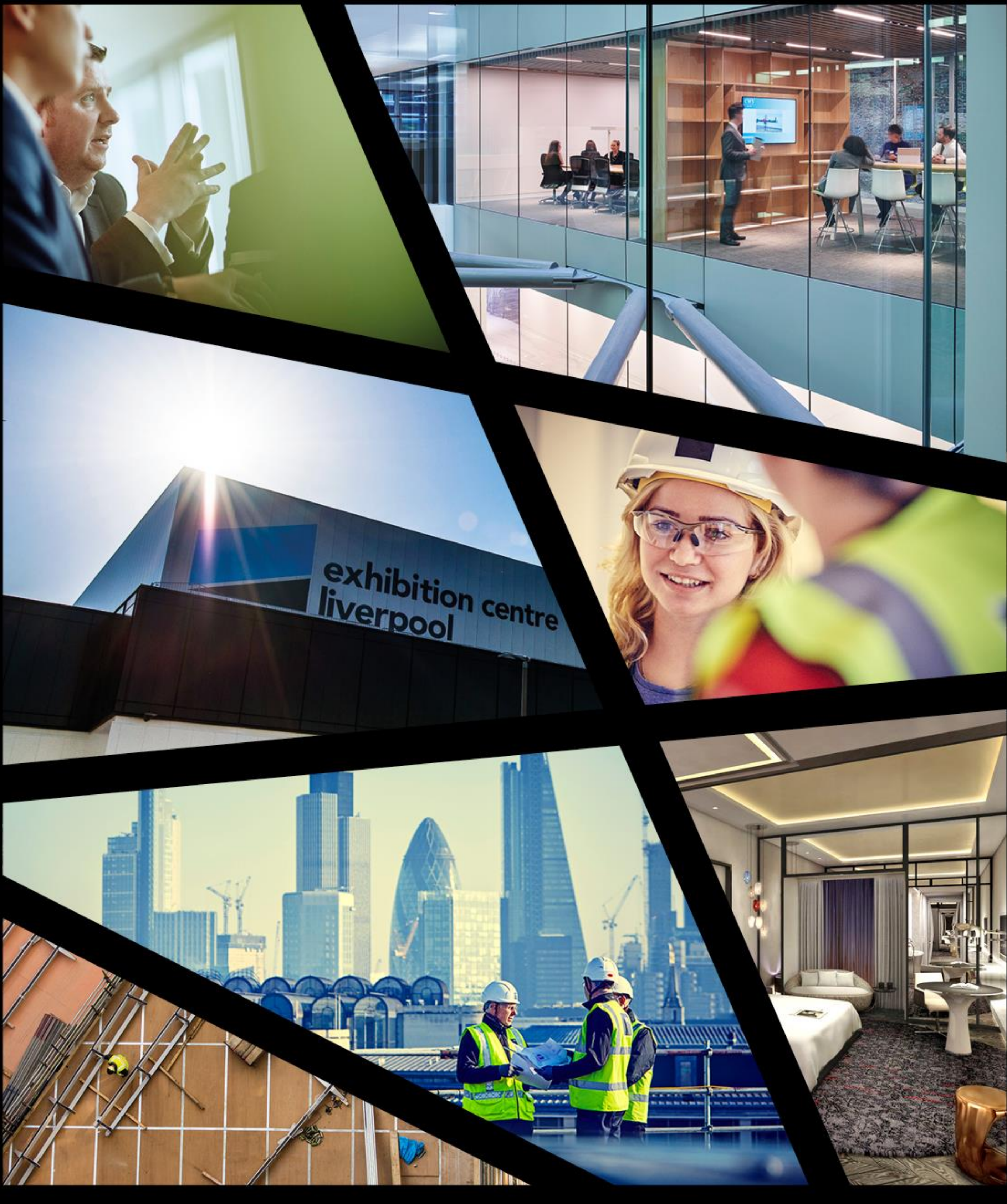
ISG PLC
Company registration number 10081578

Annual report and accounts
31 December 2016



ISG PLC

ANNUAL REPORT AND ACCOUNTS 2016

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ISG PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

COMPANY SECRETARY
M Stockton

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COUNTRY AND DATE OF INCORPORATION
United Kingdom
23 March 2016

ISG PLC

STRATEGIC REPORT

OUR PEFORMANCE AT A GLANCE

For the 10-month period ended 31 December 2016

Key performance indicators (KPI's):

Revenue £1.3bn

Underlying profit before tax £25.5m

Gross cash position £92.8m

Forward order book £1.0bn

Key 2016 highlights

- Takeover by Cathexis UK Holdings Limited bringing new management.
- Restructure of new-build and refurbishment business.
- 22.2% of our employees are women, well above the industry average of 11.0%.
- 92.0% of employees proud to work at ISG.
- Accident Incident Rate (AIR) of 1.26 well below the industry average of 5.2.
- 22 Considerate Constructors Scheme National Site Awards.
- 15 Gold awards, 8 silver awards, 9 gold medals and 5 President awards from the Royal Society for the Prevention of Accidents (RoSPA).
- 11 British Safety Council (BSC) International Safety Awards including a distinction.
- A- CDP climate change score putting ISG joint first place in the construction industry.
- £258,579 donated to charities, including in-kind donations from ISG and its staff.

In February 2016, the ISG Group was purchased by Cathexis, an American Investment Group and a significant shareholder of ISG (see Note 30 for more information). Following this the company delisted from AIM. As part of this acquisition a new entity was created to be the holding company of the ISG Group and the Group was reorganised. As a result, ISG plc is a new separate entity from the former, listed company and therefore this report does not make comparisons between current year and previous year performance.

OVERVIEW

ISG delivers robust and future-proofed places that help people and businesses thrive. Our 2,740 worldwide specialists in fit out, technology, construction and development deliver not just buildings, but also an exceptional delivery dynamic and strong customer relationships built on mutual trust, collaboration, and open communication. We blend our unparalleled track record, sound processes and proven delivery methods with a fast-paced and agile culture, ensuring we deliver thriving places that are as dynamic and resilient as their occupants.

Our vision is to be the world's most dynamic construction services company, delivering places that help people and businesses thrive. Our strategy to achieve this is:

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

Our values
Our values underpin our strategy and are as follows:

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 wellbeing, 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.

In line with our values, we also remain committed to a sustainable future and since its launch in 2013, we have continued to develop our 2020 Sustainability Vision, increasing the number of targets we will measure ourselves against.

Our services
We provide the following:

- Fit out – in the office, retail and hotels sectors.
- Construction – refurbishment and new build services.
- Technology – engineering-led construction, including data centres, laboratories, R&D facilities and high-tech university buildings.
- Developments – a development partner with deep construction know-how.

These services are provided across a number of our businesses.

CHIEF EXECUTIVE OFFICER'S REVIEW

2016 was a momentous year for ISG – a year in which following its acquisition by Cathexis the company delisted from the AIM market. It was also the year I was appointed as CEO, alongside a new Board of directors. I am both excited and proud to lead the new company.

During 2016, we reset our vision and values and made far-reaching changes to the way ISG is structured and governed. The company has a clear five-year strategy and is well positioned for growth. Importantly, for the ten month reporting period to 31 December 2016, I am particularly pleased to be able to report revenue of £1.3bn and underlying profit before tax of £25.5m.

The key factors underpinning our strong performance are as follows:

- We strengthened our position as the number one fit out provider in London.
- We have retained our position as the leading retail fit out company across the UK.
- Our reputation as the construction company of choice for global technology-led companies continues to grow and across Europe we grew our position as one of the leading providers in the data centre sector.
- Our Engineering Services offer has seen us deliver major technology-focused projects for four of the world's top ten universities.

As CEO, I have set the company four clear goals which are to:

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

These are at the heart of our strategy and it is pleasing to be able to report that the number of significant repeat clients we have has increased in the period. We have also made notable improvements as an employer and this is helping us to attract, develop and retain the very best talent in our industry. It is our people that are behind our success and I offer them both my thanks and my commitment that we will continue to focus on being a great employer over the coming years. Also in pursuit of our corporate goals we put technology at the heart of everything we do and we are building a deserved reputation as a leading-edge, technology-focused company.

Looking ahead, we face the future with great confidence. We expect to remain the leader in the office and retail fit out markets, and increase our project sizes. Our forward order book is strong at £1.0bn and populated with high-quality work from repeat clients in our target sectors. In 2017, we will enter the US market, which is the base for many of our international repeat clients. Also in the US, we have a pipeline of developer-led schemes. We also expect to increase our presence of the burgeoning technology, science and health sector where our skillset and reputation is in high demand.

P Cossell
Chief Executive Officer
13 April 2017

BUSINESS REVIEW

ISG provides fit out, technology, construction and development services to five key sectors: ‘offices’, ‘technology, science and health’, ‘retail’, ‘hospitality and leisure’ and ‘education and public’ sector. These services are delivered by our Fit out, Construction, Engineering, Retail and Realys, Asian, Continental European and Middle Eastern businesses. The Group achieved revenue of over £1.3bn, underlying profit before tax of £25.5m and had a forward order book of £1.0bn at the end of the 10-month period.

The most significant event in the period was the acquisition of the ISG Group by Cathexis. This acquisition created £58.8m of intangible assets that are subsequently being amortised through the profit and loss of the businesses. This non-cash cost was considered to be a non-underlying expense of the business and hence not included in the underlying profit of each business. The acquisition resulted in £0.8m of costs incurred in relation to the acquisition and £4.7m of restructuring costs as the ISG Group was delisted from AIM and the new directors of the ISG Group restructured the business. These one-off costs are also considered to be non-underlying.

Overall, in the period after the acquisition, the group performed as expected at the operational level, but there was a significant restructuring of senior management roles and responsibilities and an assessment by the directors of the contributions to the profitability of the group by business.

Based on this assessment, during the period, the directors took the decision to close the South African, Russian and Realys China businesses. The combined one-off cost of closure and the losses of the businesses in the period totalled £3.3m that has also been considered non-underlying. A breakdown of the Group’s revenue, underlying profit and forward order book, together with a reconciliation to total profit can be found in the Financial Review.

Fit out

The Fit out business achieved £319.3m revenue for the 10-month period, underlying profit before tax of £12.1m and had a forward order book of £157.0m at the end of the period.

London continues to be a strong market, where the trend has been towards larger projects and two-stage procurement. In the period, we won a £70.0m project to deliver an office fit out for a leading global financial services company, with further phases in the pipeline totalling an additional £85.0m. We also successfully completed the £125.0m fit out of the UBS headquarters in Broadgate, London – the city’s largest fit out project in the year. Since the close of the period, our credentials in the largest project bracket have been further cemented by the £130.0m award of a new UK headquarters for a US international bank, and the £42.0m London office for a leading US-based global technology company.

2016 importantly saw the inception of our Agility business, focused on rapid response delivery on smaller projects. The business made a strong start with a June launch and exceeded its planned period performance, gaining repeat clients in industries including financial services, insurance and leisure.

Halfway through the year, the UK made the decision to leave the EU. So far, ‘Brexit’ has had very little real effect on ISG’s pipeline. In fact, the market looks set to continue to grow, with Apple’s choice to move to Battersea and Wells Fargo purchasing their London headquarters building almost immediately after the result. Equally the vast majority of the leading international banks, some of whom had initially suggested that they may consider re-locating workforces from London, maintained their planned schemes.

The further awards since the start of the new financial year give us confidence that we will see further improved performance from our Fit out business in 2017.

BUSINESS REVIEW (continued)

Construction

The Construction business achieved £378.0m revenue for the 10-month period, underlying profit before tax of £7.6m and had a forward order book of £435.0m at the end of the period.

The results for the period have been materially affected by £4.3m of further losses on a limited number of contracts taken on during 2012 and 2013. The close out of these contracts has been far more protracted than initially thought, but has now been completed. We have also largely completed the closure of the non-profitable London Exclusive Residential business, following a decision to close this business down.

The Construction business structure has been simplified further, now comprising three regions: Southern; Western; and Northern and Scotland. The business has been strengthened with new leadership and further operational improvements. The Construction business has an improved forward order book and its pipeline continues to be strong, with the contracts we have procured over the last 18-24 months performing in line with expectations.

A major focus for the company continues to be success through repeat business and frameworks. Across the regions, the key focus is on our five key sectors: ‘offices’, ‘technology, science and health’, ‘retail’, ‘hospitality and leisure’ and ‘education and public’ sector. Project highlights include the award of a £68.0m retail development project at the London O2 Arena and a £43.0m scheme to design and construct a multi-storey office block in Cardiff city centre, adjacent to the £64.0m BBC Broadcasting House awarded to ISG in the previous period. Significant schemes completed during the period comprise the second phase of the refurbishment of London’s iconic Adelphi building for repeat client Blackstone; the construction of a major R&D facility in the South West of England for a leading technology company; Trump Turnberry in Ayrshire Scotland; and the Exhibition Centre Liverpool.

Looking ahead, the company has high-quality opportunities in its forward order book, with project sizes trending upwards. This will lead to a further improved performance in 2017.

Engineering Services

The Engineering Services business achieved £238.0m revenue for the 10-month period, underlying profit before tax of £3.8m and had a forward order book of £196.0m at the end of the period.

The Engineering Services business, which operates primarily across the UK and continental Europe, continues to build on its excellent reputation for delivering highly engineered built environments in the technology, science and health sectors. In the UK, the business is currently working on major, technology-led schemes for an international banking brand, the University of Oxford and Imperial College London. With the UK as the world’s second largest market for international students, the higher education sector continues to provide a rich vein of revenue as UK-based universities improve and expand their facilities. Furthermore, our Engineering Services offer continues to attract customers from the R&D sector, where we are securing work in technology-led environments.

In Continental Europe, two hyper-scale datacentres were constructed in the Netherlands and have been successfully handed over to the client, a leading global technology company. A third is due in May 2017, with all three totalling a value of €715.0m. Technology is increasingly influencing construction techniques. ISG is at the forefront of these developments through our Technology Solutions business and is quickly gaining a reputation for leading at the point where IT and construction meet.

There are signs that the appetite for hyper-scale datacentres is slowing as technology advances and edge and ‘co-lo’ facilities accommodate more of the demand. However, the business continues to build on its excellent reputation as a European contractor of choice for delivering highly-engineered built environments.

The business is well placed to secure new data centre projects across Europe and continue its success in the higher education and R&D sectors. We expect further improvement in the performance of this business in 2017.

Retail and Realys

The Retail and Realys businesses achieved £181.0m revenue for the 10-month period, underlying profit before tax of £8.0m and had a forward order book of £145.0m at the end of the period.

Whilst maintaining our market-leading position, the Retail business continues to adapt to the maturity of the market by focusing on the needs of our repeat and framework customers, who are operating in an increasingly competitive environment. The overall trend is towards reducing property portfolios and occupying smaller retail environments, featuring a greater use of technology. In line with this, the retailers are innovating their offer, providing new revenue streams for ISG as evidenced by securing a contract with a major online retailer. Highlights in the period included securing new framework agreements with three major banks, ranging from three to seven years duration, the Simply Food framework for Marks and Spencer, and a framework agreement with Tui.

Shopping centres are also reacting to the increasingly competitive sector and this has generated schemes for ISG. In the period, we completed the construction of a 72,000 sq. ft. new build of Yate leisure and retail space. While the high street remains challenged, ISG's international reputation with leading brands helped us to secure two flagship stores for a leading US-based technology company in Birmingham and Glasgow.

In the hotel and hospitality sector we completed work on a £15.4m project, converting two historic Grade II listed buildings in Devonshire Square in the City of London to create a private members' club with 68 bedrooms to award-winning quality standards. We also completed an exclusive private members club by St. James Palace, "67 Pall Mall", and secured a 109 bedroom live environment refurbishment of the Langham Hotel by Regent Street.

Following the launch of the Realys consultancy business in the UK in 2013, it has successfully delivered 1344 projects for a leading UK bank with a combined construction value of over £130.0m. The business has completed its "design-led construction" for Trinity Lifetime Partners and Trainline, with projects currently on site for Lutron and AXS. Overall, Realys has performed in line with expectations and achieved reaccreditation for ISO9001 and 14001 in November 2016. Looking ahead, we expect the Realys business to drive higher margin opportunities.

Asia, Continental Europe and Middle East

Our businesses across the rest of the world achieved £213.0m revenue for the 10-month period, underlying profit before tax of £3.8m and had a forward order book of £111.0m at the end of the period.

Asia

Asia has experienced a tougher market with a tightening of opportunities and aggressive margins across the competitive landscape. The businesses have three key sectors, office, retail and hospitality, all of which have suffered from a slowdown in the growth rates of the Asian economies. Conversely, Commtech (our specialist business dedicated to the commissioning and testing of building services) has experienced strong growth through its technology-led consultancy offer.

Despite the macro-economic environment, our Singapore business has successfully delivered the largest corporate fit out of the year for a leading international technology company, and we approach completion of Rolex's substantial Asia headquarters in Hong Kong. Malaysia delivered large fit out projects for General Electric, a multinational technology company and a leading oil and gas customer. In hospitality, we have completed a series of projects for Hong Kong Jockey Club, Singapore is approaching completion of Hotel G and Malaysia completed the final stage of a 35-storey refurbishment of Le Meridien for Starwood in Kuala Lumpur. In retail, we continue our association with a major technology brand, with our Hong Kong business completing the third store in two years. Our business in China is approaching final handover of Victoria Secrets in Shanghai and in Singapore, Victoria Secrets and Michael Kors were delivered to the client on the ever-popular Orchard Road.

Commtech sustained a very successful year with strong wins in testing and commissioning within the expanding datacentre sector, notably in Japan, and has also built up a strong skill set to deliver project management of mechanical and electrical works in a substantial casino and resort project in Manila.

Our core Asia markets of Singapore, Malaysia and Hong Kong are now in recovery and we anticipate improved performance in the year ahead.

Continental Europe

Our office fit out activity in Germany continues to perform strongly, where we are targeting the distinct and high-potential markets of Berlin, Munich, Cologne, Hamburg and Frankfurt. In addition to the delivery of a €20.0m project for a global technology company, we have secured projects with other well-known digital and technology-led businesses. We continue to grow our recent entry into the retail sector in Germany and have completed projects for Superdry and H&M in the period.

In Spain, the economy is recovering after a period of political uncertainty earlier in the year. Overall, the 2016 period has been positive and we have taken advantage of the growth of the fit out market. In the period, we have completed projects for Unisono, GES Insurances, Janssen, Colgate Palmolive and Cerner. In Retail, we have worked with the likes of Guess, Vodafone, Hackett, Crunch, and Miele. Finally, our Engineering business in the region, Emerald, has seen revenue grow more than 30%, to €4.2m.

In France, repeat clients now represent 63% of projects awarded. In the office sector, we have successfully delivered fit out projects for General Electric, and an international technology company. In Retail, ISG is leading on a pan-European framework for a global sportswear brand. Additionally, the business is leading on several stores for Uniqlo across

France and Belgium. In the hospitality sector, the business delivered Hotel Splendid, a luxury boutique with twelve suites, and we undertook work for repeat client Carlson Rezidor and other independent hotels.

In Italy, we delivered office fit out schemes for new clients; Pandora, Check point, IdeaSorriso as well as repeat work for ABB and Coca-Cola. In the period, we made the decision to withdraw from the Russian market.

Middle East

The Middle East has faced a challenging period with ongoing low oil prices having an impact on investment in the region. As a result of the difficult business environment, revenue for the period March to December 2016 stood at £28.0m. In Abu Dhabi, the healthcare sector provided key projects, including the Cleveland Clinic and Healthpoint hospitals. A large commercial office fit out was also secured with Abu Dhabi Global Markets. In Dubai, several key leisure projects were secured from Meraas, and corporate office fit out projects were won with Pinsent Mason, Ford and Honeywell. In the healthcare sector, two Polyclinic projects were carried out for Majid Al Futtaim. There are signs of recovery in the market and we expect stronger performance in the year ahead.

FINANCIAL REVIEW

The financial highlights for the 10-month period ended 31 December 2016 are as follows:

- The acquisition of ISG Central Services Limited (formerly ISG plc) creating £166.2m of goodwill and £58.8m of intangible assets.
- Revenue of over £1.3 bn.
- Underlying profit before tax of £25.5m.
- A closing gross cash balance of £92.8m.
- A forward order book of over £1.0 bn.
- The closure of South Africa, Russia and China Realys (the costs of closure are presented within non-underlying).
- £4.7m of restructuring costs incurred (presented within non-underlying).
- £30.0m funding received from the immediate parent.

The results of the Group for the 10-month period ended 31 December 2016 were as follows:

£'m	Fit out	Construction	Engineering Services	Retail and Realys	Asia, Continental Europe and Middle East	Head Office	ISG Group
Revenue	319.3	378.0	238.0	181.0	213.0	-	**1,329.3**
Forward order book 31 December 2016	157.0	435.0	196.0	145.0	111.0	-	**1,044.0**
Underlying profit/(loss) before tax	12.1	7.6	3.8	8.0	3.8	(9.8)	**25.5**

A more detailed review of each business can be found in the business review on pages 5 to 8.

Non-underlying Items

The Group considers several items incurred in the period to be significant, one-off in nature or acquisition related and hence has excluded them from the underlying profit before tax of £25.5m. These are as follows:

- Amortisation of the intangible assets created on acquisition of ISG Central Services Limited of £11.7m.
- £0.8m of costs incurred from the acquisition of ISG plc.
- £0.2m from unwinding interest on deferred consideration from prior acquisitions.
- Restructuring costs of £4.7m due to a group wide restructuring program that commenced after the acquisition.
- £1.6m of closure costs for Russia, South Africa and Realys China.
- £1.7m of losses on the Russian, South African and Realys China businesses that are no longer being continued but do not meet the strict IFRS 5 definition of discontinued. These one-off losses are included in non-underlying as it will allow the underlying business to be more comparable year-on-year.

Note: Statutory profit before tax of £4.8m excluding amortisation of intangible assets of £11.7m, acquisition related expenses of £1.0m, restructuring costs of £4.7m and closure costs of £3.3m is underling profit before tax of £25.5m for the period.

Cash flow and treasury

The Group's gross cash as of 31 December 2016 was £92.8m, with net cash at £60.8m. Average net cash balances during the period were £53.7m. The Group continues to explore its options to strengthen its balance sheet and maintain sufficient cash levels with funds raised through traditional bank debt sources as well as funding from the Group's new owners.

During the period the Group made no drawings on the revolving credit facility (RCF) for working capital purposes, and following the change in control of the Group, the RCF funding commitments were cancelled in full before the period end. There have been no breaches of RCF bank covenants in the period. A short-term £30.0m liquidity facility was negotiated

FINANCIAL REVIEW (continued)

during the period with the Group's new immediate parent company, which was fully drawn at the end of the period. This facility has no financial covenants.

The Group has working capital facilities in various countries. Borrowings totalling £1.8m equivalent were outstanding at the end of the period in Spain and Brazil, including accrued interest. Covenants on the relevant debt facilities include total interest cover, net debt to earnings before interest, tax, depreciation and amortisation, cash flow cover and a minimum annual earnings before interest, tax, depreciation and amortisation. There have been no breaches of bank covenants during the period.

Net cash inflow from operating activities from continuing operations amounted to £6.1m. Operating profit before interest and tax (£5.6m), excluding depreciation (£3.2m) and amortisation (£11.7m) was £20.5m in the period. The movement in working capital during the period was an outflow of £19.5m due to the cyclical nature of contract cashflows and the closing out of some projects with front-ended cash profiles. Net tax payments were £0.3m in the period driven by the profits generated overseas. The net cash inflow from investing activities was £53.0m. Net interest paid was £0.5m. Net capital expenditure was £2.9m as a result of investment in IT and leasehold improvements to some of our regional offices. The net cash inflow from financing activities was £31.2m, being predominately the loan received from Group's new immediate parent company.

The Group continues to have bonding facility lines with Euler Hermes, HCC International, Liberty Mutual, Aviva, QBE Insurance, The Royal Bank of Scotland plc and Al Hilal. New facilities have been arranged with Axa and BNP Paribas to meet the needs of the non-UK operations.

Foreign exchange

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

Balance sheet

The consolidated balance sheet as at 31 December 2016 shows net assets of £95.4m, including non-current assets of £239.6m, non-current liabilities of £22.8m and net current liabilities of £121.4m. This has improved the since the date of acquisition by £11.2m.

Events after the balance sheet date

In March 2017, ISG implemented a £30.0m liquidity funding facility arranged through BNP Paribas Commercial Finance. This facility is secured on the invoices issued by the main UK operating entities. The funds will be available for general corporate purposes.

FINANCIAL REVIEW (continued)

Business combinations

In December 2015 Cathexis, an American Investment Group and a significant shareholder of the ISG Group, commenced the takeover of the ISG Group. Cathexis made an open offer to the ISG Central Services Limited (formerly ISG plc) shareholders to purchase the shares of the company at £1.71 per share that was recommended by the ISG Central Services Limited (formerly ISG plc) Board in January 2016. Cathexis achieved control of the Group on 17 February 2016, with 100% of the shares being obtained by the end of March 2016.

ISG plc (formerly Cathexis UK Holdings II Limited) was incorporated on 23 March 2016 and was created for the purposes of acquiring the existing ISG plc Group, as part of the Cathexis acquisition. On 6 September 2016 ISG plc (formerly Cathexis UK Holdings II Limited) acquired 100% of the shares in ISG Central Services Limited (formerly ISG plc) as part of a group reorganisation. The legal names of the acquiring and acquired entities were then in effect swapped, such that the acquired entity became ISG Central Services Limited and the acquiror became the new ISG plc.

This acquisition was for consideration of £83.5m for 100% of the share capital of ISG Central Services Limited. Through the adoption of predecessor accounting this new parent of the ISG Group adopted the fair value adjustments identified on the acquisition of the ISG Group by Cathexis in February 2016, as well as adopting the fair value of the total consideration at that level of £84.2m to determine the goodwill arising on the acquisition.

The goodwill of £166.2m arising from the acquisition is attributable to the expansion of the Group's client base and geographical spread. None of the goodwill is expected to be deductible for income tax purposes. The intangible assets acquired were brand names (ISG £30.2m, Realys £0.1m and Commtech £0.1m) £30.4m, customer relationships £23.0m and customer contracts of £5.4m. As part of the fair value exercise the trade and other receivables and the amount due from customers for contract work were written down by £6.5m and £57.0m respectively, based on the recoverability of these assets. The related acquisition costs were £0.8m and these have been presented as non-underlying costs to the business.

M Stockton

M Stockton
Chief Financial Officer
13 April 2017

HOW WE MANAGE RISK

Principal risks and uncertainties

The ability to identify and effectively manage the risks that impact the business is fundamental to the continued success of the Group. Accordingly, the key risks and uncertainties facing the Group are considered as part of the Group's well established processes and systems for identifying, evaluating and managing risk.

These include meetings using common agendas and reporting packs to allow the consistent identification and discussion of risks and risk mitigation, clearly established bid and tender settlement procedures including levels of delegated authority to ensure that decisions are approved by the appropriate levels of management, up to and including the Group board as well as a number of other regular meetings and documents including monthly Financial and Commercial reviews, weekly rolling cash forecasts and monthly operational project reviews.

The impact of significant risks and their mitigation is continually monitored at both Group and business Board meetings throughout the period and are subject to annual review by the Board who maintain overall responsibility. The Group's reporting structure ensures that risk appetite is determined and risks managed within levels acceptable and agreed to by the Board.

The risks considered to be the most significant by the Board are set out in the table below:

ISG PLC

STRATEGIC REPORT (continued)

HOW WE MANAGE RISK (continued)

Risk	Nature of risk	Impact	Mitigation	Additional comments	Reporting and Monitoring
Market and economic environment **Increased risk** ↑	- difficult macroeconomic conditions in certain geographies - geopolitical instability in certain geographies	- adverse impact on forward order book - increased competition - over-reliance on key clients - adverse impact on profitability	- continual review of economic prospects including forward order book levels and market data - constant engagement with customers to increase level of negotiated work - tender work on basis of service offering and quality, not just price - positioning of activities to maximise shareholder value - regular review of resource levels against anticipated workload - regular review of discretionary expenditure	- we continue with our ongoing strategy of diversification across a broad geographical and sector spread and focus on repeat business from blue-chip key customers and frameworks and monitor the impact of Brexit	- monthly/quarterly operations reviews - long-term strategic plan - budgeting and forecasting process
Attracting, developing and retaining staff **Increased risk** ↑	- a high calibre workforce is crucial to the Group achieving its aims - improving economic outlook in certain sectors - increased levels of staff poaching by competitors	- adverse impact on project delivery - adverse impact on growth - salary inflation - loss of key staff	- remuneration system firmly linked to performance - remuneration includes bonus plans - overseas working opportunities including competitive relocation packages - continual formal performance appraisal system providing regular assessment of individual performance and options for personal development - succession planning - benchmarking benefits package	- employees are actively encouraged to develop their skills, training schemes are offered throughout the Group - increased use of The Academy (our international learning and development facility) to identify and develop core competencies	- regular performance reviews - monthly/quarterly operations reviews - Board review
Financial risk **Decreased risk** ↓	- interest rate risk - currency rate risk - credit risk - liquidity risk (for cash and bonding) - treasury counterparty - management of working capital - management of overheads - investments/acquisitions	- potentially adverse impact on cost of funds borrowed at floating interest rates - potentially adverse impact on profit and net assets from fluctuations in foreign exchange rates - failure of any financial institution in which funds are	- continual monitoring of interest rate movements - use of interest rate swaps is regularly considered - Group's positive cash balance acts as a natural hedge - continual monitoring of relevant foreign currency rates	- the level of foreign business - the Group treasury function operates within policies and processes approved by the Board - the Group has a positive net cash position	- daily treasury monitoring - daily/weekly rolling cash forecasts - divisional working capital reviews - monthly project cash and final account/

HOW WE MANAGE RISK (continued)

Risk	Nature of risk	Impact	Mitigation	Additional comments	Reporting and Monitoring
		placed could result in a loss of those funds - insufficient bonding capacity to support business growth - sub-optimal investments resulting in poor financial returns - loss of acquired staff	- known foreign currency transactional exposures are managed via forward foreign exchange contracts where appropriate - use of financial hedge instruments to mitigate any foreign currency exposures on the translation of profits by overseas subsidiaries into sterling - cashflow forecasts required for all projects over £1.0m; performance reviewed on a monthly basis - continued focus on project cashflows (in addition to profitability) by both commercial and financial teams - strong creditworthiness of Group's customers - financial stability of each subcontractor is monitored regularly and appropriate retentions held - Group treasury function ensures that there are sufficient levels of committed facilities (including bonding), cash and cash equivalents to enable the Group to operate effectively and efficiently and to meet its liabilities as they fall due and operate within its financial covenants at all times - funds can be deposited with a range of institutions to ensure appropriate breadth of investment - detailed due diligence by both external advisors and key staff - forecast models to ensure appropriate financial returns	- the Group reviews its treasury position daily and places surplus cash on short-term deposits - the Group does not speculate with derivative instruments - longer term renewal and increase in banking and bonding facilities agreed during the period	debtor/retention reviews - monthly treasury summary to the Board - monthly/quarterly operations reviews - long-term strategic plan - budgeting and forecasting process - integration plans

STRATEGIC REPORT (continued)

HOW WE MANAGE RISK (continued)

Risk	Nature of risk	Impact	Mitigation	Additional comments	Reporting and Monitoring
			- lock-in of key management with use of deferred contingent consideration linked to future performance		
Project risk **Decreased risk ↓**	- continuing to win contracts at appropriate margins in markets that are more competitive with appropriate terms and conditions - failure to manage or deliver a project in accordance with the contract and agreed variations to an appropriate quality and on a timely basis - settling of project disputes - supply chain over-stretched as markets/sectors grow	- issues such as cost overruns, delays, variations and contractual disputes which may have an adverse impact on the profitability and reputation of the Group - potential for loss-making contracts - subcontractor failure	- a controlled approach to contract bidding and selection (within clearly defined delegated authority levels and agreed sector focus) to ensure 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 - clear Corporate Governance and delegated authority levels -refreshed bidding processes introduced to ensure consistency across regional teams - enhanced management reporting and business information - maintenance of Group Risk Register and key contractual risks - differentiate offering on service and quality - establishment and adherence to Group values - use of suitably qualified third party experts in contractual disputes - enhanced management and supervision of higher risk projects	- contracts in progress are controlled and managed through the Group's operating structure and procedures, including detailed and regular reviews both divisionally and centrally of forecast revenue, costs to complete and project cash - use of training and awards to embed corporate values	- monthly/quarterly operations reviews - monthly project reviews and reporting packs - monthly Financial and Commercial reviews - monthly Board reviews - systemised and centralised monthly project cost variance reports (CVR) (with KPI reporting)

HOW WE MANAGE RISK (continued)

Risk	Nature of risk	Impact	Mitigation	Additional comments	Reporting and Monitoring
Health, safety, environmental (HSE) and regulatory risks **No change to risk ↔**	- failure to manage these risks could result in serious harm to employees, subcontractors, the public or the environment - breach of local regulatory requirements	- exposure to significant potential liabilities and reputational damage	- a comprehensive policy and framework is in place (including but not exclusively site visits, near miss and hazard reporting) - best practice is shared via the Health and Safety forum with zero tolerance of unsafe practices - HSE leaders appointed within each operating unit - the accident incidence rate is monitored closely in all operating companies - HSE committee meets regularly with representatives from all divisions - regulatory requirements monitored by Company Secretary and divisional managing directors/finance directors	- the Group treats health, safety and environmental issues as a priority	- monthly/quarterly operations reviews - monthly Board reviews - quarterly HSE Committee

STRATEGIC REPORT (continued)

HOW WE MANAGE RISK (continued)

Risk	Nature of risk	Impact	Mitigation	Additional comments	Reporting and Monitoring
Counterparty risk **No change to risk ↔**	- exposure to counterparty risk of clients, subcontractors, suppliers and financial institutions	- failure of any counterparties could lead to significant financial loss	- a credit risk assessment is performed on clients before a contract is signed - where possible, credit insurance is taken out on clients or suitable arrangements, such as the use of escrow accounts, reduced credit terms or retentions, are put in place - Parent company guarantees, third party bonds or other appropriate security is required from subcontractors - thorough pre-qualification process required before appointing all new subcontractors - subcontractors' performance is continually monitored and shared across the Group once they have been approved and are working with the Group - the Group monitors the level of funds held with each financial institution and mitigates the risk by limiting the level of funds held	- contracts are spread between subcontractors to the extent possible to reduce dependence on any one subcontractor	- monthly/quarterly operations reviews - quarterly Supply Chain and Procurement Committee

SUSTAINABILITY REPORT

The table below outlines our 10-month period to 31 December 2016 sustainability performance against the key performance indicators (KPIs) and targets set out in our 2020 Sustainability Vision.

2020 Vision targets were originally set for the 2015-16 reporting year, but for the purposes of consistency with financial reporting, 2016 performance is reported for all KPIs other than greenhouse gas emissions. 2015-16 performance and benchmarking data is available in the Annual Sustainability Report 2016, downloadable from www.isgplc.com. Going forward, targets will be set for each financial year. The updated 2020 Sustainability Vision, including new targets, will be published in April 2017.

Performance table 2016

2020 Sustainability Vision focus area	Goal	Performance measure	2016 target	2016 performance	Business reporting the measure
People	A great place to work for every1@ISG	% graduates - placement students - trainees[1]	N/a	6.65%	Fit out Engineering services Retail and Realys Construction
		% employees 'proud to work at ISG'[2]	>90%	92%	All - global
		% women	N/a	22.23%	All - global
		% ethnic minorities (UK only)[3]	N/a	8.05%	Fit out Engineering services Retail and Realys Construction
	A safe working environment	Accident Incident Rate (AIR)	<1.99	1.26	All - global
Performance	Happy customers	Customer satisfaction -10	8-10 (or equivalent for framework customers)	8.4	Fit out Engineering services Retail and Realys Construction Asia
	Sustainable growth	Profit before tax (£)	N/a	£4.8m	n-a
Community	Benefitting local communities	Average Considerate Constructors Scheme score (UK)	Above industry average (35.4-50)	40	Fit out Engineering services Retail and Realys Construction
		No. apprentice weeks[4]	N/a	1453.8	Fit out Engineering services Retail and Realys Construction
		No. students engaged through curriculum engagement activities and work placements[5]	N/a	541	Fit out Engineering services Retail and Realys Construction
	Benefitting global communities	£ donated - fundraised - pro bono value	£150,000	£258,579	All - global

STRATEGIC REPORT (continued)

SUSTAINABILITY REPORT (continued)

2020 Sustainability Vision focus area	Goal	Performance measure	2016 target	2016 performance	Business reporting the measure
Environment	Reducing our waste	Overall tonnage of construction and demolition (C&D) waste per £100,000 revenue	Improve reporting to determine accurate baseline	5.8T	Fit out Engineering services Retail and Realys Construction
		% construction waste diverted from landfill	>95%	95%	Fit out Engineering services Retail and Realys Construction
	Reducing our emissions	Scope 1,2,3 greenhouse gas emissions	5% reduction (2014-15 baseline) per £1m revenue by 2016-17	15171.62[6] tonnes	All - global
	Protecting our planet	No. reportable environmental incidents	0	5	Fit out Engineering services Retail and Realys Construction
		% projects by revenue completing environmental certification[7]	N/a - customer led	51.71%	Fit out Engineering services Retail and Realys Construction

[1] Graduates join ISG after completing their undergraduate (or post graduate) degree. They join a two-year internal development programme where they receive comprehensive training and development.
- Placement students join ISG for a year during their university degree course.
- Trainees (including apprentices) are those who complete their study for a qualification alongside working for ISG and we sponsor the cost of their course.

[2] Different questions used in two separate surveys: 'I would highly recommend ISG as an employer to people outside' or 'I would recommend our company to new employees'.

[3] Data taken from a single point in time on 13 February 2017.

[4] Original KPI: No. apprentices (direct of via supply chain) has been amended to 'No. apprentice weeks' to provide a more accurate picture of apprentice activity.

[5] Work placements have been included in the KPI (originally stated as 'curriculum engagement activities' only).

[6] This is the verified figure for the period 2015-2016. The figure for the period for 2016 is 11,404 tonnes, however, this remains subject to external audit and verification at the time of writing.

[7] Original KPI: % projects by revenue completing environmental certification has been amended to % projects by revenue undergoing environmental certification to give a more accurate reflection of the proportion of work this represents.

Managing our greenhouse gas emissions
We have been voluntarily reporting to the CDP climate change programme since 2014. CDP is an international, not-for-profit organisation. It works with investors to motivate companies to disclose their environmental impacts and act. The annual climate change questionnaire is issued on behalf of over 900 investors, representing over US$100 trillion in assets. In 2016 we achieved a score of A- (compared to 97 B in 2015), which puts the company in joint first place as environmental leaders in the construction industry.

We set an emissions baseline year in 2014-15 and since then have achieved a 9.8% reduction in real, like-for-like emissions and a 12.1% reduction in emissions intensity (carbon as a proportion of revenue) compared with the baseline year. In 2015-16 (1 April 2015 - 31 March 2016) we produced 15171 tonnes CO_2(e) across our international operations, summarised in the table below.

Tonnes of carbon dioxide equivalent – tonnes CO_2(e)

Scope 1	102
Scope 2	0
Scope 3* (location based)	15068 (of which 3,105 tonnes CO_2 is from purchased electricity reported using the location-based approach)
Total tonnes CO_2(e)	15171

Methodology
ISG plc quantifies and reports emissions according to the internationally-recognised Greenhouse Gas Protocol. In order to continuously improve reporting of our climate impact, all emissions included in the above table have been independently verified by Carbon Credentials Energy Services Limited and are covered by an assurance report which is available in full on our website. Verification activities were performed in accordance with ISO 14064-3:2006. The reporting period is defined as 1 April 2015 to 31 March 2016.

Reporting Boundary and Limitations
We consolidate our organisational boundary according to the financial control approach and have adopted a materiality threshold of 5% - meaning we are confident that our reported emissions are accurate to within 5% of the total figure stated.

The Green House Gases (GHG) sources that constitute our operational boundary for the 2015-16 reporting period are:

Scope 1 Emissions
- Emissions from fuel combustion within owned vehicles

Scope 3 Emissions
- Upstream transportation and distribution
  - Emissions from the upstream and transportation products purchased by ISG between its suppliers and its own operations (in vehicles and facilities not owned or controlled by ISG) in the UK

- Waste generated in operations
  - Emissions from waste generated in UK operations (from project sites only)

- Business travel
  - Emissions from business travel (fuel purchased for all leased vehicles and grey fleet)

- Upstream leased assets:
  - Emissions from combustion of gaseous fuels within upstream leased assets or rented buildings-facilities
  - Emissions from electricity purchased for all upstream leased or rented buildings-facilities
  - Emissions from fuel purchased for all leased and hired plant or equipment

STRATEGIC REPORT (continued)

SUSTAINABILITY REPORT (continued)

ISG takes the financial control approach to the consolidation of its organisational boundary. ISG leases all of its offices and equipment with the exception of a small number of owned cars; these leases are all operating leases. According to Appendix F to the GHG Protocol Corporate Standard on the categorisation of GHG emissions associated with leased assets, emissions from leased assets under operating leases (i.e. not finance/ capital leases) should be categorised as Scope 3 under the financial control approach. As such ISG does not have any Scope 2 emissions.

Strategic report approved by
P Cossell
Chief Executive Officer
13 April 2017

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 10-month period ended 31 December 2016.

Principal activities

ISG is an international construction services company delivering fit out, construction, engineering services and a range of specialist solutions.

The Group has European operations in the UK, Ireland, France, Germany, Spain, Switzerland, Italy, Netherlands, Austria, Belgium, Finland, Luxembourg. Middle East operations in the United Arab Emirates and Qatar, Asian operations in Hong Kong, China, Japan, Singapore, Malaysia, Macau, South Korea and Thailand, in addition to operations in Brazil and Australia.

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

A review of the Group's activities during the period, trends and factors likely to affect the business and its future prospects are set out in the Strategic Report comprising the Chief Executive Officer's Review on page 4, the Business Review on pages 5 to 8 and the Financial Review on pages 9 to 11 together with the Directors' Report on pages 22 to 25. The key performance indicators are set out in the Group financial highlights on page 2, which are incorporated by reference to this report and should be deemed to form part of it.

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

Basis for preparation of financial statements on a going concern basis

Information on the business environment in which the Group operates, including the factors that are likely to impact the future prospects of the Group, are included in the Chief Executive Officer's Review on page 4. The principal risks and uncertainties that the Group faces are set out in the report on pages 12 to 17. The financial position of the Group, its cash flows, liquidity position and debt facilities are described in the Financial Review on pages 9 to 11. In addition, Note 25 to the consolidated financial statements set out the Group's objectives, policies and processes for managing its capital, financial risks, financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

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

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

Financial statements are published on the company'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.

Dividends

No dividends have been paid or are proposed for the period ended 31 December 2016.

Directors

W Harrison – appointed 5 April 2016
P Cossell – appointed 31 August 2016
J Friedman – appointed 31 August 2016
R Hubbard – appointed 31 August 2016
J Moy – appointed 31 August 2016
M Stockton – appointed 31 August 2016
P Weaver – appointed 31 August 2016
H Cowing – appointed 23 March 2016, resigned 5 April 2016
F Jandjel – appointed 14 April 2016, resigned 31 August 2016
S Lawther – appointed 23 March 2016, resigned 5 April 2016
M White – appointed 5 April 2016, resigned 31 August 2016

Company secretary

M Stockton – appointed 31 March 2017

Directors' indemnities

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

Employment policies

ISG is an organisation with a culture of high performance based on a clear vision and a strong set of core values. Our employees' achievements are recognised through awards aligned to those core values. The development of the Group's employees is underpinned by a Performance Development Review process. This provides structured feedback aimed at continuous improvement and generates personal development plans in discussion between the employee and the manager. This period we have trained all our managers on conducting effective performance reviews and focused on identifying organisational talent.

Employee engagement is at the heart of everyday life across the Group. This period we conducted the first ever engagement survey for all employees, with a 76% response rate and 92% of our employees proud to work for ISG; this is a good foundation on which to build further engagement activity. Our intranet, Horizon, displays the latest news and information for employees everywhere across the Group.

It is the hub for the onboarding process containing the HR portal which houses our employee handbook and policies, well-being, benefits and development. Horizon showcases our global examples of best practice, highlighting projects across the Group and the people making the difference.

There are numerous opportunities for our employees to take part in community based charity programmes alongside our projects. We provide matched support to individuals who undertake their own charity initiatives. ISG has just completed a successful two-year partnership with CARE International, the UK employees have just had the opportunity to vote for their new charity partner and selected Macmillan by an overwhelming majority.

Our employees have the opportunity to be involved in our community initiatives to encourage young people to be interested in the Construction industry. We regularly work with local schools to show people that there are exciting job opportunities in our modern high technology industry. ISG is committed to equality and diversity in all of its business activities. Our Equality and Diversity policy applies to all. ISG is committed to engaging, promoting and training employees on the basis of their capabilities, qualifications and experience without discrimination. Over 22% of our employees are women which is slightly better than the construction project management industry average. Employees from black and minority ethnic

(BME) backgrounds made up 7.8% of the workforce. We are aware that there is more work to be done to improve the diversity of our workforce.

The graduate development programme provides an industry-leading experience for a new generation of managers and in September 2017 we are launching two managerial apprenticeship programmes in conjunction with the College of Estate Management.

Hiring new talent is very important to us and is essential for the growth of our business, which is why ISG is committed to attracting the best. This period we have partnered with LinkedIn to reduce our reliance on agency hires and the associated recruitment costs, launched a group wide referral scheme and revamped our website to advertise all vacancies and capture speculative applicants to ISG.

The ISG Academy supports employees seeking Chartered status with one of the main industry professional bodies and a new Structured Training Agreement has been established with the Institution of Civil Engineers to underpin the professional development of the structural engineers in the business, and to complement our formal arrangements with the Chartered Institute of Building, the Royal Institution of Chartered Surveyors and the Chartered Institution of Building Services Engineers. ISG pays for one professional membership per annum for a relevant chartered professional body for each employee.

At ISG, we are fully committed to equality in the workplace and engage, promote and train staff on the basis of their capabilities, qualifications and experience without discrimination of any kind. This is underpinned by the procedures and practices embedded within the Group. All employees receive equal opportunity to progress within the Group 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.

Health and safety

The Board considers health and safety a key priority and has continued to maintain its focus on this throughout the period.

It is essential that we take all reasonable measures to conduct our business to ensure the health, safety and welfare of all our employees and all other persons who may be affected by our activities. This includes members of the public, clients, designers and subcontractors that we work with. In the UK, we support this with our certification to OHSAS 18001:2007 Occupational Health and Safety Management System and our dedicated teams of health and safety professionals achieving industry leading safety performance.

Our commitment to health and safety is demonstrated by our Accident Incident Rate (calculated on the number of reportable accidents per 1,000 employees) which has remained low at 1.26 (2015 1.20). We had on average 13,501 people working on our projects daily. We totalled 36,155,618 hours worked and managed to work 3,182,168 hours in between having a major reportable accident (as per UK RIDDOR regulations) of which there were nine within the Group worldwide. We also managed to work 9,330,669 hours in between a seven-day absence from work (as per UK RIDDOR regs) of which there were eight within the Group worldwide.

This figure includes our complete global safety operations and we continue to endeavour to ensure that the same high consistency of health and safety is applied by our overseas operations irrespective of the country standards.

Within the UK our 'Target Zero Initiative' builds on our commitment to provide a positive culture and health and safety performance by driving to achieve zero accidents or incidents within the business. This is linked with a behavioural change programme with worker involvement.

One of the best ways to raise standards is to recognise and reward those that lead the field and to encourage others to follow. That is why every year The Royal Society for the Prevention of Accidents (RoSPA) and the British Safety Council

(BSC), two of the world's leading health and safety organisations, invite companies of all sizes from the full spectrum of work activities and from all over the world to enter the RoSPA and BSC safety awards. This period, as a group, we gained five President's awards which are given for over ten consecutive gold awards, nine gold medals (given for achieving five-nine consecutive gold awards), fifteen Gold awards and eight silver awards from RoSPA. The BSC awarded ISG a total of eleven International Safety Awards of which one was a distinction and shortlisted for the Construction Sector Award.

The Fit out business and the Engineering Services UK business are leading the way in site related occupational health issues and have joined the Health in Construction Group, which is focused on raising awareness of health issues amongst our own staff and contractors and has been a key element of our strategy to tackle health exposures at site level, resulting in a revision of the competency framework to ensure staff receive adequate training on health issues with bespoke courses developed for noise, Control of Substances Hazardous to Health (COSHH), vibration, manual handling and mental health.

The Considerate Constructors Scheme (CCS) is the national initiative set up by the construction industry in the UK to improve its image. ISG was a founder member of the Scheme and was one of the first associate members when membership was introduced in 2003. Membership remains restricted to companies with a proven track record of successful Scheme participation and the ability to make a strong future commitment on securing everyone's safety, protecting the environment, respecting the community, caring for the workforce and enhancing the appearance of our operational projects.

ISG received 22 Considerate Constructors Scheme National Site Awards for projects completed in 2016, an accolade which recognises the commitment made in improving the image of construction and the part companies have played in working to the very highest levels of consideration.

Disclosure of information to the auditor

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

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

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

Auditor

BDO LLP were appointed as the Group's auditor during the period and a resolution to re-appoint them will be proposed at the Annual General Meeting.

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

M. Stock

M Stockton
Company Secretary
13 April 2017

STATEMENT OF DIRECTORS' RESPONSIBLITIES

Directors' responsibilities

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

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

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

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

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

Financial statements are published on the company'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 company'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
13 April 2017

M Stockton
Chief Financial Officer
13 April 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISG PLC

We have audited the financial statements of ISG plc for the period from incorporation to 31 December 2016 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet, the company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 period 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.

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

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 or the directors' report. We have nothing to report in respect of the following matters where 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 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.

BDO LLP

Gary Hanson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
13 April 2017

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

ISG PLC

CONSOLIDATED INCOME STATEMENT │10-month period ended 31 December 2016

	Notes	Underlying items £'m	Non-underlying items[1] £'m	Total £'m
Revenue	5	**1,324.2**	**5.1**	**1,329.3**
Cost of sales		**(1,226.9)**	**(5.3)**	**(1,232.2)**
Gross profit/(loss)		**97.3**	**(0.2)**	**97.1**
Amortisation of intangible assets	13	**-**	**(11.7)**	**(11.7)**
Administrative expenses		**(71.2)**	**(8.6)**	**(79.8)**
Operating profit/(loss)	6	**26.1**	**(20.5)**	**5.6**
Finance income	8	**0.7**	**-**	**0.7**
Finance costs	9	**(1.3)**	**(0.2)**	**(1.5)**
Profit/(loss) before tax		**25.5**	**(20.7)**	**4.8**
Taxation	10	**(4.1)**	**3.2**	**(0.9)**
Profit/(loss) for the period		**21.4**	**(17.5)**	**3.9**
Attributable to:				
Owners of the company		**22.2**	**(17.5)**	**4.7**
Non-controlling interests	28	**(0.8)**	**-**	**(0.8)**
		21.4	**(17.5)**	**3.9**

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

ISG PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME │10-month period ended 31 December 2016

	Notes	2016 £'m
Profit for the period		**3.9**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		**7.3**
Total comprehensive income for the period		**11.2**
Attributable to:		
Owners of the company		**12.0**
Non-controlling interests	28	**(0.8)**
		11.2

ISG PLC

CONSOLIDATED BALANCE SHEET │At 31 December 2016

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

The consolidated financial statements of ISG plc (company number 10081578) were approved by the Board of directors and authorised for issue on 13 April 2017. They were signed on behalf of the Board of directors.

P Cossell
Chief Executive Officer

M Stockton
Chief Financial Officer

ISG PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY │10-month period ended 31 December 2016

	Notes	Share capital £'m	Share premium £'m	Foreign currency translation reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Balance at the beginning of the period		-	-	-	-	-	-	-
Profit/(loss) for the period		-	-	-	4.7	4.7	(0.8)	3.9
Other comprehensive income		-	-	7.3	-	7.3	-	7.3
Total comprehensive income		-	-	7.3	4.7	12.0	(0.8)	11.2
Issue of shares	26	49.4	34.1	-	-	83.5	-	83.5
NCI arising on acquisition	30	-	-	-	-	-	28.0	28.0
Purchase of NCI	28	-	-	-	-	-	(27.3)	(27.3)
Balance at the end of the period		**49.4**	**34.1**	**7.3**	**4.7**	**95.5**	**(0.1)**	**95.4**

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

The issue of shares in the period represented the initial acquisition of a controlling interest in ISG Central Services Limited in February 2016 for £56.2m and subsequent acquisition of the remaining shares in March 2016 for £27.3m by Cathexis UK Holdings Limited, that were exchanged for shares in ISG plc under the predecessor accounting treatment.

Non-controlling interests represents the share of net assets allocated to minority shareholders for entities that are consolidated and the Group does not own one hundred percent of the share capital.

ISG PLC

CONSOLIDATED CASH FLOW STATEMENT │10-month period ended 31 December 2016

	Notes	2016 £'m
Cash flows from operating activities		
Operating profit for the period		**5.6**
Amortisation of intangible assets	13	**11.7**
Depreciation on property, plant and equipment	14	**3.2**
Increase in provisions	22	**5.7**
Increase in inventories	15	**(0.3)**
Net movement in trade and other receivables and trade and other payables		**(19.5)**
Cash generated from operations		**6.4**
Income taxes paid		**(0.3)**
Net cash inflow from operating activities		**6.1**
Cash flows from investing activities		
Net interest paid		**(0.5)**
Net payments for property, plant and equipment	14	**(2.9)**
Net cash acquired with subsidiaries	30	**56.4**
Net cash inflow from investing activities		**53.0**
Cash flows from financing activities		
Proceeds from borrowings	18	**31.4**
Repayment of borrowings	18	**(0.2)**
Net cash inflow from financing activities		**31.2**
Net increase in cash and cash equivalents		**90.3**
Cash and cash equivalents at the beginning of the period		**-**
Effects of exchange rate changes on balances of cash held in foreign currencies		**2.5**
Cash and cash equivalents at the end of the period	18	**92.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

The following pronouncements have been adopted in the period and either had no impact on the financial statements or resulted in changes to presentation and disclosure only:

- IAS 16 and IAS 38 (amendments) *'Clarification of Acceptable Methods of Depreciation and Amortisation'*; effective 1 January 2016
- Annual improvements (2012–2014); effective 1 January 2016
- IAS 1 (amendments) *'Disclosure Initiative'*; effective 1 January 2016

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective. In some cases these standards and guidance had not been endorsed by the European Union:

- Amendments to IAS 12; effective 1 January 2017
- Amendments to IAS 7; effective 1 January 2017
- IFRS 15 *'Revenue from contracts with customers'*; effective 1 January 2018
- IFRS 9 *'Financial instruments: Classification and measurement'*; effective 1 January 2018
- IFRS 16 '*Leases*'; effective 1 January 2019

Except for IFRS 15 and IFRS 16, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The potential impact of IFRS 16 is currently being evaluated and involves a review of operating lease contracts. This standard is likely to result in additional assets and liabilities being recognised. The Group has commenced its impact assessment of IFRS 15 that involves carrying out a systematic review of all existing major contracts to ensure that the impact and effect of the new standard is fully understood and changes to the current accounting procedures are highlighted and acted upon in advance of the effective date. Specific focus areas will be contract claims and variations, pre-construction activity, contract profit recognition, practical completion and retentions.

3. ACCOUNTING POLICIES

Basis of accounting

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

Going concern

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

Basis of consolidation

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

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

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

Business combinations

Predecessor accounting

On 17 February 2016, Cathexis UK Holdings Limited, a wholly-owned subsidiary of Cathexis Holdings LP, gained control of the company formerly known as IGS plc in a cash acquisition. By the end of March 2016, Cathexis UK Holdings Limited had acquired all of the issued share capital of the company formerly known as ISG plc. On 6 September 2016 the company (then known as Cathexis UK Holdings II plc, also a wholly-owned subsidiary of Cathexis Holdings LP) acquired 100% of the issued share capital of the company formerly known as IGS plc from Cathexis UK Holdings Limited in a share-for-share exchange.

The acquisition the company formerly known as ISG plc by the company was a common control transaction, outside the scope of IFRS 3. In preparing its consolidated accounts following this common control transaction, the company has accounted for the acquisition of the company formerly known as ISG plc as if it had gained control on 17 February 2016 and using the fair values that were calculated at that date for the purposes of the acquisition accounting applied by Cathexis UK Holdings Limited, the original purchaser of the company formerly known as ISG plc and the company's immediate parent undertaking as a result of this common control transaction, in its own consolidated accounts. Subsequent to this transaction, the company changed its name to ISG plc and the company formerly known as ISG plc changed its name to ISG Central Services Limited. The financial performance of ISG Central Services Limited has been consolidated from 28 February 2016 in these consolidated accounts, as there was no material difference between the 17 February 2016 results when control was obtained and the 28 February 2016 month end results.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value in exchange for control of the acquiree. Acquisition related costs are expensed to the income statement as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *'Business Combinations'* are recognised at their fair value at the acquisition date.

The cost of business combinations includes, where applicable, deferred consideration discounted at an appropriate rate of interest to its fair value at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration is classified as an asset or liability that is a financial instrument and within the scope of IAS 39 '*Financial instruments: Recognition and Measurement'*, with any subsequent changes in the estimated value being recognised within non-underlying administrative expenses in the Consolidated income statement.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest less direct costs of the transaction and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary.

Any acquisition or disposal which does not result in a change in control is accounted for as a transaction between equity holders. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary.

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. Management estimate the discount rates as the risk effected cost of capital for the particular cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

Intangible assets
The cost of intangible assets acquired in a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and is based on its fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost and amortised over the estimated useful lives on a straight line basis. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The categories of intangible assets and their estimated useful lives are as follows:

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill and intangibles are translated into 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 taken directly to the "foreign currency translation reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

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

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

Margin on contruction contracts is recognised by reference to the stage of completion and the final estimated margin, provided that the final outcome can be assessed with reasonable certainty. The stage of completion is measured with reference to the proportion of the value of the contract at the reporting date against the total estimated value of the contract, as measured by a survey of the work performed. The revenue recognised reflects the value of the contract at the reporting date, with reference to a survey of work performed. Normally the survey is conducted by a third party and a valuation certificate received. Internal valuations are also used. The value of work carried out during the period includes amounts which have not been invoiced.

Where the outcome of the construction 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 construction contracts are deducted from amounts recoverable. Payments in advance on construction contracts represent amounts received in excess of revenue recognised on construction contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Construction related service contracts
Revenue from construction related service contracts is recognised in the income statement in the same proportion as the stage of completion of the contract at the reporting date, the stage of completion having been assessed with reference to a survey of the work performed.

Fit out contracts
Revenue represents the fair value of consideration receivable, excluding value added tax, for fit out services supplied to external customers. Revenue from 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.

Technical services
Revenue from maintenance contracts is recognised by reference to the stage of completion, as measured by reference to services performed to date as a percentage of total services to be performed. This is in line with the total value of the contract and the programme of works agreed before commencing with customers. Revenue from consulting works is measured on a time plus agreed expenses not exceeding the agreed total value with both customers.

Employee Benefits

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

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

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

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

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

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

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

Finance costs comprise interest on bank overdrafts, the unwinding of discounts on contingent deferred consideration and the amortisation of prepaid bank facility arrangement fees, commitment fees charged by lenders on the undrawn portion of available bank facilities which 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 R&D expenditure at a current rate of 11%. The credit is recorded as income within profit before tax (as part of cost of sales), netted against the relevant research and development expenditure.

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

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

Non-underlying items

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment of goodwill and other intangible assets
Determining whether goodwill or other intangible assets are impaired generally requires an estimation of the value in use of the intangible assets or the cash-generating units to which goodwill has been allocated. Judgement is also required in determining the cash-generating units to which goodwill is allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The key areas of judgement were the discount rates and the growth rates that were inputs into the impairment testing. The total value of goodwill was £171.4m. Note 12 details the assumptions that have been applied in assessing impairment of goodwill.

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

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

Business combinations
When acquiring a business, the Group has to make judgements and best estimates about the fair value allocation of the purchase price. During the period £166.2m of goodwill and £58.8m of other intangible assets were recognised and contract assets were written down by £57.0m on acquisition of a subsidiary. The assessment of the date on which control passed is based on when ownership of ISG Central Services Limited by Cathexis UK Holdings Limited passed 50%. It was elected that predecessor accounting would be applied as set out in Note 3. See Note 30 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. REVENUE

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

	10-month period ended 31 December 2016 £'m
United Kingdom	**880.0**
Netherlands	**218.6**
Singapore	**43.4**
Hong Kong	**33.9**
UAE	**30.9**
Germany	**25.6**
France	**21.7**
Malaysia	**19.7**
Belgium	**15.8**
Spain	**13.6**
Other	**26.1**
Total	**1,329.3**

6. OPERATING PROFIT

	10-month period ended 31 December 2016 £'m
Amortisation of intangible assets[1]	**11.7**
Depreciation	**3.2**
Foreign exchange loss	**0.3**
Acquisition related expenses[1]	**0.8**
Research and development expense	**15.6**
Research and development expenditure tax credit	**(0.8)**
Restructuring costs[1]	**4.7**
Rentals under operating leases:	
- Land and buildings	**4.5**
- Hire of plant and machinery	**6.9**
- Other operating leases	**0.7**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

	10-month period ended 31 December 2016 £'m
Salaries and wages	154.1
Social security costs	16.2
Termination payments	5.6
Long-term benefits costs including defined contribution pension costs	6.1
	182.0

Certain subsidiary undertakings of the Group operated 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	10-month period ended 31 December 2016 Number
Average number of persons (including directors) employed by Group in the period:	
Construction	462
Fit out	518
Engineering services	282
Retail and Realys	402
Rest of World	951
Head office	125
	2,740

Head office in the table above includes four directors.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 '*Related Party Disclosures'*.

	10-month period ended 31 December 2016 £'m
Short-term employee benefits	1.2
Post-employment benefits	0.1
	1.3

Directors' emoluments

	10-month period ended 31 December 2016 £'m
Short-term employee benefits	1.6
Post-employment benefits	0.1
	1.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Directors' emoluments (excluding social security costs) include £0.9m of short-term employee benefits (including a portion of the 18-month bonus) and £0.04m of post-employment benefits paid to the highest paid director. There was a bonus accrual of £1.4m for the directors of the company as at 31 December 2016 based on the 18-month results of some Group subsidiaries. £1.1m was paid in March 2017, with the remainder £0.3m to be paid in March 2018. During the period four directors receive contributions under a defined contribution scheme.

8. FINANCE INCOME

	10-month period ended 31 December 2016 £'m
Interest on bank deposits	**0.7**
Total finance income	**0.7**

9. FINANCE COSTS

	10-month period ended 31 December 2016 £'m
Interest on bank overdrafts and loans	**1.3**
Unwinding of discount on deferred consideration	**0.2**
Total finance costs	**1.5**

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

a. Taxation charge

	10-month period ended 31 December 2016 £'m
UK current tax	
United Kingdom corporation tax on profits for the period	**0.1**
	0.1
Overseas current tax	
Overseas taxation on profits for the period	**1.1**
Adjustment in respect of prior periods	**0.6**
Total current tax	**1.7**
Deferred tax	
Origination and reversal of temporary differences arising in the period	**(0.3)**
Effect of change in tax rates	**(0.6)**
Total deferred tax (Note 19)	**(0.9)**
Total tax expense	**0.9**

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

b. Taxation reconciliation for continuing operations

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

	2016 £'m	2016 %
Profit before tax	4.8	
Tax due if paid at the applicable UK corporation tax rate (20%)	1.0	20.0%
Adjusting items		
Adjustment relating to release of prior period corporation tax provisions	0.7	14.4%
Tax effect of utilisation of tax losses not previously recognised	(0.2)	-4.3%
Effect of different tax rates of operations in other jurisdictions	0.5	11.0%
Tax effect of expenses that are not deductible in determining taxable profit	1.1	23.2%
Effect of current year losses not utilised	7.0	143.3%
Effect of movements in deferred tax	(0.5)	-11.1%
Effect of deduction in relation to research and development expenditure	0.1	2.8%
Effect of transfer pricing adjustments	(0.1)	-2.6%
Tax effect of income that is not taxable in determining taxable profit	(8.7)	-178.2%
Income tax expense recognised in the income statement	0.9	18.5%

11. NON-UNDERLYING ITEMS

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

The Group considers a number of items incurred in the period to be significant and one-off in nature or acquisition related and hence has excluded them from the underlying profit before tax of £25.5m. These are as follows:

- Amortisation of the intangible assets created on acquisition of ISG Central Services Limited of £11.7m.
- £0.8m of costs incurred from the acquisition of ISG Central Services Limited.
- £0.2m from unwinding interest on deferred consideration from prior acquisitions.
- Restructuring costs of £4.7m due to a group wide restructuring program that commenced after the acquisition.
- £1.6m of closure costs for Russia, South Africa and Realys China (shown within administrative expenses).
- Losses on the Russian, South African and Realys China businesses that are no longer being continued but do not meet the strict IFRS 5 definition of discontinued. These one-off losses are included in non-underlying as it will allow the underlying business to be more comparable year-on-year. These businesses generated £5.1m of revenue, £5.3m of cost of sales and £1.5m of administrative expense leading to a £1.7m loss in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. GOODWILL

	2016 £'m
Cost	
Balance at the beginning of the period	-
Recognised on business combination	166.2
Net foreign currency exchange differences	5.2
Balance at the end of the period	171.4
Carrying amount	
As at the beginning of the period	-
As at the end of the period	171.4

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

	2016 £'m	Basis	Discount Rate %	Growth Rate Applied %
Fit out	50.8	Value in use	10.6	3
Engineering Services UK	17.6	Value in use	10.6	3
Engineering Services Europe	20.2	Value in use	10.6	3
Retail	42.1	Value in use	11.3	2.5
Asia	24.7	Value in use	12.8	3
Europe	10.6	Value in use	11.6	3
Middle East	5.4	Value in use	12.7	3
	171.4			

The impairment tests were based on the latest management information from the annual budgeting process. This covered the 2017 and 2018 period. A growth rate as per the table was applied thereafter. The discount rate and growth rates applied were similar to those used in the recent acquisition accounting and were determined using a third-party expert. Sensitivities were applied by changing the discount and growth rate. The headroom arising on the impairment tests was £372.8m. A 1% increase in the discount rate reduces the headroom by £66.4m. A 1% decrease in the growth rate reduces the headroom by £45.8m.

13. OTHER INTANGIBLE ASSETS

	Trademark and licences £'m	Customer relationships £'m	Customer contracts £'m	2016 £'m
Cost				
Balance at the beginning of the period	-	-	-	-
Recognised on acquisition of subsidiary	30.4	23.0	5.4	58.8
Net foreign currency exchange differences	1.0	1.2	0.1	2.3
Balance at the end of the period	31.4	24.2	5.5	61.1
Accumulated amortisation				
Balance at the beginning of the period	-	-	-	-
Charge for the period	(2.2)	(6.5)	(3.0)	(11.7)
Balance at the end of the period	(2.2)	(6.5)	(3.0)	(11.7)
Carrying amount				
At the beginning of the period	-	-	-	-
At the end of the period	29.2	17.7	2.5	49.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'m	IT and office equipment £'m	2016 £'m
Cost			
Balance at the beginning of the period	-	-	-
Additions	**0.7**	**2.4**	**3.1**
Disposals	**(0.7)**	**(1.2)**	**(1.9)**
Recognised on acquisition of subsidiary	**2.8**	**5.2**	**8.0**
Balance at the end of the period	**2.8**	**6.4**	**9.2**
Accumulated depreciation			
Balance at the beginning of the period	-	-	-
Disposals	**0.7**	**1.2**	**1.9**
Charge for the period	**(1.0)**	**(2.2)**	**(3.2)**
Balance at the end of the period	**(0.3)**	**(1.0)**	**(1.3)**
Carrying amount			
At the beginning of the period	**-**	**-**	**-**
At the end of the period	**2.5**	**5.4**	**7.9**

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

15. INVENTORIES

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

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

16. TRADE AND OTHER RECEIVABLES

	2016 £'m
Non-current	
Trade receivables	**0.3**
Other receivables	**4.9**
Total non-current trade and other receivables	**5.2**
Current	
Trade receivables	**186.5**
Less: provision for impairment	**(0.5)**
Trade receivables net	**186.0**
Other receivables	**20.5**
Prepayments	**5.5**
Total current trade and other receivables	**212.0**
Total trade and other receivables	**217.2**

The Board considers that the carrying amount of trade and other receivables approximates their fair value due to their short-term to maturity. The Group has different provision methods for its various divisions which have been determined by references to past default experience and specific provisions are raised after taking an individual view to debts recoverability.

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 2016 were £69.0m. Under the normal course of business, the Group does not charge interest on its overdue receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. CONSTRUCTION CONTRACTS

Contracts in progress at the balance sheet date:

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

18. ANALYSIS OF NET CASH POSITION

	Balance at the beginning of the period £'m	**Cash flow £'m**	**Acquired on acquisition £'m**	**Foreign exchange £'m**	**31 December 2016 £'m**
Cash and cash equivalents	-	**33.9**	**56.4**	**2.5**	**92.8**
Loans from related party due within one year	-	**(30.0)**	**-**	**-**	**(30.0)**
Other borrowings	-	**(1.2)**	**(0.8)**	**-**	**(2.0)**
Net cash	-	**2.7**	**55.6**	**2.5**	**60.8**

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

19. DEFERRED TAX

Deferred tax liabilities represent sums that might become payable in tax in future years as a result of transactions that have occurred in the current period.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current reporting period.

Deferred tax assets

	Accelerated tax depreciation £'m	Employee benefits £'m	Other £'m	Tax losses £'m	2016 £'m
Balance at the beginning of period	-	-	-	-	-
Recognised on acquisition	1.5	0.2	4.6	1.4	7.7
(Charge)/credit to income	0.3	(0.2)	(2.9)	0.8	(2.0)
Balance at the end of period	1.8	-	1.7	2.2	5.7

Deferred tax liabilities

	Accelerated tax depreciation £'m	Intangible assets £'m	2016 £'m
Balance at the beginning of period	-	-	-
Recognised on acquisition	(0.1)	(11.1)	(11.2)
(Charge)/credit to income	0.1	2.5	2.6
Balance at the end of period	-	(8.6)	(8.6)

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 £83.7m that are available for offset against future profits. A deferred tax asset of £2.2m has been recognised in relation to £8.9m of these losses. The average tax rate applied to deferred tax is 17%. Unrecognised temporary differences total £1.3m and related to depreciation expense in excess of capital allowances claimed.

The Finance (No.2) Act 2015, which received Royal Assent on 18 November 2015, introduced legislation to reduce the main rate of corporation tax to 19% with effect from 1 April 2017 and a reduction to 18% with effect from 1 April 2020. The Finance Act 2016 further reduced the main corporation tax rate applicable from 1 April 2020 to 17% when it received Royal Assent on 15 September 2016. These reductions have been reflected in the calculation of the deferred tax at the opening and closing balance sheet dates. There is an unrecognised deferred tax asset of £12.9m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. BORROWINGS

	2016 £'m
Non-current	
Bank loans	**0.2**
Total non-current	**0.2**
Current	
Bank loans	**1.6**
Loan from immediate parent	**30.2**
Total current	**31.8**
Total	**32.0**

The Group has a short-term unsecured GBP loan from its immediate parent Cathexis UK Holdings Limited for £30.0m, with compound interest of 2.25%. This facility has no financial covenants. The Group also has total borrowings of £1.8m consisting of a number of smaller facilities for working capital purposes, acquired with Interior ISG Espana SL and ACE-Engenharia e Construções Ltda. Covenants on these debt facilities include total interest cover, net debt to earnings before interest, tax, depreciation and amortisation, cash flow cover and a minimum annual earnings before interest, tax, depreciation and amortisation. There have been no breaches of bank covenants during the period.

There is no variance between the carrying amount and the fair value of the borrowings. The Group had £nil committed undrawn borrowing facilities as of 31 December 2016. Note that the Group has uncommitted overdraft facilities in Germany and France.

21. TRADE AND OTHER PAYABLES

	2016 £'m
Non-current	
Trade payables	**8.5**
Contingent consideration	**1.6**
Other payables	**0.3**
Total non-current trade and other payables	**10.4**
Current	
Trade payables	**195.9**
Contract accruals	**140.4**
Other taxation and social security	**7.8**
Other payables	**45.9**
VAT	**24.6**
Contingent consideration	**0.4**
Accruals	**33.4**
Total current trade and other payables	**448.4**
Total trade and other payables	**458.8**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. PROVISIONS

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

Analysis of provision	2016 £'m
Non-current	3.6
Current	0.7
	4.3

A significant provision included in the balance as of 31 December 2016 is £2.0m for an onerous lease. This will be utilised over the next five years.

23. CAPITAL AND OTHER COMMITMENTS

At 31 December 2016, the Group and the company had no capital commitments.

Operating leases

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

	Sublease receivable 2016	Leases payable 2016	
	Land and buildings £'m	Land and buildings £'m	Other £'m
Operating leases which expire:			
Within one year	0.4	1.1	0.6
Within two to five years	0.4	8.2	0.8
After five years	-	23.2	-
	0.8	32.5	1.4

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

24. CONTINGENT LIABILITIES

There are Group cross guarantees from the company with certain subsidiaries for all monies due to certain of the Group's banks and surety lenders. No monies were outstanding as at 31 December 2016. 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 2016 was £82.4m.

25. FINANCIAL INSTRUMENTS

Capital risk management

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

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

Categories of financial instruments

	2016 £'m
Financial assets (amortised cost)	
Trade receivables (non-current)	**0.3**
Other receivables (non-current)	**4.9**
Trade receivables (current)	**186.0**
Other receivables (current)	**20.5**
Cash and cash equivalents	**92.8**
Total financial assets	**304.5**
Financial liabilities (amortised cost)	
Trade payables (non-current)	**8.5**
Other payables (non-current)	**0.3**
Contingent consideration (non-current)	**1.6**
Borrowings (non-current)	**0.2**
Borrowings (current)	**31.8**
Trade payables (current)	**195.9**
Other payables (current)	**45.9**
Contingent consideration (current)	**0.4**
Total financial liabilities	**284.6**

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

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

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

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and procedures for measuring and managing risk. Please refer also to the principal business risks on pages 12 to 17.

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

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

Ageing of trade receivables:

	Gross £'m	2016 Impairment provision £'m
Not past due	**140.9**	**-**
Past due 0 – 30 days	**28.3**	**-**
Past due 30 – 60 days	**6.4**	**-**
Past due 60 – 90 days	**1.9**	**-**
Past due 90 – 120 days	**0.3**	**-**
Past due greater than 120 days	**9.0**	**0.5**
	186.8	**0.5**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	2016 £'m
Trade receivables	
A	**116.3**
B	**57.1**
Without credit rating	**13.4**
Total trade receivables	**186.8**
Cash at bank	
AAA	**9.3**
AA	**27.8**
BBB	**55.7**
Without credit rating	**-**
Total cash at bank	**92.8**

Movement in the provision for impairment:

	2016 £'m
Balance at the beginning of the period	**-**
Increase in impairment provision recognised	**0.5**
Balance recognised on acquisition	**-**
Receivables written off as uncollectible	**-**
Amounts recovered during the period	**-**
Balance at the end of the period	**0.5**

Foreign currency risk

The Group has international operations and is exposed primarily to the Euro (EUR), Singapore dollar (SGD), Hong Kong dollar (HKD) and United Arab Emirates dirham (AED), hence exposures to exchange rate fluctuations arise. The main risk is from net investments in foreign operations, recognised assets and liabilities and future trading transactions.

A 10% increase/decrease in sterling (GBP) against the EUR would have had a circa £0.3m impact on trading operating profits, a 10% increase/decrease in the GBP against the SGD would have had a circa £0.2m impact on trading operating profits and an increase/decrease in the GBP against the AED would have had a circa £0.1m 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 business. However, the Group protected itself from any adverse fluctuations in the value of the EUR via appropriate foreign exchange hedges, protecting its profits denominated in that currency.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

	Assets £'m	Liabilities £'m
GBP	**419.2**	**342.1**
EUR	**134.6**	**127.8**
HKD	**29.4**	**14.5**
AED	**28.3**	**32.0**
SGD	**16.5**	**14.5**
MYR	**7.1**	**5.7**
CNY	**3.9**	**6.0**
BRL	**3.7**	**3.4**
RUB	**1.9**	**3.6**
KRW	**0.8**	**0.7**
Other	**0.3**	**-**
	645.7	**550.3**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Responsibility for liquidity risk management rests with the Board of directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring bank covenant compliance, forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 20 is a description of the additional undrawn facility that the Group has at its disposal to further reduce liquidity risk. Further details relevant to the Group's liquidity position and its status as a going concern are included within the Directors' Report on page 22.

The Group reviews its treasury position daily, placing surplus cash on short-term deposits. 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 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.

Liquidity and interest risk tables

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

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

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

Interest rate risk

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

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 weekly 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. The Group's exposure to interest rates on financial assets and financial liabilities are detailed below.

Interest rate sensitivity analysis

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 increase or decrease by £0.1m in respect to exposure to the Group's borrowings.

26. SHARE CAPITAL

	Group and Company Number	2016 Group and Company £'m
Allotted, called up and fully paid (see note below): Ordinary shares of £1 each (23 March 2016: £1 each)	**49,483,864**	**49.4**

	Nominal value £	Number of shares	Consideration £
Ordinary shares of £1 each allotted as at 14 April 2016	**50,000**	**50,000**	**50,000**
Ordinary shares issued during the period ended 31 December 2016 fully paid:			
Issue of shares	**49,433,864**	**49,433,864**	**83,515,806**
Total ordinary shares of £1 each allotted and fully paid (see note below) during the period ended 31 December 2016	**49,433,864**	**49,433,864**	**83,515,806**
Ordinary shares of £1 each allotted as at 31 December 2016	**49,483,864**	**49,483,864**	

The company has one class of ordinary shares that carry no right to fixed income. On 14 April 2016 49,999 ordinary shares were issued to Cathexis Holdings LP and then transferred to Cathexis UK Holdings Limited. In consideration for the shares Cathexis UK Holdings Limited gave an undertaking to pay the company the sum of £50,000 on 31 December 2020 or, if sooner, immediately upon written demand or demands by the company.

On 6 September 2016 49,433,864 shares were issued at £1 per share. Total consideration was £83,515,806, resulting in a share premium of £34,081,942. See Note 30 for further information on the acquisition.

27. DIVIDENDS

In the period to 31 December 2016 no dividends were paid.

28. NON-CONTROLLING INTERESTS

	2016 £'m
Balance at the beginning of the period	-
Recognised on acquisition (Note 30)	**28.0**
Purchase of NCI	**(27.3)**
Share of profit for the period	**(0.8)**
Exchange differences arising on translation of foreign operations	**-**
Balance at the end of the period	**(0.1)**

The non-controlling interests was recognised at fair value on acquisition.

29. RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Group had a £30.0m short-term loan with the parent as of 31 December 2016 carrying interest of 2.25% totalling £0.2m of interest accrued as at 31 December 2016. There were no transactions with key management personal, other than the remuneration detailed in Note 7.

30. BUSINESS COMBINATIONS

In December 2015 Cathexis, an American Investment Group and a significant shareholder of the ISG Group, commenced the takeover of the ISG Group. Cathexis made an open offer to the ISG Central Services Limited (formerly ISG plc) shareholders to purchase the shares of the company at £1.71 per share that was recommended by the ISG Central Services Limited (formerly ISG plc) Board in January 2016. Cathexis achieved control of the Group on 17 February 2016, with 100% of the shares being obtained by the end of March 2016.

ISG plc (formerly Cathexis UK Holdings II Limited) was incorporated on 23 March 2016 and was created for the purposes of acquiring the existing ISG plc Group, as part of the Cathexis acquisition. On 6 September 2016 ISG plc (formerly Cathexis UK Holdings II Limited) acquired 100% of the shares in ISG Central Services Limited (formerly ISG plc) as part of a group reorganisation. The legal names of the acquiring and acquired entities were then in effect swapped, such that the acquired entity became ISG Central Services Limited and the acquiror became the new ISG plc.

This acquisition was for consideration of £83.5m for 100% of the share capital of ISG Central Services Limited. Through the adoption of predecessor accounting this new parent of the ISG Group adopted the fair value adjustments identified on the acquisition of the ISG Group by Cathexis in February 2016, as well as adopting the fair value of the total consideration at that level of £84.2m to determine the goodwill arising on the acquisition.

The goodwill of £166.2m arising from the acquisition is attributable to the expansion of the Group's client base and geographical spread. None of the goodwill is expected to be deductible for income tax purposes. The intangible assets acquired were brand names (ISG £30.2m, Realys £0.1m and Commtech £0.1m) £30.4m, customer relationships £23.0m and customer contracts of £5.4m. As part of the fair value exercise the trade and other receivables and the amount due from customers for contract work were written down by £6.5m and £57.0m respectively, based on the recoverability of these assets. The related acquisition costs were £0.8m and these have been presented as non-underlying costs to the business.

	Book value £'m	Adjustment £'m	Fair value £'m
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Other intangible assets	2.4	56.4	58.8
Property, plant and equipment	9.4	(1.4)	8.0
Deferred tax assets	4.5	3.2	7.7
Non-current other receivables	0.4	-	0.4
Inventory	0.5	-	0.5
Trade and other receivables	209.2	(6.5)	202.7
Due from customers for contract work	140.9	(57.0)	83.9
Current tax assets	0.8	-	0.8
Cash and cash equivalents	56.4	-	56.4
Borrowings	(0.8)	-	(0.8)
Trade and other payables	(439.1)	-	(439.1)
Due to customers for contract work	(46.1)	-	(46.1)
Provisions	(0.5)	-	(0.5)
Current tax liability	(2.3)	-	(2.3)
Deferred tax liability	(0.5)	(10.7)	(11.2)
Non-current trade and other payables	(1.2)	-	(1.2)
Total identifiable net liabilities	(66.0)	(16.0)	(82.0)
Cash paid by Cathexis to secure control			50.9
Fair value of pre-held interest			5.3
Fair value of NCI acquired			28.0
Total consideration			84.2
Goodwill on acquisition			166.2

Predecessor and step acquisition accounting was applied to the acquisition including the determination of the initial controlling interest as set out in Note 3. The issue of shares in the period represented the initial acquisition of a controlling interest in ISG Central Services Limited in February 2016 for £56.2m and subsequent acquisition of the remaining shares in March 2016 for £27.3m by Cathexis UK Holdings Limited, that were exchanged for shares in ISG plc under the predecessor accounting treatment.

31. ADDITIONAL INFORMATION ON SUBSIDIARIES

The details of all of the subsidiary companies as at 31 December 2016 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	69	Indirect
Commtech (Asia) Limited	Hong Kong	11A W Square, 318 Hennessy Road, Wanchai, Hong Kong	Commissioning and testing management	100	Indirect
Commtech (Asia-Philippines) Branch, Inc.	Philippines	8F Sunlife Centre 5th Avenue Corner Rizal Drive BGC Taguig, Metro Manila, Philippines 1634	Commissioning and testing management	100	Indirect
Commtech Asia (Australia) Pty Limited	Australia	Suite 601, King York House, 32 York Street, Sydney, New South Wales 2000, Australia	Commissioning and testing management	100	Indirect
Commtech Asia (Japan) KK	Japan	5F MG Meguro Ekimae Building, 2-15-19, Kami Osaki, Shinagawa-ku, Tokyo 141-0021, Japan	Commissioning and testing management	100	Indirect
Commtech Asia (Singapore) Pte Limited	Singapore	12A Gemmill Lane, Singapore 069252	Commissioning and testing management	100	Indirect
Commtech Middle East Technology Services LLC	UAE	1703 Regal Tower, Sheikh Zayed Road, PO Box 120397, Dubai, UAE	Commissioning and testing management	49	Indirect
Commtech Testing Technology (Shanghai) Co. Limited	China	7F Zhong Ya Building, 458 North Wulumuqi Road, Shanghai 200040, PRC	Commissioning and testing management	100	Indirect
Diseños y Adecuaciones SLU	Spain	Avda. De Córdoba nº 21, 4º, puerta 3-B, 28026 Madrid, Spain	Fit out and project management	100	Indirect
Draw Serviços de Engenharia Limiteda**	Brazil	City of Santana de Parnaiba, State of São Paulo, Av. Dr. Yojiro Takaoka, 4384, Sala 408 J, Alphaville C- Apoio 1, CEP 06542-001	Fit out and refurbishment services	69	Indirect
Emerald Telecom and Data Center SAU**	Spain	Avda. De Córdoba nº 21, 4º, puerta 3-B, 28026 Madrid, Spain	Data Center and engineering services	100	Indirect
Interior ISG Espana SL	Spain	Avda. De Córdoba número 21, piso 4º, puerta 3B, Madrid, Spain	Holding company	50.1	Indirect
Interior Service Group Netherlands BV	Netherlands	Business Center Eemshaven, Westereemsweg 5, 9979 XP Eemshaven, Netherlands	Fit out and project management	100	Indirect
Interior Services Group (UK Holdings) Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Direct
Interior Services Group Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Direct
Interior Services Group Spain SL	Spain	Avenida Avda De Cordoba 21, 28030 Madrid, Spain	Fit out and project management	100	Indirect
ISG (Schweiz) AG	Switzerland	c/o PKF Consulting AG, Lavaterstrasse 40, 8002 Zürich, Switzerland	Fit out and project management	100	Indirect

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsidiary undertakings	Country of incorporation/ registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
ISG (Thailand) Limited*	Thailand	57 Wireless Road, Level 18 Park Ventures Ecoplex Lumpini, Pathumwan, Bangkok 10330, Thailand	Fit out and project management	49	Indirect
ISG Asia (China) Limited	China	Room 412, Shanghai Xin Xin Business Centre, 286 Dongfang Road, Pudong New District, Shanghai, PRC	Fit out and project management	100	Indirect
ISG Asia (China) Limited, Puxi	China		Fit out and project management	100	Indirect
ISG Asia (Hong Kong) Limited	Hong Kong	10/F W Square, 318 Hennessy Road, Wanchai, Hong Kong	Fit out and project management	100	Indirect
ISG Asia (Hong Kong) Limited, Taiwan Branch	Taiwan	Suite 1306, 13/F, No. 205, Sec. 1, Duenhua S.Road, Taipei, Taiwan, Republic of China	Fit out and project management	100	Indirect
ISG Asia Korea Limited, Branch	Korea	L10, Jaram Bldg., 78, Mapo-daero, Mapo-gu, Seoul 121-815, Korea	Fit out and project management	100	Indirect
ISG Asia Korea Limited, Branch	Cayman	Floor 4, Willow House, Criket Suare, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands	Fit out and project management	100	Indirect
ISG Asia (Macau) Limited	Macau	Alameda Dr., Carlos D'Assumpcao, No. 336 Cheng Feng Commercial Centre 21 Anpari, Macau	Fit out and project management	100	Indirect
ISG Asia (Malaysia) Sdn Bhd	Malaysia	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpur, Malaysia	Fit out and project management	100	Indirect
ISG Asia (Singapore) Pte Limited	Singapore	1A Lorong Telok Singapore 049014	Fit out and project management	100	Indirect
ISG Asia Group Services Pte Limited	Singapore	12A Gemmill Lane Singapore 069252	Group services	100	Indirect
ISG Asia Investment (Hong Kong) Limited	Hong Kong	10/F W Square, 318 Hennessy Road, Wanchai, Hong Kong	Holding company	100	Indirect
ISG Central Services Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Direct
ISG Construction Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Construction services	100	Indirect
ISG Construction Services SPRL	Belgium	Auguste Reyerslaan 80, 1030 Schaerbeek, Belgium	Fit out and project management	100	Indirect
ISG Deutschland GmbH	Germany	Wilhelm-Leuschner-Straße 68, 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 Services Nordic APS	Netherlands	c/o PricewaterhouseCoopers, Strandvejen 44, 2900 Hellerup, Denmark	Engineering	100	Indirect
ISG Europe SAS	France	66 Rue de la Chaussée d'Antin, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsidiary undertakings	Country of incorporation/ registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
ISG Interior Services Group Ireland Limited	Ireland	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	Fit out and project management	100	Indirect
ISG Interior Services Group UK Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out and project construction services	100	Indirect
ISG Italia Srl	Italy	Viale Sabotino, 19/2, 20135 Milan, Italy	Fit out and project management	100	Indirect
ISG Jackson Limited	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Construction services	100	Indirect
ISG Middle East LLC*	UAE	Office 602 Sama Tower, Shaikh Zayed Road, Dubai, UAE	Fit out and project management	49	Indirect
ISG Middle East LLC (Qatar)*	UAE	5th Floor Gath Building, Opposite site of Ramada Hotel, Doha, Qatar	Fit out and project management	49	Indirect
ISG Olson CJSC	Russia	Floor 7, Schipok str. 18, Moscow, 115093, Russian Federation	Fit out	100	Indirect
ISG Pearce Limited	England	Ground Floor, Unit 1200, Park House, Parkway North, Newbrick Road, Stoke Gifford, Bristol BS34 8YU, United Kingdom	Construction services	100	Indirect
ISG Retail Limited	England	Boleyn House, St Augustine's Business Park, Whitstable, Kent CT5 2QJ, United Kingdom	Fit out and refurbishment	100	Indirect
ISG South Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Construction services	100	Indirect
ISG Technology Solutions Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Fit out	100	Indirect
King William Street Student Accommodation Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Developments	100	Indirect
Realys France SAS	France	66 Rue de la Chaussée d'Antin, 75009 Paris, France	Design-led project management	100	Indirect
Realys GmbH	Germany	Wilhelm-Leuschner-Straße 68, 60329 Frankfurt, Germany	Design-led project management	100	Indirect
Realys Group Construction and Design Consulting (Shanghai) Company Limited	China	Shanghai Hong Kong Plaza, 283 Huai Hai middle road, South building, Floor 26 room 2607 – 37	Design-led project management	100	Indirect
Realys Group Limited	Hong Kong	10/F W Square, 318 Hennessy Road, Wanchai, Hong Kong	Holding company	100	Indirect
Realys Limited	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Design-led project management	100	Indirect
Realys Pte Limited	Singapore	99B Amoy Street, Singapore 069919	Design-led project management	100	Indirect
Realys Sdn Bhd	Malaysia	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpur, Malaysia	Design-led project management	100	Indirect

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsidiary undertakings	Country of incorporation/ registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
Tecton Engineering GmbH	Germany	Neumarkt 1c, 50667 Köln, Germany	Fit out and project management	90	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 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
ISG Construction Holdings Limited (7272660)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Non-trading	100	Indirect
ISG Developments (Southern) Limited (1801647)	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Property development	100	Indirect
ISG Developments Limited (1098081)	England	Woodland House, Woodland Park, Bradford Road, Chain Bar, Bradford, West Yorkshire BD19 6BW, United Kingdom	Property development	100	Indirect
ISG Northern Limited (315305)	England	Building 1, Exchange Quay, Salford Quays M5 3EA, 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 Retail and Leisure Limited (1346138)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Non-trading	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
ISG Jackson Special Projects Limited (541763)	England	Eighty Six, 86 Sandyhill Lane, Ipswich, Suffolk IP3 0NA, United Kingdom	Non-trading	100	Indirect
Realys Holdings Limited (9059862)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Holding company	100	Indirect

The details of dormant companies as at 31 December 2016 were:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsidiary undertakings (English company registration number)	Country of incorporation/ registration and operation	Address	Activity	Proportion of ordinary shares held by the Group %	Direct/Indirect Holding
Commtech (UK) Limited (3006483)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
CMI Commtech Limited	Hong Kong	11A W Square, 318 Hennessy Road, Wanchai, Hong Kong	Dormant	100	Indirect
Propencity 123 Limited (2341003)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Interior Limited (4596704)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Direct
Interior Services Group AESOP Trustee Limited (3776889)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Interior Services Group Trustee Limited (4165632)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
InteriorExterior Limited (3008773)	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	Korea	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, 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 Construction South Limited (8082511)	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 Harry Neal Limited (5144647)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Holdings Limited (9534764)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Interior Limited (2510874)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG International Limited (8142960)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Middle East Limited (7395542)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Regions Limited (7686934)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect

ISG PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Retail and Leisure Holdings Limited (3011317)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Scotland Limited	Scotland	c/o CMS Cameron McKenna LLP, 20 Castle Terrace, Edinburgh EH1 2EN, Scotland	Dormant	100	Indirect
ISG Tech Solutions Limited	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
ISG Western Limited (9069850)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Pearce Limited (2152862)	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 Construction Limited (8093121)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Totty Developments Limited (3119754)	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
ISG Construction LLC	England	Aldgate House, 33 Aldgate High Street, London EC3N 1AG, United Kingdom	Dormant	100	Indirect
Realys Hong Kong Limited	Hong Kong	10/F W Square, 318 Hennessy Road, Wanchai, Hong Kong	Dormant	100	Indirect

In the current period the majority of the subsidiary accounts has an 18 month accounting period. Only 10 months were included in the consolidated Group accounts.

32. EVENTS AFTER BALANCE SHEET DATE

In March 2017, ISG implemented a £30.0m liquidity funding facility arranged through BNP Paribas Commercial Finance. This facility is secured on the invoices issued by the main UK operating entities. The funds will be available for general corporate purposes.

33. 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 2016, the company's ultimate parent company was Cathexis Holdings GP LLC, a company incorporated in the United States. The largest group of undertakings for which group accounts are drawn up and of which the company is a member is the group headed by Cathexis Holdings GP LLC. The smallest such group is the group headed by Cathexis UK Holdings Limited. Copies of the group financial statements of Cathexis UK Holdings Limited are available from Companies House. The ultimate controlling party is W B Harrison by virtue of his beneficial interests in the ultimate parent company.

COMPANY BALANCE SHEET │At 31 December 2016

	Notes	2016 £'m
Fixed assets		
Investments	3	**66.4**
Total fixed assets		**66.4**
TOTAL NET ASSETS		**66.4**
Capital and reserves		
Called up share capital	4	**49.4**
Share premium account	4	**34.1**
Merger reserve		**(17.1)**
TOTAL SHAREHOLDER'S FUNDS		**66.4**

The financial statements of the company (company number 10081578) were approved by the Board of directors and authorised for issue on 13 April 2017. They were signed on behalf of the Board of directors. The loss for the period from 23 March 2016 to 31 December 2016 included within the financial statements of the parent company is £nil.

P Cossell
Chief Executive Officer

M Stockton
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY │At 31 December 2016

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

The merger reserve was created on the acquisition of ISG Central Services Limited in the period. The merger reserve comprises the difference between the value of shares issued and the carrying value of investments arising from a group reconstruction under common control.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The company financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards. 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 insofar as they are material to the parent company financial statements.

The company is included within the consolidated financial statements of ISG plc, which are publicly available.

Investments
In accordance with the requirements of IAS 27.13, the company's investment in ISG Central Services Limited is carried at the amount of that company's net assets as at 6 September 2016, the date the company acquired it from Cathexis UK Holdings Limited (the company's immediate parent undertaking) in a share-for-share exchange, less provision for impairment. The difference between nominal value of the shares issued in that transaction, together with the minimum premium value recognised under s611 of the Companies Act 2006, and the Company's cost of investment in ISG Central Services Limited has been recognised in a merger reserve.

As described more fully in Note 3 to the consolidated financial statements, the acquisition of ISG Central Services Limited and its subsidiaries by the company was a common control transaction outside of the scope of IFRS 3. The company has elected to adopt the principles of predecessor accounting when preparing its consolidated financial statements and, in consequence, measured the assets and liabilities of ISG Central Services Limited and its subsidiaries at the values used in the consolidated accounts of Cathexis UK Holdings Limited, the company's immediate parent undertaking and the original acquiror of ISG Central Services Limited. The difference between the value of those net assets and the company's cost of investment in ISG Central Services Limited eliminates the merger reserve in the consolidated balance sheet.

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

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 loss for the period from 23 March 2016 to 31 December 2016 included within the financial statements of the parent company is £nil.

3. INVESTMENTS

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

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

4. SHARE CAPITAL

See Note 26 of the Group accounts.

5. STAFF COSTS

There were no employees during the period.

6. CASH FLOW STATEMENT

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