities.

Taxation

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

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

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

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

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.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Revenue and profit margin recognition

The Group's revenue recognition and long-term construction and service contracts' policies are set out in Note 3 above. These policies are central to the way in which the Group values the work it has carried out at each reporting date and the estimation of the percentage completion of the contract. These policies require forecasts to be made of the outcome of long-term construction and service contracts, and require assessments and assumptions to be made on the recovery and agreement of pre-contract costs, variations in work scopes, claim recoveries, expected contract costs to complete and the progress on contract programmes. 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. An assessment is also required in determining the cash-generating units to which goodwill is allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The key areas of assumption were the discount rates and the growth rates that were inputs into the impairment testing. The total value of goodwill was £168.9m (2018 £173.3m). 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 estimates and assumptions are required in determining the worldwide provision for income taxes. The Group provides for future liabilities in respect of uncertain tax positions; such provisions are based upon management's assessment of exposures.

As set out in Note 3 above, deferred tax is accounted for on temporary differences using the balance sheet liability method, with deferred tax liabilities being provided for in full, and deferred tax assets being recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Note 18 details the unused tax losses for which deferred tax assets have not been recognised.

Going Concern

The Group's decision to continue to use the going concern basis for the preparation of the financial statements is supported by cashflow forecasts. Given the current uncertainty around the impact of COVID-19, management's assumptions are used in the scenario as the basis for these forecasts. Estimation has been used within the forecasts to quantify the impact of the timing and amount of cash in and outflows. See Note 3 for an understanding of the considerations for these forecasts.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE

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

Disaggregation of Revenue by country of destination:

Year to 31 December 2019	Fit Out	Construction	Engineering Services	Total 2019
	£'m	£'m	£'m	£'m
United Kingdom	837.3	562.2	131.1	1,530.6
Netherlands	-	-	334.1	334.1
Belgium	5.5	-	314.6	320.1
Germany	124.0	-	-	124.0
Hong Kong	71.0	-	-	71.0
Singapore	37.9	-	13.2	51.1
Spain	32.8	-	-	32.8
UAE	29.4	-	0.1	29.5
France	26.5	-	-	26.5
Malaysia	21.6	-	-	21.6
Other	56.7	-	15.3	72.0
Total revenue	1,242.7	562.2	808.4	2,613.3
Inter-company elimination	(19.5)	-	(9.7)	(29.2)
Total underlying revenue	1,223.2	562.2	798.7	2,584.1
Non-underlying revenue: Brazil	5.6	-	-	5.6
Revenue from external customers	1,228.8	562.2	798.7	2,589.7

Year to 31 December 2018	Fit Out	Construction	Engineering Services	Total 2018
	£'m	£'m	£'m	£'m
United Kingdom	931.0	520.2	151.7	1,602.9
Netherlands	-	-	63.7	63.7
Belgium	-	-	235.7	235.7
Germany	85.0	-	-	85.0
Hong Kong	52.2	-	-	52.2
Singapore	23.9	-	14.6	38.5
Spain	22.3	-	-	22.3
UAE	47.2	-	0.6	47.8
France	34.0	-	-	34.0
Malaysia	22.5	-	-	22.5
Other	15.1	-	34.9	50.0
Total revenue	1,233.2	520.2	501.2	2,254.6
Inter-company elimination	-	-	(17.0)	(17.0)
Revenue from external customers	1,233.2	520.2	484.2	2,237.6

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

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue recognised in relation to Contract Liabilities:

	31 December 2019 £'m	31 December 2018 £'m
- Revenue recognised that was included in contract liability balance at the beginning of period	29.8	28.2
- Revenue recognised from performance obligations satisfied in previous periods	4.3	0.1

Remaining Performance Obligations:

At 31 December 2019	2020 £'m	2021 – 2023 £'m	Total £'m
- Revenue from contracts already secured and due to be recognised in future periods	1,181.2	218.5	1,399.7

6. OPERATING PROFIT

	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'m
Amortisation of intangible assets	6.5	11.8
Depreciation	9.3	1.9
Foreign exchange loss/(profit)	1.3	(0.7)
Research and development expenses	6.8	6.8
Research and development expenditure tax credit	(0.8)	(0.8)
Rentals under operating leases:		
- Land and buildings	-	9.8
- Hire of plant and machinery	-	0.1
- Other operating leases	-	0.9
Short-term lease expense	0.6	-
Low value lease expense	0.1	-
Expense relating to variable lease payments not included in the measurement of lease liabilities	0.1	-

	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'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	0.7	0.6
- Services relating to tax	0.1	0.1
Total fees payable to Group's auditor	0.9	0.8

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'m
Salaries and wages	**197.5**	157.8
Social security costs	**23.5**	15.0
Termination payments	**2.6**	1.2
Long-term benefits costs including defined contribution pension costs	**8.7**	19.5
	232.3	193.5

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 2019 Number**	12 months ended 31 December 2018 Number
Average number of persons (including directors) employed by Group in the period:		
Construction	**766**	677
Fit Out	**1,465**	1,427
Engineering Services	**512**	420
Head office	**310**	259
	3,053	2,783

In the table above five directors are included in Head office for 2019 (2018: four).

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 2019 £'m	12 months ended 31 December 2018 £'m
Short-term employee benefits	**-**	1.0
Post-employment benefits	**-**	-
	-	1.0

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Directors' emoluments

	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'m
Short-term employee benefits	**9.4**	12.8
Post-employment benefits	**0.1**	0.1
	9.5	12.9

Directors' emoluments (excluding social security costs) include £4.1m (2018 £6.8m) of short-term employee benefits and £nil (2018 £nil) post-employment benefits for the highest paid director. As at 31 December 2019, the outstanding directors' bonus accrual was £11.0m, of which £6.0m was due to be paid within 12 months and £5.0m to be after 12 months. (2018: £15.5m, £11.3m paid with 12 months and £4.2m due after 12 months). During the period three directors received contributions under a defined contribution scheme (2018: three).

8. FINANCE INCOME

	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'m
Interest on bank deposits	**0.1**	-
Other finance income	**0.1**	0.2
Total finance income	**0.2**	0.2

9. FINANCE COSTS

	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'m
Interest on bank overdrafts and loans	**0.1**	0.2
Interest expense on lease liabilities	**1.1**	-
Interest payable to immediate parent	**0.7**	-
Other interest costs	**0.2**	0.2
Total finance costs	**2.1**	0.4

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

a. Taxation charge

	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'m
UK current tax		
UK corporation tax on profits for the period	**5.1**	4.4
Double tax relief	**(0.4)**	(0.4)
Adjustment in respect of prior periods	**0.9**	(0.9)
	5.6	3.1
Overseas current tax		
Overseas taxation on profits for the period	**8.4**	3.3
Adjustment in respect of prior periods	**-**	(0.9)
Total current tax	**14.0**	5.5
Deferred tax		
Origination and reversal of temporary differences arising in the period	**(0.9)**	(1.7)
Effect of change in tax rates	**(0.6)**	0.4
Total deferred tax (Note 18)	**(1.5)**	(1.3)
Total tax expense	**12.5**	4.2

UK Corporation tax is calculated at 19.0% (2018: 19.25%) of the estimated taxable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

b. Taxation reconciliation for continuing operations

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

	2019 £'m	**2019 %**	2018 £'m	2018 %
Profit before tax	**44.2**		27.4	
Tax due if paid at the applicable UK corporation tax rate of 19.0% (2018: 19.25%)	**8.4**	**19.0**	5.2	19.25
Adjusting items				
Adjustment relating to release of prior period corporation tax provisions	**1.0**		(1.8)	
Tax effect of utilisation of tax losses not previously recognised	**(0.3)**		(0.7)	
Effect of different tax rates of operations in other jurisdictions	**0.9**		0.3	
Tax effect of expenses that are not deductible in determining taxable profit	**1.7**		2.2	
Effect of current year losses not utilised	**2.4**		1.0	
Effect of movements in deferred tax	**(0.6)**		0.4	
Effect of deduction in relation to research and development expenditure	**0.1**		-	
Deferred tax not recognised	**-**		(0.2)	
Tax effect of income that is not taxable in determining taxable profit	**(1.1)**		(2.2)	
Income tax expense recognised in the income statement	**12.5**	**28.3**	4.2	15.3

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. NON-UNDERLYING ITEMS

	12 months ended 31 December 2019 £'m	12 months ended 31 December 2018 £'m
Amortisation of purchased intangible assets	**(5.1)**	(10.7)
Closure costs	**(4.3)**	(0.4)
Transfer of trade/assets to Yondr	**1.2**	-
Spain earn-out payment	**(0.1)**	-
Total non-underlying items	**(8.3)**	(11.1)

The following items have been presented as non-underlying:

- Amortisation of the purchased intangible assets created on acquisition of ISG Central Services Limited, a group restructure, of 2019 £5.1m (2018 £10.7m).
- In 2019 £4.2m associated with the closure of Brazil (comprising: £1.0m of closure costs, £1.4m disposal of goodwill and trading loss for the year of £1.8m (being: revenue £5.6m, cost of sales £5.7m, administrative expenses £1.5m, and finance costs £0.2m)), and £0.1m closure costs for Middle East operations. (2018: £0.4m of cost for the closure of China).
- £1.2m gain on the transfer of trade/assets to a related party undertaking, Yondr, see Note 29.

12. GOODWILL

	£'m
Cost	
Balance at 1 January 2019	173.3
Disposals in the period	(1.4)
Net foreign currency exchange differences	(3.0)
Balance at 31 December 2019	**168.9**
Carrying amount	
As at 31 December 2019	**168.9**
As at 31 December 2018	173.3

Following management's decision to close the Brazil operations in 2019, the goodwill amount that had been allocated totalling £1.4m has been written down.

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

	2019 £'m	**Basis**	**Discount Rate %**	**Growth Rate Applied %**
UK Fit Out	**49.0**	Value in use	10.6	3
Engineering Services UK	**17.6**	Value in use	10.6	3
Engineering Services Europe	**20.0**	Value in use	10.6	3
UK Retail	**42.1**	Value in use	11.3	2.5
Asia	**24.7**	Value in use	12.8	3
Continental Europe	**10.5**	Value in use	11.6	3
Middle East	**5.0**	Value in use	12.7	3
	168.9			

The impairment tests were based on the latest management information from the annual budgeting process. This covered the 2020 and 2021 period and was prior to any updates in forecasts for the impacts from COVID-19. A growth rate as per the table was applied thereafter to the next three years. The discount rate and growth rates applied were similar to those used in the initial acquisition accounting in 2016 and were determined using a third-party expert. Sensitivities were applied by changing the discount and growth rate. The headroom arising on the impairment tests was £925.0m. A 1% increase in the discount rate reduces the headroom by £126.5m. A 1% decrease in the growth rate reduces the headroom by £87.4m. Subsequent to the balance sheet date, the impact from COVID-19 is being considered, see note 3 and note 32, it is expected this will reduce the headroom on future impairment tests, although the extent has not been determined at the date of signing these financial statements.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. OTHER INTANGIBLE ASSETS

	Trademarks and licences £'m	Customer relationships £'m	Customer contracts £'m	Software £'m	Total £'m
Cost					
Balance at 1 January 2018	31.2	23.9	5.5	4.9	65.5
Net foreign currency exchange differences	0.2	0.1	-	-	0.3
Additions	-	-	-	2.7	2.7
Disposals	-	-	(5.5)	-	(5.5)
Balance at 1 January 2019	31.4	24.0	-	7.6	63.0
Net foreign currency exchange differences	(0.3)	(0.2)	-	-	(0.5)
Additions	-	-	-	3.0	3.0
Disposals	-	-	-	(0.6)	(0.6)
Balance at 31 December 2019	**31.1**	**23.8**	**-**	**10.0**	**64.9**
Accumulated amortisation					
Balance as of 1 January 2018	(5.5)	(14.1)	(5.5)	(1.0)	(26.1)
Charge for the period	(3.1)	(7.6)	-	(1.1)	(11.8)
Disposals	-	-	5.5	-	5.5
Balance as of 1 January 2019	(8.6)	(21.7)	-	(2.1)	(32.4)
Charge for the period	(3.0)	(2.1)	-	(1.4)	(6.5)
Disposals	-	-	-	0.6	0.6
Balance at 31 December 2019	**(11.6)**	**(23.8)**	**-**	**(2.9)**	**(38.3)**
Carrying amount					
As at 31 December 2019	**19.5**	**-**	**-**	**7.1**	**26.6**
As at 31 December 2018	22.8	2.3	-	5.5	30.6

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'m	IT and office equipment £'m	Total £'m
Cost			
Balance at 1 January 2018	4.1	4.2	8.3
Additions	2.7	2.5	5.2
Disposals	-	-	-
Balance at 1 January 2019 – as previously stated	6.8	6.7	13.5
Adjustment on adoption of IFRS 16	25.2	5.2	30.4
Balance at 1 January 2019 – after adoption of IFRS 16	32.0	11.9	43.9
Additions	4.6	3.2	7.8
Disposals	(0.6)	(0.7)	(1.3)
Net foreign currency exchange differences	-	-	-
Balance at 31 December 2019	**36.0**	**14.4**	**50.4**
Accumulated depreciation			
Balance at 1 January 2018	(0.5)	(1.5)	(2.0)
Disposals	-	-	-
Charge for the period	(0.9)	(1.0)	(1.9)
Balance at 1 January 2019	(1.4)	(2.5)	(3.9)
Adjustment on adoption of IFRS 16	(0.2)	-	(0.2)
Balance at 1 January 2019 – after adoption of IFRS 16	(1.6)	(2.5)	(4.1)
Disposals	0.5	0.6	1.1
Charge for the period	(5.4)	(3.9)	(9.3)
Balance at 31 December 2019	**(6.5)**	**(5.8)**	**(12.3)**
Carrying amount			
As at 31 December 2019	**29.5**	**8.6**	**38.1**
As at 1 January 2019 – after adoption of IFRS 16	30.4	9.4	39.8
As at 31 December 2018	5.4	4.2	9.6

Right-of-use assets

Included within tangible assets are right-of-assets, which consist of assets arising from operating lease arrangements accounted for under IFRS 16, finance lease agreements and hire purchase agreements:

	Leasehold improvements £'m	IT and office equipment £'m	Total £'m
Carrying amount at 1 January 2019	25.0	5.2	30.2
Additions	1.4	0.3	1.7
Disposals	-	-	-
Depreciation charge for the period	(4.1)	(2.4)	(6.5)
Carrying amount at 31 December 2019	**22.3**	**3.1**	**25.4**

Short-term lease expense, Low value lease expense and Expense relating to variable lease payments not included in the measurement of lease liabilities are disclosed in Note 6. Interest expense on lease liabilities are detailed in Note 9. Lease liabilities are disclosed in Note 20. The effect of adopting IFRS 16 – Leases is disclosed in Note 2 and the accounting policy for leases is disclosed in Note 3.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES

	2019 £'m	2018 £'m
Non-current		
Trade receivables (including retentions)	**33.7**	15.0
Other receivables	**0.8**	0.5
Total non-current trade and other receivables	**34.5**	15.5
Current		
Trade receivables (including retentions)	**356.8**	333.5
Less: provision for impairment	**(2.6)**	(1.9)
Trade receivables net	**354.2**	331.6
Other receivables	**15.5**	17.8
Receivable from related parties	**1.2**	0.5
Prepayments	**8.5**	8.7
Total current trade and other receivables	**379.4**	358.6
Total trade and other receivables	**413.9**	374.1

The Board considers that the carrying amount of trade and other receivables approximates their fair value. The Group measures expected credit losses by division based on credit risk and the aging of these receivables. These are determined by, amongst other considerations, reference to past default experience, and specific provisions are raised as needed after taking an individual view to debt recoverability. Trade receivables amounting to £194.2m were pledged under a Cathexis Group loan arrangement, see Note 19, (2018: £143.7m were pledged to BNP Paribas Commercial Finance).

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 2019 were £102.7m (2018 £86.8m). Under the normal course of business, the Group does not charge interest on its overdue receivables.

16. CONSTRUCTION CONTRACTS

Contracts in progress at the balance sheet date:

	2019 £'m	2018 £'m
Amounts due from construction contract customers	**104.6**	167.3
Amounts due to construction contract customers	**(98.6)**	(112.4)
Carrying amount at the end of the period	**6.0**	54.9

Amounts due from construction contract customers are included in Trade and other receivables, while Amounts due to construction contract customers are included in Trade and other payables on the balance sheet.

For contracts included in the carrying amount at the end of the period:

Contract costs incurred plus recognised profits less recognised losses to date	**6,067.5**	4,385.4
Less: progress billings	**(6,061.5)**	(4,330.5)
Net work in progress	**6.0**	54.9

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. ANALYSIS OF NET CASH POSITION

	Balance at 1 January 2018 £'m	Cash flow £'m	Foreign exchange £'m	Balance at 31 December 2018 £'m	**Cash flow £'m**	**Foreign exchange £'m**	**Balance at 31 December 2019 £'m**
Cash and cash equivalents	75.7	28.2	(1.1)	102.8	**11.6**	**2.5**	**116.9**
Loan from parent	-	(25.0)	-	(25.0)	**25.0**	-	-
Liquid facility	(10.0)	10.0	-	-	-	-	-
Other borrowings	(1.8)	1.4	-	(0.4)	**0.4**	-	-
Net cash	63.9	14.6	(1.1)	77.4	**37.0**	**2.5**	**116.9**

The Group's exposure to interest rate and exchange risks and a sensitivity analysis for financial assets and liabilities is disclosed in Note 25.

18. 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	Right-of-use assets £'m	Lease liability £'m	Other £'m	Tax losses £'m	Total £'m
Balance at 1 January 2018	2.1	-	-	2.1	1.8	6.0
(Charge)/credit to income	(0.5)	-	-	(0.4)	-	(0.9)
Balance at 31 December 2018	1.6	-	-	1.7	1.8	5.1
Adjustment on adoption of IFRS 16	-	(5.9)	6.9	-	-	1.0
Balance at 1 January 2019	1.6	(5.9)	6.9	1.7	1.8	6.1
(Charge)/credit to income	(0.6)	0.5	(0.7)	0.6	-	(0.2)
Balance at 31 December 2019	**1.0**	**(5.4)**	6.2	**2.3**	**1.8**	**5.9**

Deferred tax liabilities

	Intangible assets £'m	Total £'m
Balance at 1 January 2018	(7.5)	(7.5)
Credit to income	2.1	2.1
Balance at 31 December 2018	(5.4)	(5.4)
Adjustment on adoption of IFRS 16	-	-
Balance at 1 January 2019	(5.4)	(5.4)
Credit to income	1.6	1.6
Balance at 31 December 2019	**(3.8)**	**(3.8)**

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 £75.1m that are available for offset against future profits. A deferred tax asset of £1.8m has been recognised in relation to £10.8m of these losses. Unrecognised temporary differences total £0.1m relating to right-of-use assets and lease liabilities arising under IFRS 16 accounting approach. Deferred tax arising on lease liabilities and right-of-use assets has been offset as permitted under IFRS.

The average tax rate applied to deferred tax is 17%. This is in line with the UK enacted tax rate from 1 April 2020 at the balance sheet date. In the March 2020 budget, the Chancellor announced that, in line with the 2019 election manifesto the next UK finance act would reverse this reduction in tax rate so that corporation tax would remain at 19%. As this has not yet been signed into law it is not appropriate to change the rate at which deferred tax is calculated.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BORROWINGS

	2019 £'m	2018 £'m
Non-current		
Loan from immediate parent	-	25.0
Total non-current	-	25.0
Current		
Bank loans	-	0.4
Total current	-	0.4
Total	-	25.4

As at 31 December 2018, the Group had an uncommitted £45.0m liquidity facility provided by BNP Paribas Commercial Finance, secured on UK and Belgium-based assets, with an interest margin of 1.75% over 1 month LIBOR. There were no financial covenants but available funds may have been restricted based on operational parameters including debtor days and debtor concentration limits. Drawings on this facility at 31 December 2018 totalled £nil. In July 2019, the Group closed this facility. In 2018 the Group also had borrowings of £0.4m consisting of a number of smaller facilities for working capital purposes, acquired with Interior Services Group Iberia SL and ACE-Engenharia e Construções Ltda, these facilities were also closed during 2019. The Group has maintained uncommitted overdraft facilities in Brazil, Germany and France. With the release of the liquidity facilities during the year the Group has no outstanding financial covenants on debt facilities. There have been no breaches of other bank covenants during the period.

In December 2018 the Group's parent provided an unsecured loan of £25.0m to the Group, with an interest rate of 3.07%. This loan was due for repayment in 2026, but was repaid in full in 2019.

There is no variance between the carrying amount and the fair value of the borrowings. The Group had no committed undrawn borrowing facilities as of 31 December 2019 (2018 £nil).

20. LEASE LIABILITIES

	2019 £'m
Lease liability maturity analysis – contractual undiscounted cash flows	
Lease liabilities which expire:	
Within one year	**2.6**
Within two to five years	**5.7**
After five years	**26.8**
Total undiscounted lease liabilities at 31 December	**35.1**
Lease liabilities included in the balance sheet	
Current	**6.5**
Non-current	**24.1**
Total	**30.6**

These lease liabilities were recognised on adoption of IFRS 16; the Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019, hence there is no comparative data for this analysis. The details of the changes to the financial statements are disclosed as follows: Short-term lease expense, Low value lease expense and Expense relating to variable lease payments not included in the measurement of lease liabilities are disclosed in Note 6. Interest expense on lease labilities are detailed in Note 9. Right-of-use assets are disclosed in Note 14. The effect of adopting IFRS 16 – Leases is disclosed in Note 2 and the accounting policy for leases is disclosed in Note 3.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. TRADE AND OTHER PAYABLES

	2019 £'m	2018 £'m
Non-current		
Trade payables (including retentions)	**23.9**	13.2
Other payables	**-**	0.1
Total non-current trade and other payables	**23.9**	13.3
Current		
Trade payables (including retentions)	**234.3**	202.4
Contract accruals	**266.6**	233.7
Other taxation and social security	**8.3**	8.2
Other payables	**21.8**	114.8
VAT	**22.5**	10.9
Accruals	**42.0**	38.0
Total current trade and other payables	**595.5**	608.0
Total trade and other payables	**619.4**	621.3

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

	2019 £'m	2018 £'m
Balance at the beginning of the period	**2.0**	9.2
Utilisation of provision in the period	**(2.0)**	(7.2)
Balance at the end of the period	**-**	2.0

Analysis of provision	2019 £'m	2018 £'m
Non-current	**-**	1.3
Current	**-**	0.7
	-	2.0

The prior year provision related to onerous leases has been absorbed into the IFRS 16 calculations, see Note 2; and the prior year provision related to supplier claims has been utilised during the current year.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. CAPITAL AND OTHER COMMITMENTS

At 31 December 2019, the Group and the Company had no capital commitments (2018 £nil).

Operating leases

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

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

With the adoption of IFRS 16, as discussed in Note 2, these net operating lease commitments are now included on the Group's balance sheet as Lease liabilities see Note 20. Also included in Note 2 is the reconciliation from the 31 December 2018 disclosed minimum commitments to the value of the lease liability recognised on 1 January 2019.

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 2019 (2018 £nil). In the normal course of business there are contingent liabilities including the provision of bonds in respect of completed and uncompleted contracts. Bonds are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the bond agreement. The total amount of such bank and surety bonds in issue at 31 December 2019 was £146.5m (2018 £112.2m).

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS

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

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

Principal financial instruments

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

Categories of financial instruments

	2019 £'m	2018 £'m
Financial assets (amortised cost)		
Trade receivables (non-current)	33.7	15.0
Other receivables (non-current)	0.8	0.5
Trade receivables (current)	354.2	331.6
Other receivables including related parties (current)	16.7	18.3
Amounts due from construction contract customers	104.6	167.3
Cash and cash equivalents	116.9	102.8
Total financial assets	626.9	635.5
Financial liabilities (amortised cost)		
Trade payables (non-current)	23.9	13.2
Other payables (non-current)	-	0.1
Contingent consideration (non-current)	-	-
Borrowings (non-current)	-	25.0
Borrowings (current)	-	0.4
Lease liabilities (non-current)	24.1	-
Lease liabilities (current)	6.5	-
Trade payables (current)	234.3	202.4
Other payables (current)	21.8	114.8
Contract accruals	266.6	233.7
Accruals	42.0	38.0
Amounts due to construction contract customers	98.6	112.4
Contingent consideration (current)	-	-
Total financial liabilities	717.8	740.0

Financial instruments not carried at fair value

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

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial risk management

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

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

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and procedures for measuring and managing risk. Please refer also to the principal business risks on pages 93 to 99.

Market risk

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

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

Credit risk

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

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

Cash and cash equivalents

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

Trade receivables

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

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

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

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

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Ageing of trade receivables:

	2019 Gross £'m	2019 Impairment provision £'m	2018 Gross £'m	2018 Impairment provision £'m
Not past due	**189.4**	**-**	284.7	-
Past due 0 – 30 days	**98.7**	**-**	28.0	-
Past due 30 – 60 days	**51.1**	**-**	5.6	-
Past due 60 – 90 days	**2.8**	**-**	5.4	-
Past due 90 – 120 days	**3.3**	**0.1**	2.8	-
Past due greater than 120 days	**11.5**	**2.5**	7.0	1.9
	356.8	**2.6**	333.5	1.9

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 £9.0m (2018 £5.1m) which are six months past due at the reporting date for which the Group has not made provision as there has not been a significant change in the credit quality and the amounts are considered recoverable.

External credit ratings

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

	2019 £'m	2018 £'m
Trade receivables		
A	**285.3**	260.6
B	**16.6**	9.6
Without credit rating	**52.3**	61.4
Total trade receivables	**354.2**	331.6
Cash at bank		
AAA	**-**	-
AA	**9.2**	13.0
A	**103.7**	82.5
BBB	**3.9**	7.3
BB	**0.1**	-
Without credit rating	**-**	-
Total cash at bank	**116.9**	102.8

Movement in the provision for impairment:

	2019 £'m	2018 £'m
Balance at the beginning of the period	**1.9**	2.2
Increase in impairment provision recognised	**1.1**	0.9
Receivables written off as uncollectible	**(0.2)**	(0.2)
Amounts recovered during the period	**(0.2)**	(1.0)
Balance at the end of the period	**2.6**	1.9

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign currency risk

The Group has international operations and is exposed to foreign exchange risk. The rate that has the most impact on the results of the Group is primarily the Euro (EUR). The main risk is from net investments in foreign operations, recognised assets and liabilities and future trading transactions. A 10% increase/decrease in Pounds Sterling (GBP) against the EUR would have had a circa £1.7m (2018 £0.3m) impact on trading operating profits. This analysis assumes all other variables, in particular interest rates, remain constant.

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

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

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

	2019 Assets £'m	2019 Liabilities £'m	2018 Assets £'m	2018 Liabilities £'m
GBP	**354.1**	**496.0**	317.1	440.6
EUR	**202.3**	**185.9**	239.9	226.2
AED	**22.0**	**20.5**	28.2	26.3
HKD	**31.9**	**19.1**	29.8	17.6
SGD	**23.7**	**12.6**	20.7	10.6
MYR	**9.1**	**7.8**	8.5	7.4
CNY	**1.2**	**3.8**	1.4	4.2
BRL	**1.1**	**3.1**	3.9	3.7
KRW	**0.6**	**0.6**	0.8	0.7
RUB	**0.2**	**0.1**	0.4	0.2
Other	**3.9**	**4.5**	4.4	4.4
	650.1	**754.0**	655.1	741.9

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, forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 19 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 102, and also with the significance of the potential impact of COVID-19 to the Group, see note 3 and note 32.

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

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

Liquidity risk tables

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

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2019	Carrying amount £'m	Contractual cash flows £'m[1]	Less than 1 year £'m	1-2 years £'m	2-5 years £'m	More than 5 years £'m
Non-derivative financial assets						
Trade receivables (current and non-current)	387.9	387.9	354.2	33.7	-	-
Other receivables including related parties (current and non-current)	17.5	17.5	16.7	0.8	-	-
Amounts due from construction contract customers	104.6	104.6	104.6	-	-	-
Cash and cash equivalents	116.9	116.9	116.9	-	-	-
	626.9	626.9	592.4	34.5	-	-
Non-derivative financial liabilities						
Borrowings (current and non-current)	-	-	-	-	-	-
Borrowings from immediate parent (non-current)	-	-	-	-	-	-
Lease liabilities (current and non-current)	30.6	30.6	6.5	4.9	16.4	2.8
Trade payables (current and non-current)	258.2	258.2	234.3	23.9	-	-
Other payables (current and non-current)	21.8	21.8	21.8	-	-	-
Contract accruals and accruals	308.6	308.6	308.6	-	-	-
Amounts due to construction contract customers	98.6	98.6	98.6	-	-	-
	717.8	717.8	669.8	28.8	16.4	2.8

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2018	Carrying amount £'m	Contractual cash flows £'m[1]	Less than 1 year £'m	1-2 years £'m	2-5 years £'m	More than 5 years £'m
Non-derivative financial assets						
Trade receivables (current and non-current)	346.6	346.6	331.6	15.0	-	-
Other receivables including related parties (current and non-current)	18.8	18.8	18.3	0.5	-	-
Amounts due from construction contract customers	167.3	167.3	167.3			
Cash and cash equivalents	102.8	102.8	102.8	-	-	-
	635.5	635.5	620.0	15.5	-	-
Non-derivative financial liabilities						
Borrowings (current and non-current)	0.4	0.4	0.4	-	-	-
Borrowings from immediate parent (non-current)	25.0	25.0	-	-	25.0	-
Trade payables (current and non-current)	215.6	215.6	202.4	13.2	-	-
Other payables (current and non-current)	114.9	114.9	114.8	0.1	-	-
Contract accruals and accruals	271.7	271.7	271.7	-	-	-
Amounts due to construction contract customers	112.4	112.4	112.4	-	-	-
	740.0	740.0	701.7	13.3	25.0	-

[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.

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 (2018 increase or decrease by £nil) in respect to exposure to the Group's borrowings.

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 19, cash and cash equivalents and equity attributable to equity holders of ISG plc, comprising issued capital, reserves and retained earnings.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. SHARE CAPITAL

	2019 Group and Parent Company Number	**2019 Group and Parent Company £'m**	2018 Group and Parent Company Number	2018 Group and Parent Company £'m
Ordinary shares of £1 each (2018 £1 each) allotted	**49,483,864**	**49.5**	49,483,864	49.4
Ordinary shares of £1 each (2018 £1 each) allotted and fully paid	**49,483,864**	**49.5**	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; this balance was settled in 2019. On 6 September 2016 49,433,864 shares were issued at £1 per share. Total consideration was £83.5m resulting in share premium of £34.1m.

27. DIVIDENDS

During the period to 31 December 2019 no dividends have been declared or paid. During 2018 the directors declared and paid a dividend of £25.0m.

With regard to the £25.0m dividend declared and paid by the Company in December 2018 to its sole shareholder, Cathexis UK Holdings Limited (the "December 2018 dividend"), the directors have recently become aware that, due to certain breaches of the Companies Act 2006, the December 2018 dividend was not lawful. The directors intend to re-register the Company as a private limited company subject to shareholder approval, such that the administrative and legal requirements for a release by the Company of any liability of Cathexis UK Holdings Limited to repay the December 2018 dividend to the Company (thereby rectifying the December 2018 dividend position so far as possible) are reduced. It is anticipated that the net impact of completing this course of action on the Company's level of realised profits would be as if the December 2018 dividend had been lawful. The directors have therefore formed the judgment that there need be no restatement of the reserves of the Company (and no recognition of any contingent asset in relation to any repayment to the Company of the December 2018 dividend) in these financial statements.

28. NON-CONTROLLING INTERESTS

	2019 £'m	2018 £'m
Balance at the beginning of the period	**0.1**	(0.4)
Purchase of NCI	-	(0.3)
Other	-	0.8
Balance at the end of the period	**0.1**	0.1

During 2018 the Group purchased the remaining 42.41% of the shares in Interior Services Group Iberia SL for £1.5m resulting in a reduction to the NCI of £0.3m with the balance being recorded in Other reserves.

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

In December 2018, the Group received a £25.0m loan from its immediate parent, Cathexis UK Holdings Limited. This amount was repaid during 2019 together with £0.7m of interest (Note 9). The terms relating to the loan were as described in Note 19. As at December 2019 there was a £0.2m creditor (2018 £nil), disclosed in other payables is Note 21, owing to Cathexis UK Holdings Limited relating to UK corporation tax group relief. This balance is payable on demand and does not bear interest.

During the year the parent group entered into a loan facility, as part of the overall security certain of the Group's trade receivable balances are included in the security pledged, see Note 15.

The Group provides construction services to a fellow subsidiary of the Cathexis Group (Cathexis Luxembourg Sarl). During the year the Group charged £293.7m (2018: £40.4m) of which £18.4m (2018: £27.6m) was outstanding and disclosed within trade receivables and retentions as at 31 December 2019 (Note 15).

The Group also provides accounting services for another fellow subsidiary of the Cathexis Group (ISG Construction LP). The amount charged in the year to ISG Construction LP was £0.2m (2018 £0.3m), with a balance outstanding at the period-end of £nil (2018 £0.5m).

On 31 December 2019, the Group completed a transaction with the Yondr Group, a fellow group within the wider Cathexis Group. The transaction related to the transfer of the Group's Technology Solutions business which included the relevant employees and customer relationships. The Group recognised a gain of £1.2m from the consideration for this transaction which remained outstanding at the year end and is disclosed in Note 15, receivable from related parties. The Group provided management and related services to the Yondr Group and the Yondr Group provided construction services to the Group. During the year the Group charged £16.6m (2018: £nil) to Yondr and Yondr charged £26.7m to the Group. As at 31 December 2019 £0.7m (2018: £nil) was owed by the Group to Yondr and is disclosed within trade payables and retentions (Note 21).

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. ADDITIONAL INFORMATION ON SUBSIDIARIES

The details of all of the subsidiary companies as at 31 December 2019 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	3F Urbannet Uchisaiwaicho Building 1-1-13, Shimbashi, Minato-ku Tokyo, 105-0004 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 Asia (Thailand) Ltd (formerly ISG (Thailand) Limited)*	Thailand	999/9 the Offices at Central World, 29th Floor, Suite No. 2914, Rama 1 Road, Pathumwan, Bangkok 10330, Thailand	Fit out and project management	49	Indirect
Commtech Asia (Vietnam) LLC	Vietnam	3rd Floor, Indochina Riverside Office Tower, 74 Bach Dang Hai Chau I Ward Hai Chai District, Da Nang City, Vietnam	Commissioning and testing management	100	Indirect
Commtech Middle East Technology Services LLC*	UAE	M09A, BMI Building, Khalid Bin Al Walid Street, PO Box 120397, Dubai, UAE	Commissioning and testing management	49	Indirect
Commtech Testing Technology (Shanghai) Co. Limited	China	Room 402, 4F, Building 3, No.546 YuYuan Road, JingAn District, Shanghai 200040, PRC	Commissioning and testing management	100	Indirect
Interior Services Group Iberia, S.L	Spain	Avenida. De Córdoba nº 21, 2, puerta 3-B, 28026 Madrid, Spain	Fit out and project management	100	Indirect
Interior Service Group Netherlands BV	Netherlands	Business Center Eemshaven, Westereemsweg 5, 9979 XP Eemshaven, Netherlands	Fit out and project management	100	Indirect
Interior Services Group Spain SL	Spain	Avenida. De Córdoba nº 21, 2, puerta 3-B, 28026 Madrid, Spain	Fit out and project management	100	Indirect
ISG (Schweiz) AG	Switzerland	Räffelstrasse 24, 8045 Zürich, Switzerland	Fit out and project management	100	Indirect
ISG Asia (China) Limited	China	Room 412, Shanghai Xin Xin Business Centre, 286 Dongfang Road, Pudong New District, Shanghai, PRC	Fit out and project management	100	Indirect
ISG Asia (Hong Kong) Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Fit out and project management	100	Indirect
ISG Asia (Macau) Limited	Macau	Alameda Dr, Carlos D'Assumpcao, No 411 a 417 Editicio Dynasty Plaza, 4 andar B, C e D, em, Macau	Fit out and project management	100	Indirect

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Subsidiary undertakings	Country of incorporation/ registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
ISG Asia (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	Construction, interior fit out, renovation and refurbishment	100	Indirect
ISG Asia (Singapore) Pte Ltd	Singapore	180 Clemenceau Avenue #01-01 Haw Par Centre, Singapore 239922	Interior design fit out services and project planning	100	Indirect
ISG Asia Group Services Pte Limited	Singapore	180 Clemenceau Avenue #01-01 Haw Par Centre, Singapore 239922	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 Building Contracting LLC*	UAE	Warehouse no 07, Al Quoz Third, Plot No 413-0, Dubai, United Arab Emirates	Construction services	49	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 SRL	Belgium	Auguste Reyerslaan 80, 1030 Schaerbeek, Belgium	Fit out and project management	100	Indirect
ISG Deutschland GmbH	Germany	Am Hauptbahnhof 18, 60329, Frankfurt, Germany	Fit out and project management	100	Indirect
ISG Engineering Services Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Engineering	100	Indirect
ISG Engineering Services Nordic APS	Denmark	c/o PricewaterhouseCoopers, Strandvejen 44, 2900 Hellerup, Denmark	Engineering	100	Indirect
ISG Europe SAS	France	14 Rue Auber, 75009, Paris, France	Fit out and project management	100	Indirect
ISG Fit Out Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out	100	Indirect
ISG Interior Services Group Ireland Limited	Ireland	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	Fit out and project management	100	Indirect
ISG Middle East LLC*	UAE	Office 602 Sama Tower, Shaikh Zayed Road, Dubai, UAE	Fit out and project management	49	Indirect
ISG Olson CJSC	Russia	Floor 7, Schipok str. 18, Moscow, 115093, Russian Federation	Fit out	100	Indirect
ISG Retail Limited	England	Boleyn House, St Augustine's Business Park, Whitstable, Kent CT5 2QJ, United Kingdom	Fit out and refurbishment	100	Indirect
ISG Technology Solutions Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Technology consulting services	100	Indirect
Realys Group Limited	Hong Kong	17/F 101 Kings Road, North Point, Hong Kong	Holding company	100	Indirect
Realys Pte Ltd	Singapore	180 Clemenceau Avenue #01-01 Haw Par Centre, Singapore 239922	Project planning and interior design fit out services	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 Lumpur, Malaysia	Design-led project management	100	Indirect

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
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 2019 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
ISG Asia Limited (7395385)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Asia (Korea) Limited	Cayman Islands	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-112, Cayman Islands	Dormant	100	Indirect
ISG Cathedral Limited (3151349)	England	Boleyn House, St Augustine's Business Park, Whitstable, Kent CT5 2QJ, United Kingdom	Dormant	100	Indirect
ISG Developments (Southern) Limited (1801647)	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Property development	100	Indirect
ISG Developments UK Holdings Limited (10618277)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Egypt Limited	Egypt	c/o Al Kamel Law Firm 17 Nabil El Wakad St., Dokki, Giza - Egypt	Dormant	100	Indirect
ISG Europe Limited (7662920)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Jackson Special Projects Limited (541763)	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Non-trading	100	Indirect
ISG Luxembourg S.à.r.l	Luxembourg	37, rue d'Anvers, Luxembourg L-1130, Luxembourg	Dormant	100	Indirect
ISG Middle East Limited (7395542)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG UK Limited (5086130)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Propencity Limited (2517333)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Realys Europe Limited (9227207)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Totty Developments Limited (3119754)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Realys Hong Kong Limited	Hong Kong	17/F, 101 Kings Road, North Point, Hong Kong	Dormant	100	Indirect

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Details of companies within the ISG Group that are no longer required and are therefore in the process of liquidation as at 31 December 2019:

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 Middle East LLC (Qatar)*	UAE	c/o Solutions Four WLL PO Box 15644, Doha , Qatar Commercial Registration # 54905	In liquidation	49	Indirect
Realys Group Construction and Design Consulting (Shanghai Company Limited)	China	Shanghai Hong Kong Plaza, 283 Huai Hai Middle Road, South Building, Floor 26 room 2607 - 37	In liquidation	100	Indirect

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

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

31. PARENT AND ULTIMATE PARENT

The immediate parent company is Cathexis UK Holdings Limited, a company incorporated and registered in the United Kingdom. At 31 December 2019, the company's ultimate parent company was Cathexis Holdings LP, a company incorporated in the United States. The largest group of undertakings for which group accounts are drawn up and of which the company is a member is the group headed by Cathexis Holdings LP. The smallest such group is the group headed by Cathexis UK Holdings Limited. Copies of the group financial statements of Cathexis UK Holdings Limited are available from Companies House. The ultimate controlling party is W B Harrison by virtue of his beneficial interests in the ultimate parent company.

32. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2019, the COVID-19 pandemic has impacted globally. Our priority is to keep our workplaces as safe as possible for our people, supply chain partners, clients and the general public. The Group continues to operate on site in line with relevant local government guidelines in its geographies, however the volume of work has reduced due to newly implemented social distancing working procedures, fewer site operatives and some government mandated site closures.

We have forecasted the effects of differing levels of reduced volume over the short term and the necessary mitigating actions that the business would implement to ensure the Group has sufficient working capital to maintain operations as detailed in the going concern consideration in Note 3.

The implications to the medium and longer term forecasts have also been considered and no material change is anticipated to the carrying value of non current assets or liabilities, this is based on the headroom in the impairment reviews of intangible assets (see Note 12) which are sufficient to absorb the impacts from the COVID-19 related volume reductions. It is likely that the expected credit loss provisions on financial assets will increase in 2020, although it is not expected to materially affect the short term receivables recognised at 31 December 2019 (see note 25).

ISG PLC

COMPANY BALANCE SHEET | As at 31 December 2019

	Notes	2019 £'m	2018 £'m
Non-current assets			
Investments	4	**66.5**	66.4
Current assets			
Due from subsidiary		**-**	25.0
Total assets		**66.5**	91.4
Non-current liabilities			
Due to parent	5	**-**	(25.0)
Total liabilities		**66.5**	(25.0)
TOTAL NET ASSETS		**66.5**	66.4
Capital and reserves			
Called up share capital	6	**49.5**	49.4
Share premium account	6	**34.1**	34.1
Merger reserve		**(17.1)**	(17.1)
TOTAL SHAREHOLDER'S FUNDS		**66.5**	66.4

The financial statements of the company (company number 10081578) were approved by the Board of directors and authorised for issue on 5 May 2020. 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 (2018 £25.0m). The accompanying notes form part of these financial statements.

P Cossell
Chief Executive Officer

M Stockton
Chief Financial Officer

ISG PLC

COMPANY STATEMENT OF CHANGES IN EQUITY | 12 months ended 31 December 2019

	Share capital £'m	Share premium £'m	Merger reserve £'m	Retained earnings £'m	Total £'m
Balance as of 1 January 2018	49.4	34.1	(17.1)	-	66.4
Dividends received from subsidiary and profit for the period	-	-	-	25.0	25.0
Dividends paid to parent	-	-	-	(25.0)	(25.0)
Balance as of 1 January 2019	**49.4**	**34.1**	**(17.1)**	**-**	**66.4**
Dividends received from subsidiary	-	-	-	-	-
Dividends paid to parent	-	-	-	-	-
Share capital paid	0.1	-	-	-	0.1
Balance at 31 December 2019	**49.5**	**34.1**	**(17.1)**	**-**	**66.5**

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

Disclosure exemptions adopted

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

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

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

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

Investments

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

2. PARENT COMPANY PROFIT AND LOSS ACCOUNT

The Company has taken advantage of section 408(3) of the Companies Act 2006 and has not presented its own profit and loss account. The profit for the period was included within the financial statements of the parent company and was £nil (2018 £25.0m). A dividend of £nil (2018 £25.0m) was declared and paid in the period.

3. CASH FLOW STATEMENT

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

4. INVESTMENTS

	2019 £'m	2018 £'m
Cost		
Balance at the beginning of the period	**66.4**	66.4
Additions	**0.1**	-
Balance at the end of the period	**66.4**	66.4

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

5. BORROWINGS

See Note 19 of the Group accounts.

6. SHARE CAPITAL AND DIVIDENDS

For details of the share capital see Note 26 of the Group accounts; for details of the dividends see Note 27 of the Group accounts.

7. STAFF COSTS

There were no employees during the period.

Officers and professional advisors

Directors
W Harrison (Chairman)
P Cossell (Chief Executive Officer)
M Stockton (Chief Financial Officer)
P Weaver (Chief Improvement Officer)
R Hubbard (Chief Marketing Officer)
J Falconer (Chief Human Resources Officer)
M Blowers (Chief Operating Officer, Fit Out)
B Korink (Chief Operating Officer, Engineering Services)
J Moy (Non-Executive Director)

Company secretary
N Heard

Registered office
Aldgate House
33 Aldgate High Street
London
EC3N 1AG

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Solicitor
Pinsent Masons LLP
30 Crown Place
Earl St
London
EC2A 4ES

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

Country and date of incorporation
United Kingdom
23 March 2016

ISG plc

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

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