

ISS Facility Services Limited

Annual report and financial statements

Registered number 00890885

For the year ended 31 December 2022



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Strategic report

The Directors present their strategic report for the year ended 31 December 2022.

Principal activity

The company is a wholly owned subsidiary of ISS UK Limited and operates as part of the ISS A/S Group's activities within the United Kingdom. The company is a private company limited by shares.

The principal activity of the company is facility services, which incorporates the provision of daily cleaning services, catering services, maintenance activities and services associated with building maintenance and security.

Development and performance of the business of the company

Financial performance

Turnover for the year was £657.5m (2021: £713.9m) and resulted in a gross profit of £91.3m (2021: £77.7m). Turnover decreased by 8.0% with the full year impact of contracts lost in 2021 and to a lesser extent, contracts lost in 2022.

During the year the Company has embedded the first stage of the Group's OneISS strategy with a focus on organising the operations more effectively, exiting non-core or low performing contracts, and rolling out cost management initiatives, including the centralisation of head office support activities which resulted in the transfer of employees into ISS UK Limited. As a consequence of this, and the emergence from COVID-19 impacts on the business, gross margin has increased to 13.9% (2021: 10.9%).

Administrative expenses have increased from £62.6m to £71.4m. The increase relates principally to higher head office overhead allocations which have increased as a result of the transfer in of employees carrying out functions including Operations Performance. This function was set up in 2022 providing the UK&I organisation with products and expertise that lead to better business performance. The organisation has also invested in areas that will support longer term growth and margin objectives, including investment in new skills and experience, technology improvements and transformation of core functions such as finance.

Operating profit was £20.0m (2021: £20.6m). Included within operating profit is £nil (2021: £5.5m) of grants received under the UK Government Coronavirus Job Retention Scheme. The company's profit before taxation was £19.1m (2021: £19.5m). The company made a profit after taxation of £19.0m (2021: £19.2m).

OneISS strategy execution

Execution of the OneISS strategy continued during 2022, and ISS is now entering into the next phase of the strategy, targeting to deliver strong growth at sustainable and attractive margins. The five key strategic priorities are unchanged with focus on growth, brilliant operating basics, technology, planet and people. Additionally, the Company will continue to focus on customer retention.

Business environment

Despite a continuing competitive external market, business momentum continued in particular during the last part of 2022, with improving organic growth, solid operating margin and cashflow improvements. The Directors remain confident that the business is well positioned to gain market share in a growing market underpinned by increased outsourcing and continuing demand for higher quality services. Despite the growing risk of inflationary pressures, as outlined below in Principal Risks and Uncertainties, it is the view of the Directors that the company's underlying performance levels will continue on a trajectory of revenue growth and cost reduction, strong customer retention. The Company has well-embedded processes in place, to tightly manage inflation through price increases and operational efficiencies. The current pipeline of future opportunities is very strong.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs already given above, is appropriate to give an understanding of the development, performance or position of the business.

Strategic report *(continued)*

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent contractors, high inflation on costs, service performance, employee retention, legal and regulatory developments. Current macroeconomic conditions are uncertain with the impact caused by wage inflation, rising interest rates and labour shortages. Key risks identified by the ISS A/S Group are listed on page 13 of this report. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the annual report of ISS A/S which does not form part of this report but can be obtained from the address in note 24.

The company is required to account on its statement of financial position for any deficit in the defined benefit pension schemes of which it is the sponsoring employer. The deficit relates to inherently uncertain long-term liabilities and assets and is calculated annually by an independent actuary.

In addition to those risks outlined in the annual report of ISS A/S, the company must adhere to all required laws and regulations as they pertain to the markets that the company operates in, including the National Minimum Wage across all its workforce .

Note 18 of the accounts describes a pay-related review which is ongoing and for which the company has established a provision that includes an estimate for any fines and penalties. A partial settlement was paid in March 2023 of £1,479,000.

Exposure to credit, liquidity and cashflow risk

The management of the business and the execution of the company's strategy are subject to a number of risks.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Company's receivables and estimated credit losses are shown on the balance sheet.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the Company. The Company also manages liquidity risk via revolving credit facilities and long-term debt and cash pool arrangements as noted below.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. This risk is mitigated by cash pool arrangements between the ISS UK group and ISS Global A/S.

Directors' qualifying third party indemnity provision

The company has granted an indemnity to all directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

Section 172 of the Companies Act 2006

The below describes how the ISS Facility Services Limited Directors have regarded the matters set out in section 172(1) (a) to (f) when performing their duties under section 172:

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

Strategic report *(continued)*

Section 172 of the Companies Act 2006 *(continued)*

ISS Facility Services Limited's Board of Directors consider that they have adhered to the requirements of section 172 and have, in good faith, acted in a way that they consider would be most likely to promote the success of the company for the benefit of its wider shareholders and stakeholders. The company follows the Wates Principles as a Corporate Governance Code for the UK Group (refer to pages 6 to 14).

Decision making

When making strategic decisions, the Directors operate within a corporate governance structure that considers transparency, constructive stakeholder dialogue, sound decision-making processes and controls as key aspects for the benefit of ISS and our stakeholders. This is facilitated through the UK Audit and Risk Committee (UK ARC) and the Country Leadership Team (CLT). The ISS UK Group (ISS UK) is governed by the CLT who set and action the strategy and objectives of the organisation.

Interest of company employees

The ISS UK Group is one of the largest private company employers in the UK and as such acknowledges the key roles employees play in the success of the business.

Employee Resource Groups (ERGs) are volunteer groups dedicated to building a greater understanding of diverse backgrounds, abilities, and perspectives across ISS for each dimension of the ISS Diversity, Inclusion and Belonging strategy.

In response to the rising cost of living, the ISS UK Group launched its Employee Assistance Programme in March 2023, which provides free and confidential support to all employees.

Fostering business relationships

The Directors understand the need to foster strong business relationships with suppliers, customers and key stakeholders (including employees and Group companies). As part of the strategic approach, they look to foster fair and lasting relationships built on collaboration and trust. For further details refer to the Culture and Values and Stakeholder Relationship sections of the Corporate Governance report.

Community and the environment

ISS Facility Services Limited understands the impact a large, people focused organisation has on society, the environment and sustainability. ISS is a people organisation, working with a strong belief that great people can and do make a difference. We believe in our responsibility – to the planet, our people and the communities we serve. [ThinkForward@ISS](#) is our UK Corporate Responsibility strategy that ensures we focus on the areas that really matter to our employees and our customers. Corporate Responsibility initiatives include:

- Wellbeing@ISS - managing and understanding the mental and physical wellbeing of our people.
- JointForces@ISS - supports Service Leavers, Veterans and spouses into work by offering support through mentoring, insights days, internships and job opportunities.
- Various charity partnerships that we support.

The company's Operations Performance - Sustainability UK&I team is focused on ISS UK&I Sustainability Targets & Strategy; supporting other core services within the business become more sustainable and the delivery of Sustainable Products & Services to our Key Account Customers.

Sustainability as a service focuses on supporting our customers sustainability goals, targets and strategy. Whether it is from minimising our impact on the planet by reducing the consumption of energy, carbon, water, resources and production of waste, through to driving engagement and the wellbeing of the people using them; and doing so in a way that aligns with our commitments to prosperity and governance.

Sustainability in our services is about optimising our business operations, products and behaviour to improve the sustainability of our global and local services; examples would be the use of Winnow to track food waste to support achievement of our commitment to reduce food waste by 50% by 2027.

Strategic report *(continued)*

Community and the environment *(continued)*

The ways in which we deliver sustainability include:

- ISS committed to reaching Net Zero greenhouse gas emissions within scope 1 and 2 by 2030 and scopes 1-3 Net Zero emissions by 2040, including its full supply chain. To support these commitments, ISS signed the Cool Food Pledge, committing to reducing greenhouse gas emissions associated with the food it serves by 25 percent by 2030 and halve its food waste by 2027. At the end of the year, ISS also submitted its science-based targets to the Science-Based Targets initiative (SBTi).
- ISS and LeasePlan, a global leader in Car-as-a-Service, have signed an international Vested agreement for next generation fleet management. Among other things, the partnership will support ISS's journey towards reaching Net Zero greenhouse gas emissions through electrification of the global ISS fleet.
- In November 2022, ISS UK launched 'Roots for the Future', a new school wellbeing and sustainability programme to help young children understand where their food comes from, how to prepare it, and how their dietary choices can impact their physical and mental wellbeing and the environment around them.

High standards of business conduct

The Directors recognise the importance of building long term relationships with all stakeholders. Maintaining high standards of business conduct is key to this. The strategic approach to belonging (refer to Wates Principle 1 – culture and values) focuses on creating value for all stakeholders (employees whom we refer to as our placemakers, partners, customers, society and investors) by maintaining the highest standards to deliver better outcomes to all.

Act fairly between members of the company

The company is a wholly owned subsidiary of ISS UK Limited, which is ultimately owned by ISS A/S and the relationship between our parent companies is fundamental to the UK business. The Directors operate within the framework set by the ISS Global Group and the CLT embeds the ISS Global Group Strategy and applies it across UK decisions. These decisions are delegated through to Senior Management centrally through ISS UK Limited into its subsidiary companies.

Corporate Governance

Overview of ISS UK

Within the ISS UK Group, ISS Facility Services Limited is one of the UK operational companies, servicing the UK private sector accounts. The ISS UK&I Group in total employs around 28,000 people with skills ranging from Cleaning, Catering, Security and Facility Maintenance.

ISS Facility Services Limited

ISS Facility Services Limited manages the UK Private sector contracts. It predominately focuses on developing Key Accounts in the following areas: Banking, Key Account Network, Professional Services and Technology and Production.

- Banking with over 20 accounts including large corporate banks and well-known retail customers.
- Key Account Network is a multi-faceted division supporting internal and external client base providing cleaning, mobile engineering and waste services across c.4,500 sites around the UK and Northern Ireland.
- Professional Services and Technology has a range of accounts, both UK and Global, covering the provision of Facilities Services and workplace solutions. Customers come from a range of sectors including law firms, accountancy and audit providers, insurance, telecoms, and financial services.
- Production, comprising of UK and Global Key Accounts ranging from Pharmaceutical, Technology, Manufacturing and Professional Services.

Strategic report *(continued)*

Corporate Governance *(continued)*

Global Corporate Governance and The Wates Principles

ISS A/S is a public company listed on the Danish Stock Exchange, Nasdaq Copenhagen (“the ISS Group”). As such, the ISS Group are legally required to abide by the Danish Corporate Governance Codes and a published report can be found in the ISS A/S 2022 Annual Report on the company’s website (www.issworld.com).

As part of the overall ISS Group, ISS Facility Services Limited is subject to the Group led Corporate Governance standards as set out in the ISS Corporate Governance Policy and as reported in the ISS A/S Annual Report. ISS UK Limited aligns these Group Policy principles to the Wates Principles as a Corporate Governance Code for the UK Group.

The Wates Principles are set out below.

Company Purpose

Wates Principle 1: Board promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.

Purpose

ISS Global and all operating countries have a clearly defined purpose: “Connecting people and places to make the world work better”.

In the UK, the Board aligns to the Strategies set out at Group level to promote and embed the purpose.

Strategy

ISS A/S determines the overall strategy for the global operating companies and maintains a framework of policies, standards, guidance, incentive schemes and controls for the operating companies to adopt and embed within the operation of their country.

The strategy and objectives set are actioned and governed by the Executive Group Management (EGM), of which the UK&I CEO is a member, and the Board Committees.

The operating countries and entities make decisions in line with the objectives of the EGM. The Non-Executive Directors of the various committees satisfy themselves that financial, non-financial, risk management and control frameworks are suitably robust. Decisions made at ISS Group and country entity level consider the interests of all stakeholders. The ISS Group strategy (OneISS) can be found on the company’s website (www.issworld.com), and is underpinned by 5 key strategic priorities:

1. Commercial momentum and segment leadership
2. Brilliant operating basics
3. Service products built on leasing technology platforms
4. Environmental sustainability
5. Safe, diverse and inclusive workplaces

Strategic report *(continued)*

Corporate Governance *(continued)*

Culture and values

To deliver on the Group strategic ambition and our purpose, ISS Global launched a new cultural ambition in 2022: to become the global Company of Belonging. This strategic approach to belonging creates value for all:

- Placemakers – paying a living wage and giving opportunities to grow
- Partners – creating fair and lasting relationships built on collaboration and trust
- Customers – more innovation, better service experiences and aligned values with ISS
- Society – creating sustainable growth and social mobility
- Investors – having a positive brand, attracting talented and diverse leaders, leading to better outcomes

ISS is a people company, our engagement with our employees is key. We call our frontline employees placemakers. We are committed to playing a leading role in combining the efforts of all our stakeholders to ensure greater recognition and respect for the work that our placemakers perform every day. This is our commitment to all our placemakers. Through partnering with our stakeholders, we can hugely impact the way we recognise and show respect for those who make the world work better.

Our global Diversity, Inclusion & Belonging (DIB) strategy is driven through five dimensions of diversity: pride, gender, generations & age, abilities and cultures, race & ethnicity. Through our strategy we commit to taking a proactive responsibility towards our surrounding communities and local societies by reflecting diversity and promoting inclusivity.

In 2022, significant steps were made to advance this. The launch of five global Employee Resource Groups (ERG) – voluntary groups of ISS employees for each strategic dimension who work on concrete initiatives to promote inclusion and belonging:

1. The Gender Balance ERG is a Placemaker-led group working together to foster a diverse and inclusive workplace across ISS UK & Ireland, supporting personal and professional development and creating a safe space where everybody can bring their whole selves to the table. The aim is to make a change and impact to our organisation by having topical conversations to create a better workplace for us all.
2. The Abilities ERG fosters a greater awareness and appreciation of the unique backgrounds, styles and perspectives of people with disabilities. The ERG focuses on advocacy and inclusion, uniting employees with disabilities, caregivers of people with disabilities and other allies of the community. We want members of our community to be empowered to reach their full potential.
3. The Generations and Age ERG encourages a collaborative environment where employees of all ages recognize strengths and skills in each other and explore opportunities to grow. At ISS, we recognize it's increasingly important to know the expectations, skills and perspectives each generation brings to the table.
4. Cultures, Race and Ethnicity ERG encourages a collaborative environment where employees of all cultures, race and ethnicity recognize strengths and skills in each other and explore opportunities to grow.
5. PRIDE provides a network that supports the professional development of LGBTQIA employees; facilitates recruitment and retention; builds community among LGBTQIA+ employees; and works with the Senior Leadership Team to develop policies and practices that positively impact LGBTQIA+ people at ISS UK & Ireland.

Board Composition

Wates Principle 2: An effective Board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual Directors having sufficient capacity to make valuable contribution.

ISS A/S and ISS Global A/S are based in Copenhagen, Denmark where the corporate governance begins with a Board of Directors, overseeing the Executive Group Management (EGM). As a country within the ISS Global Group, the UK CLT sits underneath this.

Strategic report *(continued)*

Corporate Governance *(continued)*

The CLT embeds the Group Strategy and applies it across UK decisions. These decisions are delegated through to Senior Management centrally through ISS UK Limited into its subsidiary companies.

The ISS UK&I CEO acts as chair to the Statutory Board of Directors and is a member of the Executive Group Management Board. There is additional rigour with the ISS UK Group reporting into ISS Group, who preside over company and group strategy.

ISS UK & Ireland CLT

CEO Liz Benison

Liz is the UK&I CEO. In this role she is accountable for all of ISS's activities in the UK and Ireland, from strategy through to execution. She is also a member of the Executive Group Management Board. Liz has spent 20+ years in outsourcing with System's Integrators such as Capgemini and CSC and other business service providers such as Serco and Arriva.

Liz holds Companion Status as a Chartered Manager and is a recognised Diversity Champion in the UK. She also holds a non-executive director position on the Board of Openreach. Her purpose at ISS is to ensure that the UK&I business delivers on all its commitments to all of its stakeholders, employees, customers, the Executive Committee and the Board, shareholders, our supply chain and ultimately the communities in which we operate, and in the local execution of the overall ISS Group Strategy. Her skillset is extensive knowledge and experience of large service providers and extensive UK industry experience.

CFO Jo Roberts

Jo is a qualified Chartered Accountant with over 20 years' experience in senior finance and commercial roles within both privately held and UK listed organisations. Jo has spent 15+ years in outsourcing, having worked for Serco for over 12 years in several roles including that of Group Company Secretary, Director of Governance, and CFO, Local and Regional Government and Europe.

Her purpose in this role is to lead, embed, support and continuously improve all aspects of the finance function within the UK and its support to the broader business, including driving the Finance Improvement Programme and enhancing the rigour of the financial control framework. Jo has deep experience in transforming finance functions plus operating at an executive level with focus on deploying excellent technical, compliance and commercial know-how.

Director People and Culture Sandy Lucas

Sandy is our People & Culture Director. In this role she is accountable for developing and executing the UK&I people strategy and responsible for all dimensions of People & Culture to attract, grow and retain talent. Sandy worked at GE Capital for 5 years where she became a certified as a GE Quality Leader, broadening her Lean Six Sigma experience.

Sandy has championed gender diversity throughout her career. She led GE Women's Network EMEA which spanned 35 countries and has volunteered with CWN for over 10 years, previously being co-chair Membership Committee, President and President Emeritus. She is currently co-lead for Inclusion & Belonging.

Her purpose is to make ISS UK&I the Employer of Choice & Belonging within the FM industry and beyond. As a people focused organisation, she is pivotal to ensuring the engagement and communication to the UK employees. Her skillset is organisational structural and cultural knowledge alongside diversity and inclusion.

Chief Operating Officer Aidan Bell

Aidan joined ISS in September 2019 as Chief Operating Officer to lead our Private Sector, after spending 20 years in the FM industry with Balfour Beatty, Aramark and Interserve. Responsible for all operational activities, Aidan drives excellence and innovation for our clients within the fast-paced private sector. He is passionate about celebrating the diverse workforce of ISS, driving the Diversity and Inclusion agenda and championing this area of the ISS CR strategy: ThinkForward@ISS.

Chief Operating Officer Andrew Wilkinson

Andrew is the COO for the Office and Production businesses, with expertise in leadership, distributed retail networks, corporate and central government workplace, technology/digital, strategy and marketing. He is a facilities management professional with 30 years' experience in all aspects of property, facilities, and outsourced business services. His career includes a variety of board level client advisory and supply side roles working for large consultants and integrated contractors like WS Atkins plc and Sodexo. Andrew has worked with both private and public sector clients operating all over the world, including some of the world's largest property owners/ occupiers in the financial service sector, pharmaceutical, and FMCG/ manufacturing sector.

Strategic report *(continued)*

Corporate Governance *(continued)*

Chief Operating Officer Martin Burholt

Martin is the COO for the Government, Healthcare and Education businesses. He is responsible for the growth, contract service delivery and transformation of customer accounts across the public and regulated market sectors in the UK. Martin has 30 years of experience in the outsourced service sector, having previously worked for companies such as Mitie, Interserve, Engie, Balfour Beatty and Bouygues.

His purpose is to ensure that as a key overall customer, the Government sector engagement is maintained, ISS policies and procedures are implemented through the operations teams and that resources are focussed on achieving core ISS objectives and aspirations. His skillset is public sector and the regulated market industry knowledge.

Chief Commercial Officer Simon Titchener

Simon joined ISS in 2007, working across various roles across both in the UK and globally before joining the UK&I Executive Management Board in 2019 as Chief Commercial Officer. Responsible for the Sales and Marketing functions across UK&I, his purpose is to drive a strong value proposition for new and existing clients. His skillset is industry knowledge as well as the commercial balance.

Legal Director, Elena Zachariou

Elena joined the UK&I CLT as Legal Director in 2021, having worked for ISS in various legal roles for 13 years. In this role, Elena is accountable for legal compliance and for driving performance and implementation of the company's strategy, along with her peers.

Elena has an LLB in Law and has over 19 years in house legal experience in sectors such as the nuclear industry, oil and gas and facility services. Her purpose is to ensure that ISS, in the UK and Ireland, is compliant with the Law, policies and regulations, as well as ensuring internal governance standards and requirements are adhered to. Her skillset is knowledge internally and externally of compliance and requirements within the facility services industry and the UK. Elena left ISS on 30 June 2023.

The eight members of the CLT comprise a gender balanced Board and a mix of skillsets based on a wide range of knowledge and experience to enable them to challenge each other and provide a robust review and decision-making body. The wealth and diversity of sector and specialist experience and knowledge ensures that the Board is effective in its ability to govern UK operations.

Directors' and Board responsibilities

Wates Principle 3: The Board and individual directors should have a clear understanding of their accountability and responsibilities. Its policies and procedures should support effective decisions-making and independent challenge.

ISS A/S Committees

Board committees

The below committees report to the ISS Global Board of Directors. These Committees are at Group level and designed to scrutinise the operational country input. Feedback is cascaded to the UK via the UK Executive Management Board.

Audit and Risk Committee (ARC)

The Audit and Risk Committee evaluates the external financial reporting and significant accounting estimates and judgements and reviews and monitors systems of internal controls and risk management. Its duties also include monitoring of the Group Internal Audit function and evaluation of the risk management procedures, Financial Policy, Dividend Policy and Tax Policy. In addition, the Audit and Risk Committee considers the independence of, and relationship with the auditors, reviews the audit process and recommends auditors to the Board.

The main elements of interaction between the countries and the ISS Group consist of Group led audits, Financial Control updates and escalation of Risk Assessments for bids and suppliers. The ISS UK Group feed into the overall control environment evaluation held at Group level and provide regular updates to the ARC on the current status of the UK financial control environment, and the steps the company is taking to further strengthen governance of controls across the UK business. The ARC acknowledges the updates and provides guidance and advice where appropriate.

Strategic report *(continued)*

Corporate Governance *(continued)*

Remuneration Committee

The Remuneration Committee assists the Board of Directors with reviewing and making recommendations in respect of the Remuneration Policy, the overall guidelines on Incentive Pay, the remuneration of the members of the Board of Directors and the Executive Group Management Board, as well as a remuneration policy applicable to ISS in general. This committee presides over the UK Executive Management Board remuneration (Wates Principle 5).

Nomination Committee

The Nomination Committee assists the Board of Directors with ensuring that appropriate plans and processes are in place for nomination of candidates to the Board of Directors and the Executive Group Management Board and evaluating the composition of these Boards. Furthermore, the Nomination Committee makes recommendations for nomination or appointment of members of the Board of Directors, the Executive Group Management Board and the committees established by the Board of Directors.

Transaction Committee

The Transaction Committee makes recommendations to the Board of Directors in respect of certain large acquisitions, divestments and client contracts, reviews the transaction pipeline, considers ISS' procedures for large transactions, and evaluates selected effected transactions.

ISS UK Governance

The ISS UK CLT presides over the management of the ISS UK Group. This Board meets formally each month for the UK & Ireland Executive Management Board Meeting. The structure of the management teams and the business provides each member with a clear accountability.

At each monthly Board meeting, the individual directors present an overview for their area, showing financial overviews, engagement with stakeholders and the 'Highs & Lows' of the month. This enables board members to have visibility of all areas of the UK business, enable open discussion and challenge cross functionally.

Reporting to Group Board

ISS UK Executive Management Board have a monthly Business Review and at least a quarterly review with the Executive Group Management (EGM) and Group Committees at Parent company level, including the UK Audit and Risk Committee.

ISS UK, which includes ISS Facility Services Limited see this reporting and management as a robust structure, as the EGM are independent of the day-to-day management of the operations in the UK. Additionally, there are several control functions set up within the wider Group to preside over the UK entities. For example, Group Internal Audit, Group Legal/Group Treasury & Risk and Group Information Security. Therefore, whilst operationally the CEO chairs the Executive Board Meetings and there are no independent members at UK level, there is independent review of the Executive Board, and strategic decisions are sanctioned via the wider Group Governance framework.

Opportunity and risk

Wates Principle 4: A Board should promote the long-term success of the company by identifying opportunities to create and preserve value and establish oversight for the identification and mitigation of risk.

The UK Board and ISS Global A/S regularly consider new opportunities. OneISS is our global strategy. The structure and strategic approach of OneISS is designed to support this both internally through the creation of the Operations Performance segment and externally through standardising and strengthening core services and creating a more robust commercial bid process.

Strategic report *(continued)*

Corporate Governance *(continued)*

Risks

The ISS A/S Group has identified the following key risks for 2022 and into 2023:

- Macroeconomics
- People management
- Environmental sustainability
- Health and safety
- Regulatory compliance
- Contract management
- Subcontractors
- IT transformation
- Information security and cyber risk
- Finance and reporting

A top-down approach helps the ISS Group to collate their key risk areas and evaluate them from a central global perspective. A review of these risks and the mitigations in place in the UK was performed and used to drive actions for key areas.

In September 2022, ISS A/S established a new Operational Risk function and the UK are piloting the new Global Operational Risk framework in 2023. ISS Facility Services Limited recognises the need to look at risks that emerge from within the business to ensure the normal running of the business is maintained and where such risks are identified, ensure they are escalated, and that effective risk management plans are implemented.

Other macro-economic risks

Other macro-economic risks have also played a large role in 2022 and through the first half of 2023. In our key markets, inflation has been rising putting pressure on wages and cost of goods. We have a structured approach to inflation risk, as even low inflation scenarios can impact margin significantly, if not appropriately managed. On the customer side, we generally include pass-on clauses in our contracts. Also, our scale and broad service scope often allows us to drive efficiencies through scope changes that can limit inflation impact for the customer. In terms of cost of goods, our efforts to centralise spend with fewer suppliers allows the same benefit of leveraging supplier scale to manage cost increases. Wage inflation is to a large extent a result of collective bargaining agreements or legislation and as such difficult to impact directly. Refer to Employee section (Section 172) for actions taken to support employees during cost of living crisis.

Executive Remuneration

Wates Principle 5: A Board should promote executive remuneration structures aligned to sustainable long-term success of a company, taking into account pay and conditions elsewhere in the company.

Remuneration Committee

The ISS Global Executive Group Management has an established Remuneration Committee. The Committee assists in preparing the Remuneration Policy, including the overall guidelines on incentive pay of the Group. This cascades through to Country Management and each country sets up a local procedure that complies with relevant laws. In the UK, remuneration for the CLT, including bonus schemes, is set by the Group Remuneration Committee and any payments are approved accordingly.

Within the ISS UK Group there is an established Remuneration Committee consisting of the CEO, the CFO and the Director of People and Culture, to review and approve any principle or payment outside of the ISS redundancy policy and, together with the CLT, the annual pay increases, although these ultimately are subject to ISS Group scrutiny and approval.

The success of the company is dependent upon its placemakers. The company has minimum wage obligations, including ongoing remediation activities as part of a working practices review, as well as pressure for a range of 'living wage' (a wage that is high enough to maintain a normal standard of living) levels. The ambition is to pay a minimum 'living wage' by 2025, with significant progress to be made during 2023 within the UK. The company considers market practice when deciding middle and senior management remuneration. By treating people with respect and offering future career progression for those who seek this, the company aims to retain employees and their skills and experience for longer, enabling the company to achieve its strategy.

Strategic report *(continued)*

Corporate Governance *(continued)*

Senior Incentives

To drive delivery of short and long-term financial results, retention of leaders and alignment to shareholder value creation, the ISS Group has implemented two types of share-based incentive programmes:

- a long-term incentive programme (LTIP)
- a special incentive programme (SIP)

Under the LTIP, which has been in place since 2014, performance share units (PSUs) are granted annually to plan participants consisting of around 120-150 Global senior leaders. Each PSU entitles the holder to receive one share at no cost after three years, subject to achievement of certain EPS and TSR performance criteria. The UK leadership team are full members of the LTIP.

Under the SIP, restricted share units (RSUs) are granted to the participants consisting of senior leaders. Each RSU entitles the holder to receive one share at no cost, subject to achievement of individual service or performance criteria upon vesting in either 2022 or 2023.

Stakeholder Relationships and Engagement

Wates Principle 6: A Board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce, and have regard to that discussion when taking decisions. The Board has a responsibility to foster good relationships based on the company's purpose.

The following are the key stakeholders identified by the company:

Employees

ISS is a people company, our engagement with our placemakers is key. We communicate with employees regularly, via the following channels:

- Emails – business updates are emailed throughout each week
- UK Intranet
- ISS News – a UK monthly email newsletter, with news from around the business
- myISS – is a site for employees to access
- Yammer – this is our online messaging platform used for sharing news
- Internal events – these include conferences and events planned throughout the year

A MyVoice 2022 survey was conducted during 2022 to actively seek employee feedback. MyVoice provides the insights and tools to understand and measure employee engagement and harness ideas and feedback into actionable steps to improve the overall employee experience and deliver our purpose and goals. The results were in line with global benchmarks, with overall eNPS good levels of engagement and company advocacy within the workforce.

Trade Unions

Trade Unions are an important stakeholder as they represent many of our employees. We liaise with the relevant Trade Unions on a business-as-usual basis. The ISS UK Group has a dedicated Trade Union manager to ensure the relationship is maintained.

Customers

ISS UK and the operational ISS Facility Services Limited company manage the private sector accounts. This sector includes Global Key accounts and UK Key accounts as well as other smaller operations. As a majority part of the UK operations, these clients form a large group with varying needs.

Strategic report *(continued)*

Corporate Governance *(continued)*

ISS Group

ISS UK Holding Limited (ISS UK Limited parent company) is a wholly owned subsidiary of ISS A/S. The UK is the largest single entity in the Group structure and therefore as a stakeholder the relationship is fundamental to the UK business.

ISS UK aligns to the Group structure and is fully supported by the central functions. Reporting to ISS Group provides a robust governance framework. Monthly Business Reviews are part of the reporting structure, these are compiled locally and sent to ISS Group.

There are many Global Key Accounts (i.e. customers services by multiple ISS countries) and these are integrated with local entities. This allows for a more dedicated and streamlined approach to the management of the accounts.

Suppliers

A self-delivery model remains core for ISS UK customers, as such we purchase a vast array of goods and services to be able support the needs of our customers, as outlined in our agreements. A stable supply chain remains key to our services.

The ISS UK Group supply chain is split into different tiers depending on spend, criticality and risk. The list is compiled centrally and reviewed at least annually. For our top tier strategic suppliers, senior engagement takes place at least twice a year to ensure business metrics are reviewed and met, and opportunities to introduce new processes and technologies are explored.

The ISS UK Group of businesses are signed up to the voluntary Prompt Payment Code and mandated to the Payment Practices Reporting (Duty to Report). Participants are expected to pay 95% invoices within 60 days. For the year ended 31 December 2022, the company achieved 95.5% paid within 60 days.

ISS UK is determined to achieve the highest standards of responsible sourcing throughout its extended supply chain through ensuring adherence to its Supplier Standards. We will also strive to ensure that decisions taken by members of ISS UK on the procurement of resources are undertaken in line with our Responsible Procurement Principles.

Our policy is to engage with suppliers of goods and services to assist them in meeting our Responsible Sourcing Supplier Standards including providing safe and fair working conditions, responsible management of environmental and social issues and legitimate business practices.

We recognise that, some suppliers will face more complex issues than others in implementing and meeting our Responsible Sourcing Supplier Standards. In these areas, ISS UK is committed to working with all relevant bodies to deliver effective action plans for change. We believe by working together with our suppliers we will strengthen our business, improve the quality of life of the people we touch and minimise impacts on the local environment.

Pension Funds

The Pension Funds, the trustees, and ISS Group are important stakeholders due to the reliance on the funds to ensure the provision for employee pensions. There is continuous engagement with pension advisors, the regulatory bodies and the Pension Scheme trustees to ensure ISS UK abides by all applicable regulations.

SECR ISS Facility Services Limited

The UK Government's Streamlined Energy and Carbon Reporting (SECR) regulations, implemented in April 2019, require ISS UK entities to report on their energy consumption and Greenhouse Gas emissions.

ISS UK is committed to be a responsible user of resources and continues to consider ways it can reduce its environmental impact. The total emissions for the ISS UK group of companies (three combined legal entities of ISS UK Ltd, ISS Facility Services Ltd and ISS Mediclean Ltd) has reduced by 40% due to the improvement activities highlighted in this SECR report. The decrease shown in the table below is distorted significantly by the changing structure of the organisation – through our OneISS strategy people have moved across the business and between entities, most notably increasing the central functions in ISS UK Ltd. With the proportion that each of the entities has within the overall UK total changing, the emissions performance of each entity varies. Since 2018, ISS has purchased most power from renewable sources, resulting in a reduction in operational (Scope 2) market-based carbon emissions^(B). Scope 1 and 2 emissions are those that come directly from the activities of ISS UK e.g. gas, heating, f-gas and fleet vehicles (scope 1) and from electricity used by ISS, both market and location based data (scope 2). Scope 3 emissions relate to upstream and downstream transportation and distribution (category 4 and 9), waste (category 5) business travel[€] (category 6) and employee commuting (category 7).

Strategic report (continued)

SECR ISS Facility Services Limited (continued)

The following activities have ensured improvements to our energy efficiency and reduced emissions over this reporting period:

- Improved energy efficiency of our Bolton and Stoke offices during extensive refurbishment, including LED upgrades, insulation, solar panels, removal of gas boiler.
- As part of our net-zero commitment we have changed a significant proportion of company cars to plug in hybrid or full battery electric vehicles.

The table below provides this information for ISS Facility Services Limited from January to December 2021 and 2022. ISS is required to report as a 'large organisation' and emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Figures for the whole UK group have been allocated to each entity based on turnover. All conversions to GHG using the UK Government conversion factors for 2022. Further information on ISS's methodology can be found on the ISS UK Website <https://www.uk.issworld.com/>

ISS Facility Services Limited - GHG Tonnes (t/CO ₂ e)			
Scope 1	2021	2022	Change to previous year (%)
Natural Gas	62.55	35.44	(43.35)
Diesel	5,016.47	3,727.39	(25.70)
Petrol	405.14	463.50	14.40
Other fuels	-	45.42	
f-Gas	20.45	1.97	(90.39)
Total scope 1	5,504.61	4,273.72	(22.36)
Scope 2			
Electricity - location-based	144.95	128.32	(11.47)
Electricity - market-based	24.66	40.66	64.90
Total scope 1 & 2 (Location)	5,649.56	4,402.03	(22.08)
Total scope 1 & 2 (market)	5,529.27	4,314.38	(21.97)
Scope 3			
Business Travel (Private miles)	144.27	118.42	(17.92)
Total Scope 3	144.27	118.42	(17.92)
Total Scope 1, 2 & 3 (location-based)	5,793.83	4,520.46	(21.98)
Total Scope 1, 2 & 3 (market-based)	5,673.54	4,432.80	(21.87)
Total kWh	24,104,473.97	19,516,791.02	(19.03)
Intensity Ratio (t/Co₂ per £m T/O)	7.63	6.77	(11.27)

- ^ALocation-based emissions: Using the UK National Grid conversion factor, irrespective of the supply arrangements.
- ^BMarket-based emissions: Using the supply agreement recorded emissions associated with electricity procurement of 'green' renewable electricity generation (REGO's), which carry a zero-rated emission.
- ^CF-gas loss resulting from A/C units.
- ^DtCO₂e – carbon dioxide equivalent is the measure of greenhouse gas emissions.
- ^EBusiness Travel – emissions resulting from the following were included:
 - o Employee private vehicles business mileage
 - o Employee expenses claims for fuel in hire cars

Strategic report *(continued)*

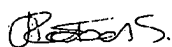
SECR ISS Facility Services Limited *(continued)*

Energy consumption (used to calculate emissions above)

The below table demonstrates the breakdown of the energy consumption for ISS Facility Services Limited, broken down as per methodology linked above.

ISS Facility Services Ltd kWh		
Activity source	kWh 2021	kWh 2022
Natural Gas	341,509.4	196,872.2
Diesel	20,919,970.3	15,936,714.9
Petrol	1,536,091.3	2,024,211.1
Electricity - location-based	682,661.9	658,186.1
Electricity - market-based	20,340.6	204,905.2
Business Travel (Private miles)	603,900.6	495,901.7
Total kWh	24,104,474	19,516,791

On behalf of the Board



J Roberts
 Director

Velocity 1
 Brooklands Drive
 Brooklands
 Weybridge
 Surrey
 KT13 0SL

3 August 2023

Directors' report

The Directors present their Directors' report and the audited financial statements for the year ended 31 December 2022. Information relating to principal risks, financial risk management, stakeholder engagement, engagement with employees and suppliers, streamlined energy and carbon reporting and a review of business performance and directors' indemnity provisions are disclosed in the Strategic Report.

Dividend

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors

The Directors who held office during the year and up to the date of this report, unless otherwise indicated, were as follows:

A Bell (resigned 26 September 2022)
E Benison
S Titchener (resigned 6 January 2022)
J Roberts
A Wilkinson (appointed 26 September 2022)

Employees

The organisational structure which operates throughout the company from the Board of Directors to individual profit centres, facilitates the free flow of information, company goals and financial performance. The policy of the company is to employ disabled persons on the same basis as other employees, with the provision that they are able to operate without risk to themselves or others within the conditions prevailing on individual sites. Training, career development and promotion of a disabled person is identical to that of other employees so far as possible. The company also produces various information publications for employees and staff and promotes diversity of age, gender, perspectives and cultural backgrounds.

Political contributions

The company made no political contributions during the year (2021: £nil).

Going concern

The financial statements have been prepared on a going concern basis. ISS UK Limited has loan facilities totalling £200m in place with ISS Global A/S, penultimate parent company consisting of a £125m and £75m facility, with maturity dates of 31 October 2024 and 1 June 2028 respectively. The company is in receipt of a letter of support from ISS UK Limited, the parent company, to assist the company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities. ISS UK Limited has confirmed that it has the ability to provide such support and it will provide this support to the company, to the extent outlined above, until 31 August 2024.

In order to effect drawings under the availability of this facility across the UK companies, a Cash Sweeping arrangement was set up between the HSBC UK "Header" account held by ISS UK Limited and an account with Nordea Bank held by the ISS Global Group. Each working day HSBC will calculate the cash position within the Cash Pool of the various ISS UK Limited bank accounts and will then automatically send or request funds to Nordea. Once this automatic transaction has completed the HSBC Cash Pool will have a combined balance of £nil. This arrangement negates the need to make daily cash payments between the ISS UK Limited businesses and ISS Global Group when the UK businesses have excess cash or a requirement for funding.

The Directors have assessed the ability and made the relevant enquiries of ISS A/S, ultimate parent company, to continue to provide these facilities and support during the forecast period to 31 August 2024 and based on the facilities the Group have in place it is considered a remote risk that the facilities of £200m will not be available. The UK Board reviewed the consolidated ISS UK business' forecasts for the remainder of the financial year 2023 and to 31 August 2024 which included analysis of cash flows for that forecast period.

The UK consolidated cash flow forecasts are regularly reviewed and updated, incorporating our actual experience to date along with our expected future outturn. In preparing these cash flows, the directors have taken into consideration the relevant impacts of macroeconomic and geopolitical risks such as any continuing impact of Covid-19 and Brexit, the impact of the Ukraine war and high inflationary and interest rate environment. Consideration was then given to the principal risks attributable to the ISS UK businesses, such as significant reductions in revenues, caused by loss of custom through bankruptcy or retender or change in contract scope, or delay in collection from customers. Further, consideration was given to increased levels of inflation particularly with respect to non-people costs borne by the company and the ability to pass on to or recover the increased costs from customers, as well as margin and cost improvement actions that can be taken.

Directors' report (continued)

Going concern (continued)

The cash flow forecasts were sensitised for principal risks and uncertainties relevant to the ISS UK businesses in a severe but plausible downside scenario. Cash flow forecasts then were reverse stress tested to understand the headroom available before the loan facilities referred to above could be exhausted.

The possibility of both the severe but plausible and reverse stress scenarios are considered remote when contemplating the business' financial performance in 2022 and 2023 to date and the contractual nature of the ISS UK business which is typically medium to long term in nature, typically contain fixed minimum monthly revenues and any changes in scope or scale require ISS consent.

This assessment confirmed that the consolidated ISS UK businesses have adequate undrawn credit facilities to enable it to meet its obligations as they fall due in order to continue its operations during the going concern forecast period that was considered to 31 August 2024. Based on the Board's review of the company's going concern assessment and the liquidity and cash flow reviews of the company, the Directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts..

Disclosure of information to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the company's auditor, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Future outlook

In 2023, the execution of the OneISS strategy will continue: strategies that define the key strategic objectives for growth, business improvement and achieving success. 2023 and beyond will focus on growth, functional transformation focussed on financial control, and a cultural focus on an enterprise mindset. The organisation will invest in growth opportunities within our core and growth segments of Banking, Professional Services, Production & Technology. In 2023 the UK&I group began executing the next phase of the OneISS strategy, 'Transform', a program of transformation activities with the aim of building a strong infrastructure and strategic platform from which the group's growth ambition can be delivered. The 2023 and future outlook will focus on 5 strategic priorities centred around: Commercial Momentum – strong commercial governance; Brilliant Operating Basics - leverage technology-enabled and scalable processes to drive efficiencies; Service Products Built on Leading Technology – innovate service lines and embed technology in service products; Environmental Sustainability - global industry leader in environmental sustainability; and Safe, Diverse and Inclusive Workplaces – Leading promoter of social value and a 'Global Company of Belonging'.

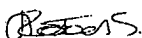
Subsequent events

In March 2023, the company made a payment of £1,479,000, to partially settle the pay related review with HMRC, as set out in note 25.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board



J Roberts
Director

Velocity 1
Brooklands Drive
Brooklands
Weybridge
Surrey
KT13 0SL

3 August 2023

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 company and of the profit or loss for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that they 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISS FACILITY SERVICES LIMITED

Opinion

We have audited the financial statements of ISS Facility Services Limited for the year ended 31 December 2022 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the procedures set out below.

The company is reliant on a letter of financial support from its immediate parent, ISS UK Limited, for the period to 31 August 2024. Based on the procedures we performed, we have determined that the immediate parent has the ability to provide support to the company in order for the company to remain a going concern for the period to 31 August 2024. Our procedures are primarily focused on assessing ISS UK Limited's ability to provide financial support to the company for the period to 31 August 2024.

- We confirmed our understanding of ISS UK Limited's going concern assessment process and how relevant key factors were identified and considered in its assessment;
- We obtained ISS UK Limited's going concern assessment, which covers the period through to 31 August 2024, checked mathematical accuracy of the model and assessed the reasonableness of the assumptions used in the cash forecast, including assessing how relevant risks to the forecasts (eg, any continuing impact of Covid-19, inflationary cost increase, contract wins and losses, material changes in contract scope, and margin and cost improvement actions) have been considered and the performance of stress testing;
- We reviewed management's reverse stress testing to assess the headroom before cash and available facilities are fully utilised;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISS FACILITY SERVICES LIMITED (Continued)

- We confirmed the amount and period of the facilities available to ISS UK Limited from ISS Global A/S the company's penultimate parent; and assessed the likelihood that ISS UK Limited may require additional financial support throughout the forecast period to 31 August 2024; and
- We read the company's going concern disclosures included in the annual report and financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 August 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISS FACILITY SERVICES LIMITED (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" and the Companies Act 2006) and the relevant UK direct and indirect tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations related to the company's operations that may have an effect on the determination of the amounts and disclosures in the financial statements, including National Minimum Wage, Health and Safety at Work, other employment laws and regulations, pension regulations, anti-bribery regulations, General Data Protection Regulation, environmental and waste management regulations, security regulations and food safety regulations.
- We understood how the company is complying with those frameworks by making enquiries of management, those charged with governance and those responsible for legal and compliance procedures to understand how the company communicates key policies and procedures in these areas. We corroborated our enquiries through reading board minutes, litigation reports and other supporting documentation including board packs, company policy manuals and internal audit reports, as well as consideration of the results of our audit procedures.

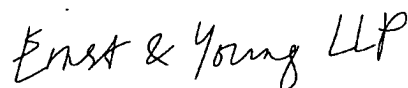
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISS FACILITY SERVICES LIMITED (Continued)

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations focusing on the most significant reporting and tax regulations referenced above. Our procedures involved obtaining and reading correspondence with relevant authorities where available and with professional service advisors where they have been involved or provided advice to the company. We also obtained a listing of legal and professional fees to understand their nature and assist in identifying any non-compliance matters not covered by other procedures. We involved our tax specialists in the audit of management's corporation tax calculations. We involved other specialists to assist in our assessment of provisions in other areas and in the design of audit procedures responsive to significant risks, where required. We assessed for potential non-compliance with laws and regulations, including required communications. We completed procedures to conclude on the compliance of the disclosures in the accounts with all applicable reporting requirements.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the controls that the company put in place as part of the financial statement close process and other significant processes to address risks identified and to prevent, deter and detect fraud and how those checks and controls were monitored. We identified fraud and significant risks related to complex clauses in revenue contracts. We also identified fraud risks of management override related to overstatement of revenue at period end on variable elements of contracts with customers, inappropriate manual postings to accruals and to the estimation process for the supplier rebates provision.
- Based on this understanding, our procedures involved:
 - revenue contract testing with a focus on confirming communication of key performance indicators to customers, extended post year end credit note testing combined with subsequent invoicing and cash collection;
 - supplier statement reconciliations in combination with unrecorded liabilities testing;
 - agreement of supplier rebates to direct confirmation or subsequent receipt;
 - testing manual journals, with a focus on identified terms and large or unusual transactions;
 - enquiries of legal counsel;
 - extended management enquiries, including heads of Payroll, Human Resources, Internal Audit and divisional commercial and finance heads.

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

Use of our report

This report is made solely to the 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.



Christine Chua (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 3 August 2023

Income statement

for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Turnover	4	657,491	713,867
Cost of sales		(566,147)	(636,146)
		<hr/>	<hr/>
Gross profit		91,344	77,721
Administrative expenses		(71,363)	(62,638)
Other income	5	-	5,470
		<hr/>	<hr/>
Operating profit	5	19,981	20,553
Interest payable and similar charges	8	(23)	(276)
Other finance expense	9	(861)	(745)
		<hr/>	<hr/>
Profit before taxation		19,097	19,532
Tax on profit	10	(435)	(303)
		<hr/>	<hr/>
Profit for the financial year		18,662	19,229
		<hr/> <hr/>	<hr/> <hr/>

All activities relate to continuing operations.

Statement of comprehensive income
for the year ended 31 December 2022


	<i>Note</i>	2022 £000	2021 £000
Profit for the financial year		18,662	19,229
Items that cannot be reclassified to profit or loss:			
Remeasurement gain/(loss) on defined benefit pension plans	22	298	(554)
Tax on remeasurement (gain)/loss on defined benefit pension plans	10	(75)	139
		<hr/>	<hr/>
Other comprehensive income/(expense)		223	(415)
		<hr/>	<hr/>
Total comprehensive income for the year		18,885	18,814
		<hr/> <hr/>	<hr/> <hr/>

Statement of financial position

at 31 December 2022

	Note	2022 £'000	Restated 2021 £'000
Fixed Assets			
Tangible assets	11	8,730	7,014
Right of use assets	12	<u>20,613</u>	<u>20,984</u>
		<u>29,343</u>	<u>27,998</u>
Current Assets			
Stocks	13	770	800
Debtors: (including £9,702,000 (2021: £9,415,000) falling due after one year)	14	254,683	255,318
Cash at bank	16	<u>427</u>	<u>862</u>
Current Assets		<u>255,880</u>	<u>256,980</u>
Creditors: amounts falling due within one year	17	(191,757)	(211,475)
Provisions	18	<u>(7,402)</u>	<u>(6,046)</u>
Net Current Assets		<u>56,721</u>	<u>39,459</u>
Total Assets less Current Liabilities		86,064	67,457
Creditors: amounts falling due after more than one year	19	(16,676)	(16,102)
Provisions	18	<u>(1,642)</u>	<u>(1,691)</u>
Defined benefit pension plan deficit	22	<u>(346)</u>	<u>(1,149)</u>
Net Assets		<u>67,400</u>	<u>48,515</u>
Capital and Reserves			
Share capital	20	100	100
Retained earnings		<u>67,300</u>	<u>48,415</u>
Total Equity		<u>67,400</u>	<u>48,515</u>

These financial statements were approved by the Board of Directors on 3 August 2023 and were signed on its behalf by:



J Roberts (Director)
Company Registered Number 00890885

Statement of changes in equity
for the year ended 31 December 2022

	<i>Note</i>	Share capital £000	Retained earnings £000	Total Equity £000
At 1 January 2021		100	29,601	29,701
Profit for the financial year		-	19,229	19,229
Other comprehensive expense			(415)	(415)
Total comprehensive income for the year		-	18,814	18,814
At 31 December 2021		100	48,415	48,515
Profit for the financial year		-	18,662	18,662
Other comprehensive income		-	223	223
Total comprehensive income for the year		-	18,885	18,885
At 31 December 2022		100	67,300	67,400

Retained earnings represents all accumulated profits and losses and comprehensive income and expenses less distributions paid to shareholders.

Notes

(forming part of the financial statements)

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of ISS Facility Services Limited (the “company”) for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 3 August 2023 and the statement of financial position was signed on the Board’s behalf by J Roberts. ISS Facility Services Limited is a private company limited by shares incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ (FRS 101) and in accordance with applicable accounting standards.

The company’s financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results of ISS Facility Services Limited are included in the consolidated financial statements of ISS A/S which are available from Buddingevej 197, DK-2860 Søborg, Denmark.

The principal accounting policies adopted by the company are set out in note 3.

Going concern

The financial statements have been prepared on a going concern basis. ISS UK Limited has loan facilities totalling £200m in place with ISS Global A/S, penultimate parent company consisting of a £125m and £75m facility, with maturity dates of 31 October 2024 and 1 June 2028 respectively. The company is in receipt of a letter of support from ISS UK Limited, the parent company, to assist the company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities. ISS UK Limited has confirmed that it has the ability to provide such support and it will provide this support to the company, to the extent outlined above, until 31 August 2024.

In order to effect drawings under the availability of this facility across the UK companies, a Cash Sweeping arrangement was set up between the HSBC UK “Header” account held by ISS UK Limited and an account with Nordea Bank held by the ISS Global Group. Each working day HSBC will calculate the cash position within the Cash Pool of the various ISS UK Limited bank accounts and will then automatically send or request funds to Nordea. Once this automatic transaction has completed the HSBC Cash Pool will have a combined balance of £nil. This arrangement negates the need to make daily cash payments between the ISS UK Limited businesses and ISS Global Group when the UK businesses have excess cash or a requirement for funding.

The Directors have assessed the ability and made the relevant enquiries of ISS A/S, ultimate parent company, to continue to provide these facilities and support during the forecast period to 31 August 2024 and based on the facilities the Group have in place it is considered a remote risk that the facilities of £200m will not be available. The UK Board reviewed the consolidated ISS UK business’ forecasts for the remainder of the financial year 2023 and to 31 August 2024 which included analysis of cash flows for that forecast period.

The UK consolidated cash flow forecasts are regularly reviewed and updated, incorporating our actual experience to date along with our expected future outturn. In preparing these cash flows, the directors have taken into consideration the relevant impacts of macroeconomic and geopolitical risks such as any continuing impact of Covid-19 and Brexit, the impact of the Ukraine war and high inflationary and interest rate environment. Consideration was then given to the principal risks attributable to the ISS UK businesses, such as significant reductions in revenues, caused by loss of custom through bankruptcy or retender or change in contract scope, or delay in collection from customers. Further, consideration was given to increased levels of inflation particularly with respect to non-people costs borne by the company and the ability to pass on to or recover the increased costs from customers, as well as margin and cost improvement actions that can be taken.

The cash flow forecasts were sensitised for principal risks and uncertainties relevant to the ISS UK businesses in a severe but plausible downside scenario. Cash flow forecasts then were reverse stress tested to understand the headroom available before the loan facilities referred to above could be exhausted. The possibility of both the severe but plausible and reverse stress scenarios are considered remote when contemplating the business’ financial performance in 2022 and 2023 to date and the contractual nature of the ISS UK business which is typically medium to long term in nature, typically contain fixed minimum monthly revenues and any changes in scope or scale require ISS consent.

This assessment confirmed that the consolidated ISS UK businesses have adequate undrawn credit facilities to enable it to meet its obligations as they fall due in order to continue its operations during the going concern forecast period that was considered to 31 August 2024. Based on the Board’s review of the company’s going concern assessment and the liquidity and cash flow reviews of the company, the Directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Notes (continued)

2 General information

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (i) the requirements within the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

Notwithstanding disclosure exemptions under FRS 101 with reference to the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Change of presentation

In the prior year, included within creditors: amounts falling due within one year was an amount owed to parent companies of £430.4m related to the group's cash pooling arrangements, which should have been offset against a cash pooling balance within debtors: amounts falling due within one year, as there was a right to offset the two balances. The comparatives have been restated to include the £430.4m balance within debtors. The impact of this change was to reduce both debtors and creditors by £430.4m. There was no impact on the profit for the financial year ended 31 December 2021, net current assets or net assets as at 31 December 2021.

Notes (continued)

2 General Information (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Pension and other post-employment benefits - estimation

The company has reviewed the requirements of International Financial Reporting Interpretation Committee interpretation note, IFRIC 14, when reporting assets and liabilities relating to the Platinum Defined Benefit Pension Plan (the 'Plan') to ensure compliance with the limits IAS 19 'Employee Benefits' places on measurement of net assets. Legal advice was sought to determine whether under the Definitive Trust Deed and Rules that the Plan is governed by the Principal Employer of the Plan, ISS UK Limited, in conjunction with the Participating Employer, ISS Facility Services Limited, and that the Participating Employer of the relevant sections within this Plan has an unconditional right to return of surplus, such that it would be able to recognise a surplus in its accounts. To determine whether a surplus can be recognised, consideration was given to whether the Participating Employer has an unconditional right to a return of surplus through one of the following routes:

- a) during the life of the plan, without assuming that the plan liabilities must be settled in order to obtain the refund; or
- b) assuming the gradual settlement of the plan liabilities over time until all members have left the plan; or
- c) assuming the full settlement of the plan liabilities in a single event (i.e. as a plan wind-up).

As the Plan is formally sectionalised (i.e. assets and liabilities are held and dealt with on a section by section basis) and different rules apply to different Sections, each Section was considered separately.

The cost of defined benefit pensions plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Pension increases are based on expected future inflation rates. Further details including sensitivity analysis are included in note 22.

Regulatory matter – judgement and estimation

As set out in note 18, the company is subject to an ongoing regulatory investigation. The investigation has been dealt with in two stages, one of which was settled March 2023. The Directors have exercised significant judgement over the likely outcome of the stage of the investigation that as of the date of signing these financial statements was still ongoing. For the part of the investigation that was concluded that actual value was used as the basis of reassessing the appropriateness of the liability. For the part of the investigation that has not yet been concluded, estimates have been made of probable liabilities that may arise, through the modelling of a sensitivity analysis of six possible scenarios with the most likely outcome used as the basis of estimating the potential liability. A key judgement in the calculation is the use of the actual pay and proportion of any potential breach using the settled portion of the investigation as the basis. Further information about the regulatory provision is included in note 18.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

Notes *(continued)*

3 Significant accounting policies

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets on a straight-line basis over its expected useful life as follows:

Freehold buildings	-	20 – 40 years
Leasehold improvements	-	life of lease
Office equipment	-	2 – 5 years
Vehicles	-	2 – 5 years
Machinery	-	2 – 5 years

No depreciation is provided on freehold land.

The useful life of assets related to customer contracts is the shorter of the useful life of the asset or the contract end date.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the assets recoverable amount in order to determine the extent of the impairment loss. The recoverable amount of an asset is the higher of the asset or cash-generating unit fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Notes (continued)

Provisions

Provisions are recognised if the company, as a result of a past event, has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. The costs required to settle the obligation are discounted using the entity's average borrowing rate if this significantly impacts the measurement of the liability.

Onerous contracts

A provision is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

Asset retirement obligation

If the company has a legal obligation to dismantle or remove an asset or restore a site or leased facilities when vacated, a provision is recognised corresponding to the present value of expected future costs. The present value of the obligation is included in the cost of the relevant tangible or right-of-use asset and depreciated accordingly.

Leases

The company as lessee

The company assesses whether a contract is or contains a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and lease of low value assets (defined as leases less than USD 5,000). For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

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

- Fixed lease payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options the lessee is reasonably certain to exercise; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed;
- The lease payments change; or
- A change in lease contract that is not accounted for as a separate lease.

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Restoration provisions associated with leases under IFRS 16 are measured under IAS 37 and the costs are included in the related right-of-use asset.

Notes *(continued)*

Leases (continued)

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The company applies IAS 36 to determine whether a right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense as incurred in profit or loss.

For contracts that contain a lease component and a non-lease component, the company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the components.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. The company derecognises financial assets and liabilities only when the contractual rights and obligations are transferred, discharged or expire.

The company's financial assets include cash, trade and other receivables and amounts owed from Group undertakings. Financial assets generated from all revenue streams are initially measured at their transaction price and subsequently remeasured at amortised cost.

Financial liabilities comprise trade and other creditors and amounts owed to Group undertakings. Financial liabilities are recognised at the date of borrowing at fair value less related transaction costs paid and subsequently at amortised cost. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Trade receivables and unbilled revenue

Trade receivables and unbilled revenue is recognised initially at fair value and subsequently measured at amortised cost (where the time value of money is material), less allowance for expected credit losses.

The company always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Factoring is mainly used to optimise cash collection and to finance working capital impacts related to growth with certain key account customers, including from general pressure for longer payment terms and necessary investments in transition and mobilisation of such contracts. Trade receivables subject to factoring agreements are derecognised once the derecognition criteria have been met and all substantial risks and rewards have been transferred to the factor. Once the trade receivables have been derecognised, the company does not carry any risk and has no continuing involvement in these trade receivables.

Contract assets and contract liabilities

Transition and mobilisation costs (costs to fulfil a contract) comprise costs directly related to launching certain large contracts such as transfer of employees from previous suppliers, site due diligence, planning and developing service plans. The cost includes internal direct costs and external costs e.g. to consultants. Transition and mobilisation costs are capitalised and amortised over the initial secured contract term consistent with ISS's transfer of the related services to the customer. Bid-related costs, including costs relating to sales work and securing contracts, are expensed as incurred.

Sign-on fees comprise upfront discounts to certain large customers incurred in the ordinary course of business. Sign-on fees are capitalised and amortised over the initial secured contract term consistent with ISS's transfer of the related services to the customer.

Work in progress are contract costs incurred that generate or enhance the resources used in satisfying performance obligations in the future. At the point at which control of the goods or services are transferred to the customer, any amount previously recognised as work in progress is reclassified to unbilled receivables and subsequently trade receivables at the point at which it is invoiced to the customer. Revenue is recognised in line with completed performance obligations. Payment is generally due from the customer 30 to 60 days of invoice.

Notes *(continued)*

Contract assets and contract liabilities (continued)

Revenue is recognised when control of the goods or services have transferred to the customer. Where revenue recognised at each reporting period is more than amounts invoiced, the company recognises unbilled revenue (a contract asset). Where revenue recognised is less than amounts invoiced, deferred revenue is recognised as a contract liability.

Recoverability of contract assets is assessed at each reporting date and an impairment recognised immediately in profit and loss where the carrying amount of the asset exceeds the consideration expected to be received in exchange for providing the associated goods or services, less remaining costs directly related to provision of these goods or services.

Cash at bank and in hand

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less and are subject to insignificant changes in value on redemption.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the exception when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise, income tax is recognised in the income statement.

Pensions and other post-employment benefits

The company operates a number of defined benefit pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Notes *(continued)*

Pensions and other post-employment benefits (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

The company also operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Revenue recognition

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those services. Control is transferred over time as the customer simultaneously receives and consumes the benefits provided by the company. Services are invoiced on a monthly basis. Revenue excludes amounts collected on behalf of third parties, e.g. VAT and duties.

The input method is used to measure progress towards complete satisfaction of the service due to the direct relationship between labour hours and costs incurred, and the transfer of services to the customer. The company recognises revenue on the basis of the labour hours and costs expended relative to the total expected labour hours and costs to complete the service. For key accounts and other large contracts, the transaction price may include variable consideration based on achievement of certain key performance indicators. Management estimates variable consideration based on the most likely amount to which it expects to be entitled on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success in each case. Variable consideration is included in revenue as services are performed to the extent that it is highly probable that the amount will not be subject to significant reversal. Key account contracts are often modified in respect of service requirements. Generally, modifications are agreed with the customer in accordance with a specified change management procedure and accounted for going forward with no impact on recognised revenue up to the date of modifications.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Note 5 provides further information on how the Company accounts for government grants. Grants related to income are presented as part of profit or loss under 'Other income' and are not deducted in reporting the related expense.

Share-based payments

Certain employees of the company receive part of their remuneration in the form of the ISS A/S Group's Long Term Incentive Plan (LTIP) and Special Incentive Plan (SIP). These are equity-settled share-based compensation plans, for equity instruments of ISS A/S. The awards are granted by ISS A/S and the company receives a management charge which is equivalent to the IFRS 2 share-based payment expense.

New and amended IFRS Standards that are effective for the current year

There were no new or amended IFRS Standards applicable to the Company for the current year.

Notes (continued)

4 Turnover

Turnover is entirely derived within the United Kingdom. The reduction in revenue is due to the exit of low margin contracts in 2022 and the impact of COVID-19 deep cleans, partially offset by customer return to work impact in 2022 and the resulting increase in catering revenue. Revenue is analysed as follows:

	2022 £000	2021 £000
Facilities management	299,061	321,479
General cleaning	245,806	282,709
Security	75,212	85,244
Catering	37,412	24,435
	<u>657,491</u>	<u>713,867</u>

5 Operating profit

	2022 £000	2021 £000
Depreciation and other amounts written off tangible fixed assets	2,132	2,870
Depreciation on right-of-use assets	5,397	5,784
Cost of goods sold	8,503	3,752
Management fees	40,451	30,146
Loss on disposal of fixed assets	293	36
Net impairment (reversals)/losses on financial and contract assets	(2,603)	2,005
Amortisation of contract assets		
Capitalised transition costs	393	725
Sign-on fees	565	565
Government grants	-	5,470
	<u>-</u>	<u>5,470</u>

Government grants are included in 'other income' and relate to the UK Government Coronavirus Job Retention Scheme, for employees put on furlough because of Covid-19. There are no unfulfilled conditions or other contingencies attaching to these grants. The scheme ended in September 2021 and the Company did not benefit directly from any other form of government assistance.

	2022 £000	2021 £000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	555	629
	<u>555</u>	<u>629</u>

6 Remuneration of Directors

	2022 £000	2021 £000
Directors' emoluments	1,577	1,872
Company contributions to money purchase pension schemes	10	12
	<u>1,587</u>	<u>1,884</u>

The emoluments disclosed above represent the total remuneration for services to all group companies, on the basis that it has not been possible to apportion this.

Notes (continued)

6 Remuneration of Directors (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £670,000 (2021: £366,000), and company pension contributions of £nil (2021: £nil) were made to a money purchase scheme on their behalf. The Directors are paid by ISS UK Limited for their services. Additionally, the company has an annual bonus plan and a 3-year SIP and LTIP and this incentivises the Board and senior leaders to support long term goals. The SIP is based on Restricted Stock Units (RSUs) which vest subject to certain conditions. The LTIP This is based on Performance Share Units (PSUs) which, subject to certain conditions, vest and convert into ISS shares, again incentivising long term value. One option vested during the year. 1 director (2021: 1) participated in the SIP (including the highest paid director). 5 directors (2021: 7) participated in the LTIP (including the highest paid director) and 3 directors (2021: 5) had company pension contributions made to a money purchase scheme on their behalf.

7 Staff numbers and costs

The average number of persons employed by the company (including Directors) during the year, analysed by category, was as follows:

	2022	2021
Management and administration	1,954	2,769
Operatives	<u>11,129</u>	<u>14,307</u>
Average number of employees	<u><u>13,083</u></u>	<u><u>17,076</u></u>

The aggregate payroll costs of these persons were as follows:

	2022 £'000	2021 £'000
Wages and salaries	286,999	333,867
Social security costs	32,856	38,498
Other pension costs	11,737	13,670
Total	<u><u>331,592</u></u>	<u><u>386,035</u></u>

8 Interest payable and similar charges

	2022 £'000	2021 £'000
Bank interest payable	(23)	(276)
	<u><u>(23)</u></u>	<u><u>(276)</u></u>

9 Other finance expense

	2022 £'000	2021 £'000
Interest income on pension scheme assets (note 22)	662	438
Interest expense on pension scheme liabilities (note 22)	(678)	(450)
Interest on lease liabilities (note 12)	(559)	(581)
Other interest expense	(286)	(152)
	<u><u>(861)</u></u>	<u><u>(745)</u></u>

Notes (continued)

10 Taxation

Tax in the income statement

	2022	2021
	£000	£000
<i>Current tax</i>		
UK corporation tax on profit for the year	306	1,533
Adjustments in respect of prior periods	356	(611)
	<hr/>	<hr/>
Total current tax charge	662	922
<i>Deferred tax (see note 15)</i>		
Origination/reversal of temporary differences	2,084	2,394
Adjustments in respect of prior periods	(782)	(1,953)
Effect of changes in tax laws and rates	(1,366)	(1,060)
Other movements - pensions	(163)	-
	<hr/>	<hr/>
Total deferred tax credit	(227)	(619)
	<hr/>	<hr/>
Tax charge in the income statement	435	303
	<hr/> <hr/>	<hr/> <hr/>

Tax in other comprehensive income

	2022	2021
	£000	£000
<i>Deferred tax (see note 15)</i>		
Actuarial gains and losses on defined benefit pension plans	75	(105)
Effect of changes in tax laws and rates	-	(34)
	<hr/>	<hr/>
Total deferred tax charge/(credit)	75	(139)
	<hr/>	<hr/>
Tax charge/(credit) in other comprehensive income	75	(139)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Taxation (continued)

Reconciliation of total tax charge/(credit)

The tax charge in the income statement is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Profit before tax	19,097	19,532
Current tax at 19% (2021: 19%)	3,628	3,711
<i>Effects of:</i>		
Expenses not deductible for tax purposes	268	216
Income not taxable	(499)	-
Effect of changes in tax laws and rates	(1,366)	(1,060)
Relating to pensions	(163)	-
Group relief utilised not paid for	(1,227)	-
Tax rate differential on temporary differences	220	-
Adjustments in respect of prior periods	(426)	(2,564)
Tax charge reported in the income statement	435	303

Change in corporation tax rate

The current rate of corporation tax in force in the period was a rate of 19%.

The UK Budget 2021 included an increase to the UK's main corporation tax rate to 25%, which was effective from 1 April 2023 and enacted at the balance sheet date. Deferred taxes have been measured at 25% as they will unwind after 1 April 2023. The effect of this was a reduction in the tax charge of £1,366,000 in 2022 (2021: reduction in tax charge of £1,060,000).

Notes (continued)

11 Tangible fixed assets

	Land and Buildings	Leasehold Improve- ments	Office Equipment	Machinery	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At beginning of year	2,585	5,293	11,675	20,046	39,599
Additions	2,747	1,060	897	-	4,704
Disposals	-	(155)	(9,179)	(18,232)	(27,566)
Transfers	(364)	364	-	-	-
At end of year	4,968	6,562	3,393	1,814	16,737
<i>Depreciation</i>					
At beginning of year	1,052	2,179	9,666	19,688	32,585
Charge for year	352	692	842	246	2,132
Disposals	-	(155)	(8,378)	(18,177)	(26,710)
Transfers	(95)	95	-	-	-
At end of year	1,309	2,811	2,130	1,757	8,007
<i>Net book value</i>					
At 31 December 2022	3,659	3,751	1,263	57	8,730
At 31 December 2021	1,533	3,114	2,009	358	7,014

Notes (continued)

12 Leases

Right-of-use assets

	Buildings	Vehicles	Equipment	Total
<i>Net book value</i>	£000	£000	£000	£000
At beginning of year	15,277	5,704	3	20,984
Additions	589	4,239	198	5,026
Depreciation charge for year	<u>(2,196)</u>	<u>(3,189)</u>	<u>(12)</u>	<u>(5,397)</u>
Net book value 31 Dec 2022	<u>13,670</u>	<u>6,754</u>	<u>189</u>	<u>20,613</u>

Amounts recognised in profit and loss

	2022	2021
	£000	£000
Depreciation expense on right-of-use assets	5,397	5,784
Interest expense on lease liabilities	559	581

The total cash outflow for leases amounted to £5,603,000 (2021: £5,811,000).

Lease liabilities

Analysed as:	2022	2021
	£000	£000
Current (note 17)	4,223	4,710
Non-current (note 19)	16,676	15,974
Total	<u>20,899</u>	<u>20,684</u>

Maturity analysis

	2022	2021
	£000	£000
Years 1 - 4	13,136	12,102
Years 5+	7,763	8,582
	<u>20,899</u>	<u>20,684</u>

The company does not face a significant liquidity risk with regard to its lease liabilities because a significant portion of the total lease liability has a term of 5 years or more.

The average lease term is 4.51 years (2021: 4.13 years).

13 Stocks

	2022	2021
	£000	£000
Raw materials and consumables	<u>770</u>	<u>800</u>

Notes (continued)

14 Debtors

	2022 £000	Restated 2021 £000
Amounts falling due within one year		
Trade debtors	55,835	67,367
Allowance for credit losses	<u>(870)</u>	<u>(847)</u>
	54,965	66,520
Amounts owed by parent companies	158,937	125,226
Amounts owed by fellow subsidiaries	5,862	7,641
Group relief	-	4,335
Corporation tax	-	4,228
Other debtors	6,460	7,872
Prepayments	1,904	1,894
Contract assets	16,853	28,187
	<u>244,981</u>	<u>245,903</u>
Amounts falling due after more than one year		
Amounts owed by parent company	-	956
Contract assets	1,254	-
Deferred tax asset (note 15)	8,448	8,459
	<u>9,702</u>	<u>9,415</u>
	<u>254,683</u>	<u>255,318</u>

Contract assets comprise of the following:

	2022 £000	2021 £000	1 January 2021 £000
Short term			
Contract assets – unbilled receivables	10,087	18,001	10,080
Contract assets – sign-on fees	565	2,384	554
Contract assets – capitalised transition costs	340	733	1,458
Contract WIP	<u>5,861</u>	<u>7,069</u>	<u>9,880</u>
	<u>16,853</u>	<u>28,187</u>	<u>21,972</u>
Long term			
Contract assets – sign on fees	<u>1,254</u>	-	-

In the prior year, included within creditors: amounts falling due within one year was an amount owed to parent companies of £430,425,000 related to the group's cash pooling arrangements, which should have been included within debtors: amounts falling due within one year, as there was a right to offset the two balances. The comparatives have been restated to include the balance within debtors. This had the effect of decreasing the 2021 balance from £555,651,000 to £125,226,000.

Contract assets have reduced year on year largely due to the reduction in unbilled receivables, driven by an improvement in the timing of billing. In the prior year, sign on fees were all presented within amounts falling due within one year, including £1,819,000 falling due after one year. Further information on revenue recognition can be found in Note 3 to these accounts.

Trade and other receivables are non-interest bearing and are generally on terms that range from 30 to 60 days.

Notes (continued)

14 Debtors (continued)

Debtors and net current assets include debtors receivable after more than one year of £9,702,000 (2021: £9,415,000).

Amounts owed by parent companies and fellow subsidiaries falling due within one year are non-interest bearing and repayable on demand. Amounts owed by parent companies falling due after more than one year are non-interest bearing. Along with other members of the ISS Group in the UK, the company participates in a cash pooling arrangement operated by the Group's bankers in the UK. Under this arrangement, all participating companies have entered into a guarantee to ensure the timely repayment of any balances when required. Since the company's principal cash balance is controlled centrally by the company's parent company ISS UK Limited, it is classified within intercompany receivables.

Other debtors comprise supplier volume rebates earned but not collected at balance date.

Included within contract assets – unbilled receivables is a provision for expected credit losses of £333,000 (2021: £2,611,027).

Contract WIP is stated after provisions of £1,240,000 (2021: £892,000).

15 Deferred tax asset

	2022 £000	2021 £000
At start of the year	8,459	7,701
Deferred tax credit in the profit and loss account	64	619
Deferred tax (charge)/credit in other comprehensive income	(75)	139
	<hr/>	<hr/>
At the end of the year	8,448	8,459
	<hr/> <hr/>	<hr/> <hr/>

The elements of deferred taxation are as follows:

	2022 £000	2021 £000
Relating to temporary differences due to accelerated capital allowances	3,042	4,226
Relating to other temporary differences	1,327	817
Relating to losses unutilised	3,992	3,088
Relating to pension schemes	87	328
	<hr/>	<hr/>
	8,448	8,459
	<hr/> <hr/>	<hr/> <hr/>

The utilisation of this deferred tax asset has been reviewed based on forecasts for the next 5 years. Based on this review, it has been concluded that the deferred tax assets will be recoverable in the forecast period as the company will have sufficient taxable profits in future. The deferred tax asset has been recognised on that basis.

16 Cash and bank

	2022 £000	2021 £000
Cash at bank	427	862
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

17 Creditors: amounts falling due within one year

	2022	Restated 2021
	£000	£000
Trade creditors	21,009	8,088
Amounts owed to parent companies	69,192	41,283
Amounts owed to fellow subsidiaries	5,184	34,242
Taxation and social security	13,269	17,525
Corporation tax	27	-
Group relief	2,103	-
Accruals	49,946	76,249
Contract liabilities	26,804	29,378
Lease liabilities (note 12)	4,223	4,710
	<u>191,757</u>	<u>211,475</u>

Trade payables are non-interest bearing and settled on 30 or 60 day payment terms.

In the prior year, included within creditors: amounts falling due within one year was an amount owed to parent companies of £430,425,000 related to the group's cash pooling arrangements, which should have been included within debtors: amounts falling due within one year, as there was a right to offset the two balances. The comparatives have been restated to include the balance within debtors. This had the effect of decreasing the 2021 balance from £471,708,000 to £41,283,000.

Revenue recognised that was included in the contract liability at the beginning of the period amounted to £18,179,000 (2021: £5,120,000).

Contract liabilities comprise of the following:

	2022	2021	1 January 2021
	£000	£000	£000
Contract liabilities – other	5,307	11,199	-
Contract liabilities – deferred revenue	<u>21,497</u>	<u>18,179</u>	<u>5,120</u>
	<u>26,804</u>	<u>29,378</u>	<u>5,120</u>

Other contract liabilities include credits due to the customer which may arise due to non-performance of contractual obligations, or failure to meet KPIs in delivering our services and profit-sharing arrangements with the customer which is dependent on financial performance.

The increase in deferred revenue contract liabilities is due to new contracts with revenue billed in advance and an increase in revenue billed in advance on existing contracts which will be recognised in 2023. Other contract liabilities were higher in 2021 due to the impact of COVID-19 customer site closures.

Notes (continued)

18 Provisions for liabilities and charges

	Property restoration	Contract provisions	Insurance claim	Regulatory and employment matters	Total
	£000	£000	£000	£'000	£'000
As at 1 January 2022	1,532	646	-	5,559	7,737
Charged to income statement	776	1,523	600	-	2,899
Released to income statement	-	(359)	-	(496)	(855)
Utilised during the year	-	(287)	-	(450)	(737)
	<u>2,308</u>	<u>1,523</u>	<u>600</u>	<u>4,613</u>	<u>9,044</u>
At 31 December 2022	<u>2,308</u>	<u>1,523</u>	<u>600</u>	<u>4,613</u>	<u>9,044</u>

	Property restoration	Contract provisions	Insurance claim	Regulatory and employment matters	Total
	£000	£000	£000	£'000	£'000
Current	666	1,523	600	4,613	7,402
Non-current	1,642	-	-	-	1,642
	<u>2,308</u>	<u>1,523</u>	<u>600</u>	<u>4,613</u>	<u>9,044</u>
At 31 December 2022	<u>2,308</u>	<u>1,523</u>	<u>600</u>	<u>4,613</u>	<u>9,044</u>

The property restoration provision relates to make-good provisions with certain property lease contracts, expected to be utilised over 1 – 11 years.

The provision for regulatory matters relates to a pay-related review by HMRC for the period April 2017 to June 2022, following a review of internal working practices in conjunction with external professional and legal advice, and other employment claims. The review commenced in 2020 with a significant portion of the matter reaching settlement in March 2023 for £1,479,000. The company is working to resolve the remaining aspects of this review and other employment claims in 2023. The provision is management's best estimate of the company's exposure based on the output from an analysis of the settlement made in March 2023. Estimates have been made of probable liabilities that may arise, through the modelling of a sensitivity analysis of six possible scenarios with the most likely outcome used as the basis of estimating the potential liability. A key judgement in the calculation is the use of the actual pay and proportion of any potential breach using the settled portion of the investigation as the basis. There remains uncertainty about the outcome of the remaining aspects of the review. Other information required by IAS 37 is not disclosed on the grounds that it would be seriously prejudicial to the outcome.

Contract provisions include onerous contracts and provisions to settle contract obligations that are expected to be settled in 2023. Onerous contract provisions relate to contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision is measured at the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The provision will be unwound over the individual contract lives.

Notes *(continued)*

19 Creditors: amounts falling due after more than one year

	2022	2021
	£000	£000
Amounts owed to parent companies	-	128
Lease liabilities (note 12)	16,676	15,974
	<u>16,676</u>	<u>16,102</u>

20 Share capital & dividends

	2022	2021
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
100,000 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

Dividend paid

The Directors did not declare a dividend this year (2021: *£nil*).

21 Contingent liabilities

The company's bankers have issued performance bonds totalling £927,000 (2021: £20,000) against default of the company's performance in the ordinary course of business. The bonds are indemnified by ISS Facility Services Limited and ISS Support Services Limited.

Notes (continued)

22 Pension schemes

i) Defined benefit schemes

The Company has a defined benefit pension scheme in the UK (funded but currently in deficit as determined by current tri-annual valuation). The Company's defined benefit pension scheme, The ISS Platinum Pension Scheme, is a multi-sectional final salary plan for UK employees. Some sections are closed holding only deferred or pensioner liabilities, with two sections currently containing active and contributing, who continue to accrue benefits, but closed for new joiners.

This plan is governed by the pension and employment laws of the UK. The level of benefits provided depend on the member's length of service and salary and age at retirement. The scheme is governed by an Independent Trustee that is responsible for the administration of the plan assets and for the investment strategy.

The company operates six defined benefit pension schemes. The disclosures have been aggregated in accordance with the provisions set out within IAS 19.

The schemes are administered by Trustee boards that are legally separate from the company. The Trustee boards are composed of either representatives of both the employer and employees or a sole independent trustee. The Trustee boards are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

a) *Railway Pension Scheme*

The 'Railway Pension Scheme' was transferred to ISS Facility Services Limited, along with the trade and assets of ISS Support Services Limited, on 1 April 2003. The scheme provides benefits based on final pensionable pay.

The latest full actuarial valuation was carried out at 31 December 2019 and was updated for IAS 19 purposes to 31 December 2022 by a qualified independent actuary.

b) *ISS Support Services Limited Pension and Assurance Scheme (formerly the Swirl Service Group Limited Pension and Assurance Scheme)*

The 'ISS Support Services Pension and Assurance Scheme' was transferred to ISS Facility Services Limited, along with the trade and assets of ISS Support Services Limited, on 1 April 2004. The scheme provides benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 31 December 2019 and was updated for IAS 19 purposes to 31 December 2022 by a qualified independent actuary.

c) *BALI National Retirement and Death Benefits Scheme – Waterers Landscape Section*

The 'BALI National Retirement and Death Benefits Scheme – Waterers Landscape Section Pension Scheme' was transferred to ISS Facility Services Limited, along with the trade and assets of Waterers Landscape plc, on 1 January 2004. The scheme provides benefits based on final pensionable pay.

The latest full actuarial valuation was carried out at 31 March 2021 and was updated for IAS 19 purposes to 31 December 2022 by a qualified independent actuary.

d) *BALI National Retirement and Death Benefits Scheme – Mitchell & Struthers Section*

The 'BALI National Retirement and Death Benefits Scheme – Mitchell & Struthers Section Pension Scheme' was transferred to ISS Facility Services Limited, along with the trade and assets of Mitchell & Struthers (Contracts) Limited, on 1 January 2006. The scheme provides benefits based on final pensionable pay.

The latest full actuarial valuation was carried out at 31 March 2021 and was updated for IAS 19 purposes to 31 December 2022 by a qualified independent actuary.

e) *The Pegasus Security Group Limited Retirement Benefits Scheme*

The Pegasus Security Group Limited Retirement Benefits Scheme was transferred to ISS Facility Services Limited, along with the trade and assets of Pegasus Securities Group Limited, on 1 January 2007. The scheme provides benefits based on final pensionable pay.

The latest full actuarial valuation was carried out at 31 March 2021 and was updated for IAS 19 purposes to 31 December 2022 by a qualified independent actuary.

Notes *(continued)*

22 Pension schemes *(continued)*

f) *The George S Hall BBC Staff Retirement Benefits Scheme*

The George S Hall BBC Staff Retirement Benefits Scheme was transferred to ISS Facility Services Limited, along with the trade and assets of ISS Technical Services Holdings Ltd, ISS Technical Services UK Ltd and ISS Technical Services NI Ltd, on 31 December 2015. The scheme provides benefits based on final pensionable pay.

The latest full actuarial valuation was carried out at 12 November 2019 and was updated for IAS 19 purposes to 31 December 2022 by a qualified independent actuary.

g) *ISS Genesis Pension Scheme*

ISS Facility Services Limited has 3 employees who are active members of the ISS Genesis Pension scheme. This scheme provides a broadly comparable scheme to ex-Public Sector employees under GAD certificates. This is accounted for as a defined contribution scheme within ISS Facility Services Limited due to the small membership size rendering this scheme insignificant to the company (2022 contributions £58,000).

This scheme is being administered by the principal employer, ISS Mediclean Limited, and full IAS 19 disclosures can be found in the accounts of this company.

A copy of the accounts of ISS Mediclean Limited can be obtained from:

ISS Mediclean Limited, Velocity 1, Brooklands Drive, Brooklands, Weybridge, KT13 0SL

The results of the latest funding valuations have been adjusted to the new balance sheet date, taking account of experience over the period since the valuation dates, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

Notes *(continued)*

22 Pension schemes *(continued)*

The major assumptions used by the actuary in this valuation at the statement of financial position date were:

	2022	2021
Rate of increase in salaries	2.65%	2.35%-2.75%
Return on scheme assets	4.80%-4.85%	2.00%
Discount rate	4.80%-4.85%	2.00%
RPI price inflation	3.15%	3.15%-3.25%
CPI price inflation	2.35%-2.65%	2.35%-2.75%
Pension increases	2.65%-3.15%	2.65%-3.20%
Mortality	SAPS with Heavy Projections	SAPS with Heavy Projections

The assumed life expectancy on retirement at age 65 is:

	2022	2021
Retiring today		
- Males	85.0	85.0
- Females	88.2	88.2
Retiring in 20 years		
- Males	86.0	86.0
- Females	89.5	89.5

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

Amounts to be recognised in the income statement:

	2022 £000	2021 £000
Current service cost	(33)	(30)
Interest expense on scheme liabilities	(512)	(401)
Interest income on scheme assets	662	438
Administration and asset related costs	(40)	(40)
Interest expense on effect of asset ceiling	(166)	(49)
	<hr/>	<hr/>
Total expense to be recognised in the income statement	(89)	(82)
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

22 Pension schemes *(continued)*

Reconciliation of fair value of scheme assets:

	2022	2021
	£000	£000
Fair value of scheme assets at beginning of year	33,337	30,482
Interest income on scheme assets	662	438
Actuarial (loss)/gain on scheme assets	(5,416)	2,739
Contributions by the company	431	611
Contributions by members	12	12
Administration costs	(40)	(40)
Benefits paid	(910)	(905)
	<hr/>	<hr/>
Fair value of scheme assets at end of year	28,076	33,337
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of the present value of the defined benefit obligation:

	2022	2021
	£000	£000
Present value of defined benefit obligation at beginning of year	26,072	28,088
Service cost (employer cost)	33	30
Interest expense on scheme liabilities	512	401
Members' contributions	12	12
Actuarial gain due to changes in demographic assumptions	(21)	(48)
Actuarial gain due to changes in financial assumptions	(8,601)	(213)
Actuarial loss/(gain) due to experience	1,955	(1,293)
Benefits paid	(910)	(905)
	<hr/>	<hr/>
Present value of defined benefit obligation at end of year	19,052	26,072
	<hr/> <hr/>	<hr/> <hr/>

Amounts to be recognised in the statement of financial position:

	2022	2021
	£000	£000
Present value of funded obligation	(19,052)	(26,072)
Fair value of scheme assets	28,076	33,337
	<hr/>	<hr/>
Surplus in the scheme	9,024	7,265
Effect of the limit on the asset to be recognised	(9,370)	(8,251)
Less deferred tax liability	-	(163)
	<hr/>	<hr/>
Net liability	(346)	(1,149)
	<hr/> <hr/>	<hr/> <hr/>
Net liability is analysed as:		
Assets	-	-
Liabilities	(346)	(1,149)
	<hr/>	<hr/>
Net liability in statement of financial position	(346)	(1,149)
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

22 Pension schemes *(continued)*

Total amount recognised in other comprehensive income:

	2022	2021
	£000	£000
Actuarial gain	1,251	4,293
Effect of the limit on the net asset to be recognised	(953)	(4,847)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in other comprehensive income	298	(554)
	<hr/> <hr/>	<hr/> <hr/>

Effect of the asset ceiling

Opening balance	8,251	3,355
Effect of the limit on the net asset to be recognised	953	4,847
Interest expense on effect of asset ceiling	166	49
	<hr/>	<hr/>
Closing balance	9,370	8,251
	<hr/> <hr/>	<hr/> <hr/>

Fair value of scheme assets at year end:

	2022	2021
	£000	£000
Equities	5,369	17,564
Bonds and gilts	14,863	13,224
Other	7,844	2,549
	<hr/>	<hr/>
Total scheme assets	28,076	33,337
	<hr/> <hr/>	<hr/> <hr/>

Estimated contributions:

The employer's best estimate of contributions to be paid to the scheme by the company next year is £432,000 (2021: £429,000). Scheme is funded directly by contributions paid, with a further deficit payment made in respect of the George S Hall BBC Staff Retirement Benefits Scheme of £180,000 per annum.

Investment performance monitoring and risk disclosures:

The Trustee receives regular investment updates from its investment adviser, including on matters relating to responsible investment. Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by its advisor. The report includes Environment, Social and Governance ("ESG") ratings and highlights any areas of concern, or where action is required. The ESG rating system assesses whether investment managers integrate responsible investment and ESG considerations into the investment decision making process.

The Trustee reports on the risks associated with its investments annually, including monitoring of the risks associated within the Plan's defined benefit investments, concentrating on market risks, credit risk, interest rate risk, inflation risk and other risks.

Impact of market movements on the defined benefit obligation and asset values:

The Company monitors market volatility and reviews the investment strategy accordingly. The Company is currently undertaking such a review with a view of implementing risk mitigation strategies. To the extent that scheme benefit increases are linked to inflation (capped where necessary in accordance with the plan rules), such increases would be higher in light of rising inflation. The Plan's assets are invested in a mix of growth and matching assets. The value of matching assets (e.g. bonds and gilts) typically reduce (increase) when bond yields rise (fall). Likewise, the defined benefit obligation will reduce (increase) when bond yields rise (fall).

Notes (continued)

22 Pension schemes (continued)

Sensitivity analysis:

The table below illustrates the sensitivity related to significant actuarial assumptions used in the calculation of the defined benefit obligation recognised at the reporting date. The analysis is based on changes in assumptions that the company considered to be reasonably possible at the reporting date. It is estimated that the relevant changes in assumptions would have increased/(decreased) the defined benefit obligation by the amounts shown below:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	Decrease by 0.5%	Increase by 6%-7%
Inflation assumption	Increase by 0.5%	Increase by 6%-8%
Rate of salary increases	Increase by 0.5%	n/a
Post retirement mortality longevity	Increase by 1 year	Increase by 4%

Maturity analysis:

The estimated weighted average duration of the defined benefit obligation was 15 years (2021: 19 years) and is split into:

	2022	2021
Active employees	18	20
Retired employees	10	12
Deferred vested	18	20
Total employees	15	17

ii) Defined contribution Schemes

The company operates several defined contribution schemes with each member having their own personal pension fund. The total pension charge for the year was £12,331,000 (2021: £14,014,000). Contributions outstanding at the end of the financial year were £1,171,000 (2021: £1,210,000).

iii) Local Government Pension Schemes

The company collects pension contributions from staff that have been transferred to the company as part of an outsourcing contract. The staff have remained in their previous employers' defined benefit schemes with the contribution rates being set by the trustees of the schemes. The company bears no additional liability for any funding shortfall or benefits from any funding surplus. There was no pension charge for the year (2021: £nil) and there were no contributions outstanding at the end of the financial year (2021: nil).

23 Commitments

Capital commitments contracted for at the end of the financial year are £nil (2021: £nil).

Along with other members of the ISS Group in the UK, the company participates in a cash pooling arrangement operated by the Group's bankers in the UK. Under this arrangement, there is a right to offset debit and credit balances and all participating companies have entered into a guarantee to ensure the timely repayment of any debit balances when required. Since the company's principal cash balance is controlled centrally by the company's parent company ISS UK Limited, it is classified within intercompany receivables.

Notes (continued)

24 Ultimate parent company and parent undertaking of largest group of which the company is a member

The company is a subsidiary undertaking of ISS UK Limited, a company registered in England and Wales.

The company's ultimate parent company is ISS A/S which is incorporated in Denmark.

The smallest and largest group in which the results of the company are consolidated is that headed by ISS A/S, a registered in Denmark. The consolidated financial statements of this company are available to the public and may be obtained from the following address:

ISS A/S
Buddingevej 197
DK-2860 Søborg
Denmark

www.issworld.com

25 Subsequent events

In March 2023, the company made a payment of £1,479,000, to partially settle the pay related review with HMRC, as set out in note 20.