ISS Facility Services Limited

Annual report and financial statements
Registered number 00890885
For the year ended 31 December 2021

Contents

Strategic report

The Directors present their strategic report for the year ended 31 December 2021.

Principal activity

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

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

Turnover for the year was £713.9m (2020: £750.3m) and resulted in a gross profit of £77.7m (2020: £23.5m). Turnover decreased by 4.9% through a combination of net contracts lost during 2020 and 2021 and particularly the negative impact of Covid-19 on occupancy levels and social contact on areas such as food services, aviation and the hotels & entertainment/hospitality and travel segments.

Gross margin has increased to 10.9% (2020: 3.1%), impacted by a reduction in staff due to low occupancy levels from Covid customer closures and lower cost base associated with the reduction in revenue. 2020 saw a higher use of sub-contractors and temporary staff to cover Covid cleaning work and project work over the Covid period. Costs associated with furloughed employees was partially recovered by grant income recorded in other income detailed below. Operating profit was £20.6m (2020: loss £31.0m) with administrative expenses decreasing by 20.4% due to non-recurring expenditure in 2020 and cost efficiencies in 2021 from OneISS restructure. Included within operating profit is £5.5m (2020: £24.2m) of grants received under the UK Government Coronavirus Job Retention Scheme. The company's profit before taxation was £19.5m (2020: loss £31.9m). The company made a profit after taxation of £19.2m (2020: loss £26.7m). No dividends were paid during the year (2020: £nil).

Business environment

The external commercial environment is expected to remain very competitive in 2022. However, the Directors remain confident that the company's underlying performance levels excluding the impact of Covid, will be maintained in the future, subject to the uncertainties related to the Covid-19 pandemic described below.

The outlook for 2022 assumes that across the UK there is a continued but gradual return to the workplace and Covid-19 recovery and 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 be maintained in the future.

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.

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; service performance; employee retention; food and other inflations; as well as legal and regulatory developments such as the Apprenticeship Levy. Current macroeconomic conditions are uncertain with both the impact caused by the emergence of Covid-19 creating wage inflation and labour shortages. 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.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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 as appropriate.

Note 17 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. Please refer to the Corporate Governance section of the Strategic Report, which outlines the mechanisms to which we provide assurance around compliance to these requirements.

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.

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 ISS UK Limited businesses and ISS Global Group.

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 Stakeholder Engagement table and Section Two, Corporate Governance describe 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 (see table below – various Stakeholders);

(d) the impact of the company's operations on the community and the environment (Community – Environment and Sustainability);

(e) the desirability of the company maintaining a reputation for high standards of business conduct (Section Two Corporate Governance); and

(f) the need to act fairly between members of the company (Employee – Diversity and Gender Pay.

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.

Stakeholder Engagement

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
Employees / Trade Unions	ISS Facility Services Limited is part of the ISS UK Group which 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. 2021 was another challenging year for all employee sectors with further lockdowns and surges in the virus strains. Maintaining employee health, safety and particularly mental health (see below) was seen as a key matter to continue to manage. Recruitment became a rising challenge throughout the UK and ISS enhanced focus on initiatives (see below example – Joint Forces). Another key matter for this Group is Diversity and Inclusion (see examples below) ISS remained dedicated to maintaining the safest working environment for employees throughout the various stages of the pandemic, whilst also managing resource fluctuations and employees' individual employment requirements. The formal Country Emergency Response Organisation (CERO) remained in place with the remit of the Group to provide guidance and support for all employees and operations.	At the beginning of the pandemic the UK Executive Management Board (EMB) made the decision to adhere to Government guidelines strictly. In those cases where it may have been possible to take various courses of action, the CERO (delegated authority of the EMB) ensured that interpretation of the guidelines was reviewed and approved. In line with ISS Group, ISS UK Group made Diversity a key priority. (see examples below)	ISS employees work in several different areas and all of these continued to be affected by the Global Pandemic. The decision by the company to strictly follow Government guidelines at all times enabled the central group to be clear on the position of the company through interpretation of those guidelines and communication throughout the business in a wholly consistent way. ISS ensured that there was ongoing clear communication regarding the updates from Government and interpretation of any requirements with respect to impact on company employees. As a result of employee engagement and feedback from the operations, the CERO created some key initiatives: • Simpler, one stop section of the UK intranet with links to all requirements and • Ongoing and regular clear communication in a confusing period. Further initiatives detailed below.

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
Employees / Trade Unions *(continued)*	**Example 1 - Mental Health and Wellbeing** ISS Facility Services Limited recognised the need to support all colleagues in coping with the longer-term impacts of the pandemic. Mental Health Awareness Week was held nationally 10th to 16th May and ISS UK Group actively participated in World Mental Health Day Toolbox Talk. An initiative, 'Counsellors Together', was launched to support employees through difficult times. In collaboration with the payroll provider, an additional online tool was launched, Lifeworks, with links, talks, videos and advice for all aspects of life, from fitness to money. This tool is available to all employees. Coffee Chats – throughout the year regular online chat forums took place, with a number bringing in external experts to host discussions. A suite of activities also took place for the Global Mental Health Day in October, including a focus on depression. Guides and talks were held throughout the month, in collaboration with the charity 'Dancing with the Black Dog'. For World Mental Health Day, a member of the EMB gave a personal story of his experience in a video format to help lead the way to open discussions about the difficulties people have experienced through the Global Pandemic.	Example 1 Whilst still ensuring that Government guidelines were met, an additional decision was made by the EMB to provide mental health support and awareness. This was as an awareness of the ongoing effects of the Pandemic and the mental health issues people suffered.	Example 1 There were talks and videos broadcast throughout the business for general and quick guidance and help. Coffee Chats were well attended and the response to Counsellors Together was positive. There have been 16 employees who have engaged in full sessions (8 counselling session each) and numerous others who have sought ad-hoc help. The initiatives are being continuously reviewed and refreshed around the business and site-based communications / activities are organised.

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
Employees / Trade Unions *(continued)*	**Example 2 – Joint Forces** Recruitment is predominantly facilitated through various ISS recruitment partners. There have been additional collaborations with some clients and open days. Employees from the scheme are supported by the central team and a network of mentors across the ISS UK Group. One key initiative in the UK Joint Forces is a programme the ISS UK Group champions, aimed at creating new career opportunities for Veterans. Our commitment to making the world work better includes helping people with limited opportunities prepare for and pursue careers. Our JointForces@ISS programme in the UK supports armed forces veterans into the job market, helping bring their unique skills to a range of companies, including ISS. The programme benefits veterans and their spouses but also within ISS as it gives the opportunity for current employees to become mentors. The programme also won an award for Social Value at the Institute of Workplace and Facilities Management (IWFM) Impact awards on Monday 11th October 2021.	Example 2 The Joint Forces programme was initially started in 2017 but relaunched in 2021 with a programme to improve the system to help reduce the administrative burden and increase the capacity of the system. Additional focus was also placed on collaboration with clients and the ISS mentors, using ISO44001 as a basis.	Example 2 As of June 2022, 391 veterans or their spouses have entered the programme. 322 of those have begun new careers, either at ISS or at one of our customers. Internal Employee impact: "I get a huge sense of enjoyment and fulfilment from helping someone else." "Being a mentor makes me want to be the best version of myself and when I give advice or challenge my mentees, it inspires me to take on new challenges myself," says an ISS UK Account Director and JointForces@ISS mentor. The project is on-going and the EMB fully support the scheme. The feedback from veterans and mentors alike has seen the development of the scheme leading to a further drive to recruit mentors which was conducted in October 2021.

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
Employees / Trade Unions *(continued)*	**Example 3 Supporting Disabilities.** In May 2021 ISS joined Valuable 500, a global collective uniting 500 of the most influential business leaders and brands, to unlock the value of the 1.3 billion people living with disabilities around the world. In the UK, ISS works with Project SEARCH, a programme that provides students with learning disabilities with valuable work experience that enables them to move to sustainable employment. We work with seven hospitals to provide work experience in different areas. Engagement for the projects is performed in collaboration with Project SEARCH and the ISS Healthcare teams.	Example 3 This Strategic direction is an ISS Group initiative, adopted into the UK to align to the EMB aim to provide support to all members of the ISS teams. Diversity and Inclusion is one of the key strategy paths for ISS, and disability awareness and promoting opportunity is an essential enabler.	Example 3 A member of the Healthcare team received special recognition from Derby Hospital: Ryan, a student from Derby, started his Project SEARCH work placement with the ISS Restaurant Team in September. Unlike some of the other students, Ryan also has the additional barrier of being deaf. The projects are on-going and being supported by the company.

<table>
<tr><th>Stakeholder Group</th><th>Why are they important/key matters of the Group and Engagement</th><th>Strategic Decision Made in 2021</th><th>Impact on Stakeholder Group and further actions</th></tr>
<tr><td>Employees / Trade Unions (continued)</td><td>Example 4 - Diversity and Inclusion

As with the example above, ensuring all employees within ISS are treated fairly and with respect is a critical objective throughout the global business. As seen in the Corporate Governance section, one of the key strategic areas is the ISS Culture with a focus on Diversity and Inclusion.

This is reflected in one of the five values:
Unity - We trust each other and believe in creating equality, inclusion and a sense of belonging for all – a culture where everyone can be their authentic selves. We trust.

ISS engages at all levels throughout the business to promote awareness and understanding. There is a Dignity, Diversity and Inclusion Policy as well as guidance for managers.

Additionally, the ISS UK Group continues to promote UK celebrations such as National Pride Week.</td><td>Example 4

ISS Global supported the strategic objective to enhance Diversity and Inclusion by appointing a Global Head of Diversity and Inclusion in May 2021.

In September 2021, Liz Benison, UK&I CEO, signed the UN Women's Empowerment Principles on behalf of ISS UK&I.

"Striving towards a gender balanced workplace, in May 2021, our first female CEO, Liz Benison, was appointed. Liz built her team to ensure a 50:50 gender balanced team, who now form the UK and Ireland Country Leadership Team." – ISS 2021 Gender Pay Gap report

Workforce gender split:
<table><tr><th></th><th>F</th><th>M</th></tr><tr><td>Grand Total</td><td>57%</td><td>43%</td></tr><tr><td>Senior Managers</td><td>25%</td><td>75%</td></tr><tr><td>Managers</td><td>43%</td><td>57%</td></tr><tr><td>Operatives</td><td>59%</td><td>41%</td></tr><tr><td>Supervisors</td><td>52%</td><td>48%</td></tr></table></td><td>Example 4

With a workforce the scale of ISS UK&I, at around 32,000 employees, the impact on all of a safe place of work with no prejudice is fundamental. Ensuring a diverse team from leadership to frontline helps to support this.

Improving understanding and inclusion is always ongoing.
Future initiatives:
• "Cultures, Race & Ethnicity Employee Resource Group Launch"
• A series of bi-monthly "Diversity, Inclusion & Belonging Community Calls"</td></tr>
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Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
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.	There were no extraordinary decisions. A central management team ensures on-going dialogue.	Any feedback is managed as part of the ongoing relationship.
Customers – ISS Facility Services Ltd focuses on private sector 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 account as well as other smaller operations. As a majority part of the UK operations these clients form a large group with varying needs. This sector was particularly affected by the global pandemic with closures of offices and retail sites fluctuating. Throughout 2021 ISS was proactive in engaging with industry. In February 2021 ISS played a key part in contributing to an industry event, **Workplace Futures Conference** that held discussions on the shape of the future of Facilities Services in the post Covid world. This event was attended by delegates from industry as well as clients. The ISS UK COO gave a well-received keynote speech.	Following the overall strategic direction, OneISS (See Corporate Governance), the ISS UK Ltd and Facility Services Ltd management team continued to develop and focus on Key Accounts whilst maintaining the operations in a turbulent environment. Four of the five key priorities set out in January 2021 for the sector were single Key Account development with the remaining to enhance the retention strategy for a division.	Initiative examples and the relation to this sector can be seen below.

Customers – ISS Facility Services Ltd focuses on private sector customers *(continued)*	**Example 1 - Lighthouse** A key customer engagement initiative in this sector is ISS Lighthouse programme: Lighthouse focuses on enhancing relationships with key accounts. These accounts fit with the overall strategic direction of ISS and the programme helps to align the customer and ISS, to better understand the issues. 'The Lighthouse programme has been created to recognise and celebrate our outstanding accounts that encompass the ISS strategy, culture" The programme centres around customer engagement and aligning values These are achieved through several meetings and discussions. Steps then include Account Development Plans, reviewing the quality plans and the technology solutions deployed.	Example 1 The programme has been in place for a number of years, however in 2021 in line with OneISS it has been emphasized as a key tool to support and enhance the offering to Key Accounts and as a tool to enable increased service provision.	Example 1 Customers who are part of the Lighthouse Programme received a schedule of activities, with GAP analysis and regular audit activities to develop and enhance activities and the relationship between the customers and the ISS operational Teams. ISS embed standard tools such as team boards: "Team boards ensure that we are working together closely to monitoring our service delivery and constantly working to improve it. It also improves communication and encourages integration between all onsite service lines." Since its inception the Lighthouse Programme has provided ISS with information from the operations within Key customers. With this information, customers are developed and processes continuously improved. ISS UK not only acts on this continuous feedback loop with the customer but also as a business has used and continues to grow the programme.

Customers – ISS Facility Services Ltd focuses on private sector customers *(continued)*	**Example 2 - Simply Made / Smart Lounge** A strong part of the customer base in the private sector has an Office based catering offering. In the turbulent year of gradual and sometimes fluctuating workplace reopening, ISS acknowledged the importance of providing this service to the customer group and the challenges post covid brings. Innovations such as Smart Lounge enable workplaces to be flexible. Working through 2021, with many workplaces starting the year closed and with a very uncertain path, this initiative was designed to engage customers. "We want to play our part in the UK's recovery from the virus, utilising our position as caterers to nurture people's health and wellbeing" ISS UK Food Services MD	Example 2 In line with the Global Strategy, ISS UK has a core innovative Food Services team. The global decision to reinvent the brand: "Simply MADE – a new take on its established MADE brand which elevates safety, health and well-being whilst exploring inventive ways to deliver engaging dining experiences in the 'new normal' world." An evolution of this is **"Smart Lounge"** developed by the UK team and now being offered as a service throughout ISS globally The initiative is aligned to Group and the OneISS structure and being rolled out across the UK	Example 2 The ISS Smart Lounge solution is an unmanned grab & go modular C-Store that enables customers to have a more flexible approach with cost benefits yet still providing a substantial selection for customer employees. The Smart Lounge innovation will be rolled out across UK customers.

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
Parent Group	ISS UK Holding (ISS UK Limited parent company) is a wholly owned subsidiary of ISS Global 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 new Group structure and is fully *supported by the central functions. These are being* strengthened as part of OneISS. 'Investing in central functions to drive excellence in the way ISS work' – ISS Global CEO Annual Report. Reporting to ISS Group provides a robust governance framework. Monthly Business Reviews are part of the organisational reporting structure. These are compiled locally and sent to ISS Group. There are many Global Key Accounts (i.e., customers serviced 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.	On 16th December 2020, a new Global Strategy, OneISS was announced (details can be found on the company's website: www.issworld.com) The strategy aims to align global operations. Development of programmes and workstreams continued throughout 2021.	Accounting for approximately 15% of the Global organisation's revenue, the UK has a significant impact on ISS Group. Aligning processes and strengthening controls and operations will increase the output of the UK and reduce risk. The impact of such worldwide collaboration brings the business more aligned with the central strategy. Further interaction with ISS Group can be found in the Corporate Governance Section.

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
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. 2021 has seen our business continue to manage Covid-19 impacts but the lessons learnt during 2020 by ISS and suppliers has ensured a more strategic approach has been possible. During the year, ISS has also had to manage the implications of Brexit on our supply chain. We worked with key suppliers to insulate ourselves from any major impacts, however, we did face tensions around some extended lead times, additional costs, and shortages of temporary and permanent labour. 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. Day-to-day management is delegated to either the centralised ISS UK Supply Chain and Procurement team (SC&P) or Operations within the business, depending on the categorisation of the supplier.	At the end of 2020 and in line with the Global Strategic reorganisation, ISS UK decided to centralise and reorganise the SC&P team. This central team is divided into category areas: • Catering • Indirect • Fleet • Hard FM These sit alongside Procurement Excellence. The Team has since developed a Balanced Scorecard approach to improvement in four key areas – People, Performance, Customer and Financial. To better support delivery the ISS UK Supply Chain and Procurement Team have also recruited a Programme Manager and strengthened Supplier Assurance Team capability. Throughout the pandemic, the SC&P team was represented on the CERO and ensured that all requirements and communications regarding supply of essential PPE was updated. The central team coordinated the purchase of these items and as a result ensured that the workforce had all government advised PPE. A new CSR strategy was launched detailing specific goals to transition ISS to a Net Zero company. Our fleet goal is to strive to transition to non-fossil fuels by 2030.	ISS ProcurePass (Achilles): By driving forward the supplier engagement with ISS ProcurePass (Achilles), not only have ISS strengthened the internal compliance but also encouraged our suppliers to do the same. As the reviews are standard and impartial, it allows ISS and the supplier to have full transparency. Our customers expect increasing knowledge and security of supply from our supply chain solutions. ISS makes use of ISS ProcurePass (Achilles) to capture and act on information to ensure suppliers remain fit for business. There has been particular emphasis on post Brexit repercussions with delays at ports; contingencies for fluctuations seen during 2021 such as HGV driver shortage. Additionally prevention of Modern Slavery & Human Trafficking controls reviewed throughout the supply chain.

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
Suppliers – Prompt Payment Code	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 full year 2021, ISS Facility Services Limited achieved 95.4% paid within 60 days.	ISS Facility Services Limited aim to improve performance. This will ensure an effective supply chain and strong supplier relationships. It is also key to supporting the organisation to continue bidding for new contracts and to uphold the reputation of ISS UK Group in the marketplace.	The Prompt Payment Code is designed to support all parties in the supply chain. ISS seek to improve the results of the Prompt Payment Code performance by driving down aged payments through improvements in the timing of invoice approvals.
Communities - Charity	ISS Facility Services Limited understands the impact a large, people focused organisation has on society. There is an active Corporate Social Responsibility function and members of the EMB are individually engaged within the function. The ISS corporate charity throughout 2021 was The Stroke Association.	An advantage of the scale of the ISS UK Group operations is that it is possible to provide support and exposure for one national charity partner as well as supporting a wide variety of local charities. In 2021 ISS UK Group continued the partnership with the Stroke Association, raising £200,000.	The funds raised by ISS UK Group are invested in to Stroke Clubs and Groups. These are peer to peer support networks for stroke survivors and their families helping them to rebuild their lives after stroke by reducing isolation, relearning skills and accessing vital information. Using ISS fundraising money, a new stroke cafe was set up in Chesterfield. The feedback from the participants has been overwhelmingly positive: "It's enabled me to meet people who have had similar experiences and been helpful to my recovery".

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
Community – Environment and Sustainability	ISS Facility Services Limited recognises the huge value and impact it can have on the Environment and Sustainability by promoting and embedding stronger policies. The ISS UK Group set out its Net Zero Strategy as part of this. ISS UK group also appreciate that the environment is impacted via our work with customers and therefore alongside the internal initiatives, ISS have worked with customers to help achieve their ambitions as well (see below)	ISS UK & Ireland anticipates achieving Net-Zero by 2040 by initiating a number of key actions, some examples (as below, using the 2019 baseline): • Company car orders will be electric or hydrogen by the end of 2025; • Strive to achieve a goal of transitioning all commercial vehicles to electric or hydrogen by 2030; • Review all heating/cooling/energy consuming systems in our offices in order to optimise performance and create energy saving opportunities; and • Continue procurement of renewable electricity.	The targets set are challenging however as a business ISS believes that challenge is the only way to make progress in such a vital area.
	Example – Net Zero – Government customer An ISS UK customer, a UK Government department, set itself the challenge to achieve true NetZero across its property portfolio. ISS led a review of emissions to create a NetZero baseline for the customer. A pathway to NetZero was then created with detailed plans on the route to emission reductions. ISS developed the strategy for the customer. The strategy took the customer from the initial data and compliance review, to a robust glidepath to NetZero emissions. The study involved constant communication with the client and internal departments and teams to capture and collate data such as procurement, resource use and expenditure.	Example Ensuring a sustainable workplace is a key strategic priority for ISS both at a Global and UK level. A key element to support this priority is the support of our clients in their own reduction of greenhouse gases and other aims.	Example "ISS provided us with an excellent service from start to finish. They conducted clear and thorough reports and recommendations which will be extremely valuable ...in mapping out our pathway to NetZero. As well applying their expertise and experience, I was impressed by their high level of engagement with us throughout the project." This saw 3,595 LEDs replacing 5,263 standard bulbs, alongside remodelling of an innovative lighting controls system which is projected to reduce site electricity by 14% - or just under 200 tCO2e per year. As a business the ISS UK Group recognises the need to operate in a sustainable way, not just as an internal function but as a service to customers. As a support function to businesses, the ISS Global Group and ISS UK Group have taken action to collaborate with customers to develop and support environmental goals.

Stakeholder Group	Why are they important/key matters of the Group and Engagement	Strategic Decision Made in 2021	Impact on Stakeholder Group and further actions
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. UK Pensions are managed by Mercer (DC scheme), and First Actuarial (DB scheme), and ISS UK abide by all applicable regulations. As at the last tri-annual scheme valuation (31st March 2018), the deficit in the DB scheme, for which there are strong recovery plans, stood at £23 million, There is continuous engagement with Mercer, First Actuarial, the regulatory bodies and the Pension Scheme trustees as required There are scheduled trustee meetings (quarterly for the DC Scheme and annually for the DB Schemes), using administration reports from Mercers and First Actuarial.	Due to the ongoing nature and stability of the pension management, the EMB made the strategic decision to agree to the proposed changes made to the payments by the trustees of the Pension Scheme. Consideration was paid to the financial impact. ISS DB Scheme is the ISS Platinum Scheme, administered by First Actuarial. The DB deficit as per the below relates to the ISS Platinum Scheme Deficit recovery plans agreed between the pension trustees and the ISS UK Group is an annual deficit repair payment of £2.6 million. The current deficit recovery repayment plan will continue until July 2026, subject to review at the 2021 valuation in 2022.	A deficit contribution plan has been agreed with the trustees, in consideration of the need to give financial security to our employee, non-employee and pensioner stakeholder groups.

Strategic report *(continued)*

Corporate Governance

Overview of ISS UK Limited

ISS Facility Services Limited is part of the UK ISS Group of businesses and is wholly owned by ISS UK Holdings Limited, in turn wholly owned by ISS Global A/S, the ultimate parent company. ISS Facility Services Limited is one of the UK operational companies, servicing the UK public sector accounts. The ISS UK&I Group in total employs around 32,000 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; Financial Services and Retail and Business Services. There is an additional sector, Specialised Services which provides single areas: Support Services, Cleaning and Transport, Security, Sustainability & Technical Services.

- Banking and Financial Services with over 20 key accounts including large corporate banks and well-known retail customers.
- Retail High Street is a multi-faceted division which supports an internal and external client base providing cleaning and waste services across over 7,500 sites around the UK and Northern Ireland.
- Cleaning and Transport Division, specialising in providing a range of facility services to customers across 6 Sectors; Aviation, Road & Rail, Cleaning, Food Manufacturing, Hotels and Telecoms.
- Business Services Division, comprising of UK and Global Key Accounts ranging from Pharmaceutical, Technology, Manufacturing and Professional Services.

In 2020 ISS Facility Services Ltd saw a number of initiatives placed on hold as the overall business coped with the operational difficulties of Covid. An overall streamlining of contracts was not possible as a number of contracts saw unprecedented closures. As an impact from the pandemic there was a focus particularly on Food Services (See Stakeholder Table).

Global Corporate Governance and The Wates Principles

ISS Global 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 Global 2021 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 Global 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. Work in 2021 continued to progress alongside the focus on maintaining ongoing operations in response to the Global Pandemic. Each Principle is set out with an assessment of compliance and where applicable highlighting the areas where improvements to the Frameworks are being made, to further enhance the ISS UK Group Corporate Governance.

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. Examples can be seen throughout the Stakeholder Table and in the below narrative.

Strategic report *(continued)*

Corporate Governance *(continued)*

Values

ISS has five values:

1) Quality - We are professionals with a passion for quality. We deliver on our promise. We deliver.
2) Entrepreneurship - Action speaks louder than words. All our employees have a 'license to act' and are expected to do so. We act.
3) Responsibility - Indifference is immoral. We care about what we do and for whom we do it. We care.
4) Honesty - Our honesty is non-negotiable. We respect our customers, our colleagues and our company. We respect.
5) Unity - We trust each other and believe in creating equality, inclusion and a sense of belonging for all – a culture where everyone can be their authentic selves. We trust.

Strategy

ISS Global 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 of, 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 principal decisions are outlined below.

On the 16th of December 2020, ISS Group announced a new strategy. This, coupled with the appointment of a new UK&I CEO Liz Benison in May 2021, provides a solid foundation for the ISS UK Group to further develop and embed the core principles whilst strengthening and focusing the overall business.

The ISS Global strategy can be found on the company's website (www.issworld.com)

The key operating model is:

Stronger
• The most respected global leader in IFS
• #1 globally in cleaning
• Investing in central functions to drive excellence in the way ISS work
• Building world class technology

Simpler
• Key account strategy underpinned
• Sharper commercial focus
• Aligned structure, processes and ways of working

Closer
• Working together to deliver for our customers
• Collaborating to grow our business
• Building our collective culture as OneISS

ISS Global developed five key strategic areas supporting this new strategy and during 2021 the ISS UK Group set about embedding those areas of strategic focus across the business and a new organisation structure was put in place, effective 1st January 2022. The following table describes these areas of strategic focus and provides examples of achievements within the ISS UK Group.

Strategic report *(continued)*

Corporate Governance *(continued)*
Table One

Strategic areas	Objectives To enable the strategic areas ISS Group set global wide objectives – examples below	UK achievements aligned to Group
Leveraging global scale	Fit for delivering Integrated Facility Services (IFS) to key accounts. In 2021 ISS Group set the objective for countries to prepare their organisations for the launch of the new strategy in January 2022.	New UK Leadership established: The new leadership team were fully in place by 1st January 2022 and their sectors aligned to the new OneISS structure which sets the UK up to be fit for delivering IFS. This leadership structure is aligned to supporting the delivery of IFS. ISS UK&I CEO is a member of the Executive Group Management (EGM) team. This position sitting on the EGM is a new initiative, showing the importance of the UK as a company within the Group and forging strong collaboration. UK developed and implemented the Operations Performance Division – this divisions key to enabling, enhancing and supporting IFS and is aligned with the Health Safety Environment and Quality (HSEQ) team.
Commercial discipline	Disciplined bid-to-operations process to mitigate risk of significant underperforming contracts and countries	New Global bid process adopted in the UK. The Global bid processes provides additional rigour and discipline throughout the UK.
Operations Performance & Products	Innovative service offering for prioritised customer segments Sustainability and Diversity & Inclusion at the core	The UK has many specialist teams including the Food Service team. This team has had an active involvement in ISS Global leading innovations team, with two UK initiatives being adopted and rolled out across the UK (see Stakeholder Table – Food Services). The ISS UK Group has a dedicated Sustainability team who have both inward and external support and consultative capacity. Directly reporting to Operations Performance, the team's expertise is used to enhance the service provision and further enable IFS (See Stakeholder Table - Customers Net Zero).

Strategic report *(continued)*

Corporate Governance *(continued)*

Table one *(continued)*

Strategic areas	Objectives To enable the strategic areas ISS Group set global wide objectives – examples below	UK achievements aligned to Group
Technology	Technology backbone required to improve commercial discipline and operational excellence	During 2021, the ISS UK IT team were realigned to report directly to ISS Global IT. The Global resource has been strengthened centrally with the addition of a robust Information Security team. This allows the ISS Group to manage global threats with greater resilience and provide additional support and knowledge sharing.
Culture	Diverse and inclusive leadership	ISS UK&I CEO signed up to the UN Women's Empowerment Principles. The ISS UK Group included Diversity and Inclusion specific guidance into the recruitment policy. By the end of 2021/beginning of 2022 the UK Executive Member Board was 50:50 gender mix (see below, Stakeholder Table and Corporate Governance)

Culture

ISS is a people company, our engagement with our employees is key. We call our frontline employees placemakers. Throughout 2021 ISS focused on providing a clean and safe working environment for our customers' employees as well as our own employees. (see Stakeholder Table).

Compliance to the Principle:

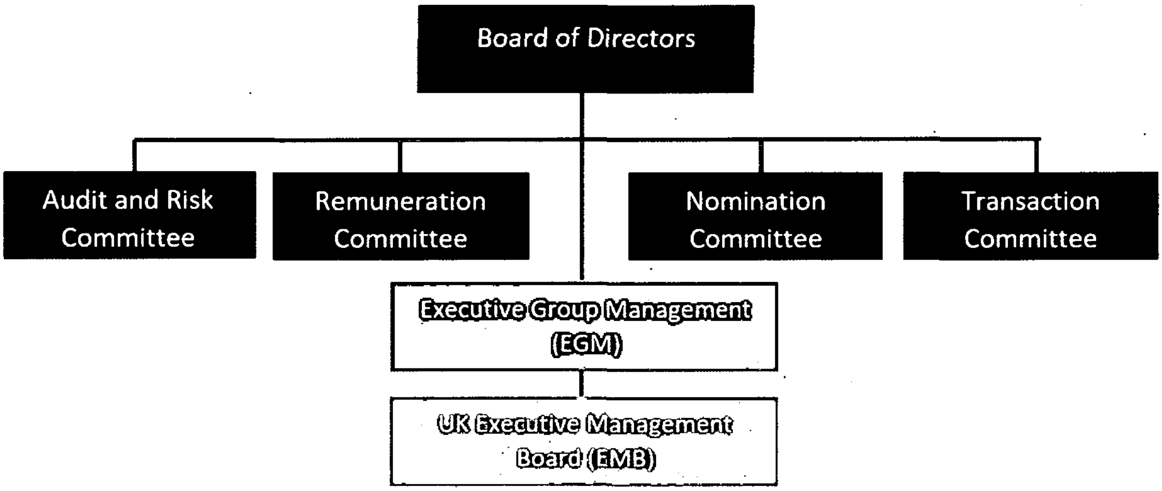
The ISS UK Board presides over the operations of the ISS UK Group, including ISS Mediclean Limited, and promotes the overall purpose of Integrated Facilities Management. During 2021, the ISS UK Group commenced the programme of aligning with the ISS Group strategic direction, OneISS. In doing so, the UK Board and the UK Executive Management Board have put a focus on Key Accounts and Integrated Facilities Management. Within the public sector there has been a focus on Healthcare and Education. As such, ISS UK Group have a strong and well promoted purpose and believe that the Board meets the requirements set out in this Principle.

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 Executive Management Board sits underneath this.

Strategic report *(continued)*

Corporate Governance *(continued)*



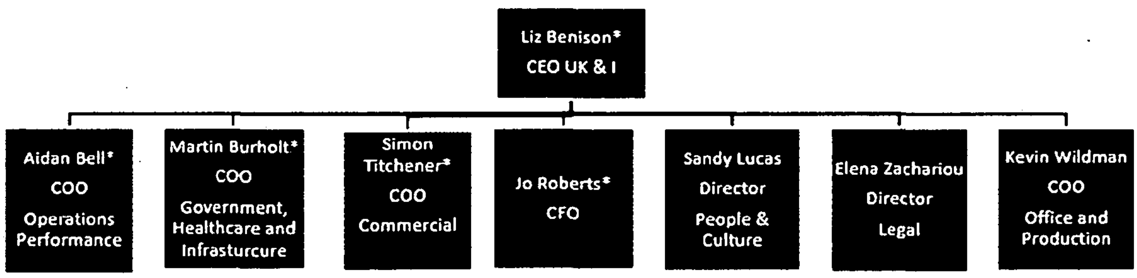
ISS Facility Services Limited has 5 Statutory Board members and all the members of the Statutory Board sit on the UK Executive Management Board (EMB) with the addition of 5 further Directors who form the ISS UK Group (the organisation structure is detailed below). The EMB embeds the Group Strategy and applies it across UK decisions. These decisions are delegated through to Senior Management centrally through ISS UK Limited into ISS Mediclean Limited and other subsidiary companies.

During 2021 the ISS UK Group strengthened the UK Executive Management Board.

- Liz Benison joined as CEO of UK & Ireland in May 2021
- Jo Roberts joined as CFO in September 2021
- Martin Burholt joined in November 2021 as Chief Operating Officer for the Public Sector
- Sandy Lucas joined as Director of P&C in January 2022
- Kevin Wildman joined in January 2022 as Chief Operating Officer for the Private Sector
- Elena Zachariou joined the UK EMB as Legal Director in May 2021, having worked at ISS for 13 years

ISS UK Limited & Ireland Executive Management Board

Current Executive Management Board as of 2nd January 2022, following the OneISS restructure:



*Statutory Director of ISS Facility Services Limited

Strategic report *(continued)*

Corporate Governance *(continued)*

The ISS UK CEO acts as chair to the Statutory Board of Directors as well as their role as CEO to the Executive Management Board. There is additional rigour with the ISS UK Group reporting into ISS Group, who preside over company and group strategy. Therefore, we do not feel at present it is necessary to have a separate Chair and CEO.

CEO Liz Benison, joined May 2021
Liz joined ISS in May 2021 as 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 also joined the Group's Executive Group Management at the same time. 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, joined September 2021
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 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 (see below) 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, joined January 2022
Sandy joined ISS UK&I in January 2022 as 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.

Strategic report *(continued)*

Corporate Governance *(continued)*

Chief Operating Officer Martin Burholt, joined November 2021
Martin joined ISS in November 2021 as the COO for the Government, Healthcare, Education and Infrastructure 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 Operating Officer Kevin Wildman, joined January 2022
Kevin joined ISS in January 2022 as COO for the Office and Production segment. This sector is largely private business and has numerous operational demands. Kevin has extensive experience in outsourcing and within business services, most recently within Wincanton, the UK's largest Logistics company and Serco as Business Transformation Director/Managing Director for Europe, based in Brussels.

His purpose is to bring his extensive operational knowledge and experience to the Board to develop, support and improve the function in line with the overall ISS UK Group and ISS Group strategy. His skillset is operational knowledge and transformation.

Chief Commercial Officer Simon Titchener
Simon joined ISS in July 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. Previous positions within ISS have included Managing Director of the Food Services business, Global Account Director for our largest Financial Services client and Global COO for the Banking sector.

His purpose is to bring a focus and strategic direction for both Public and Private Sectors. His skillset is industry knowledge as well as the commercial balance.

Legal Director, Elena Zachariou
Elena joined the UK&I Country Leadership Team as Legal Director in May 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.

Compliance to the Principle
In 2021, the ISS UK Group was strengthened and by the end of 2021/beginning of 2022 the full EMB team was established. The eight members of the EMB comprise a gender balanced Board and the mix of skillsets as shown are 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.

Strategic report *(continued)*

Corporate Governance *(continued)*

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 (see ISS UK Governance below).

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.

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.

Strategic report *(continued)*

Corporate Governance *(continued)*

ISS UK Limited Governance

The ISS UK Executive Management Board (EMB) presides over the management of the ISS UK Group. This Board meet 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.

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.

Compliance to the Principle
Throughout 2021 the Directors remained in the current overall structure and EMB accountability remained consistent. UK is a key part of the Global business, reiterated by the elevation of the UK CEO to the Executive Group Management at a global level.

At present there are a suite of policies at Group level for the running of the business and these are adopted within the UK, such as the Code of Conduct, and there is also a Delegated Authority Matrix that clearly defines the level of authority required for various decisions. There have been some control failings that require remediation and for which the company is addressing through the implementation of a financial control framework. These are detailed under Principle 4 below.

The key focus for the ISS UK Group for 2021 has been to align the structure to Group OneISS, including making the Governance structure more robust. This will be fully rolled out throughout 2022, as the business embeds the new Global Strategy.

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.

Strategic report *(continued)*

Corporate Governance *(continued)*

Opportunities

The UK Board and ISS Global A/S regularly consider new opportunities. The new structure and strategic approach, 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.

Risk Identification and Management

ISS Group Top-Down Risks

Group key risks 2021

- Operational and transformation execution
- People risks
- IT and digital roadmap execution
- Information security and cyber risk
- Contract management
- Finance and reporting
- Compliance
- Subcontractors
- Corporate responsibility

The Risk Management Framework will be replicated within the UK roadmap for the operational use in country, with the aim of providing:

1) Stronger Governance (reporting of bottom-up risks);
2) Simpler Processes – moving away from a probability-based risk assessment towards a more holistic vulnerability measure and
3) Closer community – the strengthened Central Hub.

This 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 2019/20 a number of areas within Finance were identified as risk and in response a series of control reviews and work streams were set up and continue to be rolled out across the UK. The main workstreams fall into two areas:

1) Enhanced Financial Control Framework
ISS Global Finance have a rolled out a Risk and Control Matrix (RACM) which has been adopted and adapted to the UK finance processes throughout 2021 and 2022, resulting in a series of documented controls. These controls will be managed by a new software system as a tool for self-assessment, audit and robust central oversight.

2) Financial Improvement Programme (FIP)
A programme of improvements was initiated in March 2020 and continued in 2021. Throughout 2021, the FIP was managed by a central project team and governed by the Change Advisory Board. This board has both UK&I and ISS Group representatives. During the year the programme moved towards the first of three transformation phases, with the aim to ensure the UK are fully prepared to adopt ISS Group processes and standards as they are introduced. The three phases of Standardise, Optimise and Transform will cover Purchase to Pay, Order to Cash and Record to Report processes.

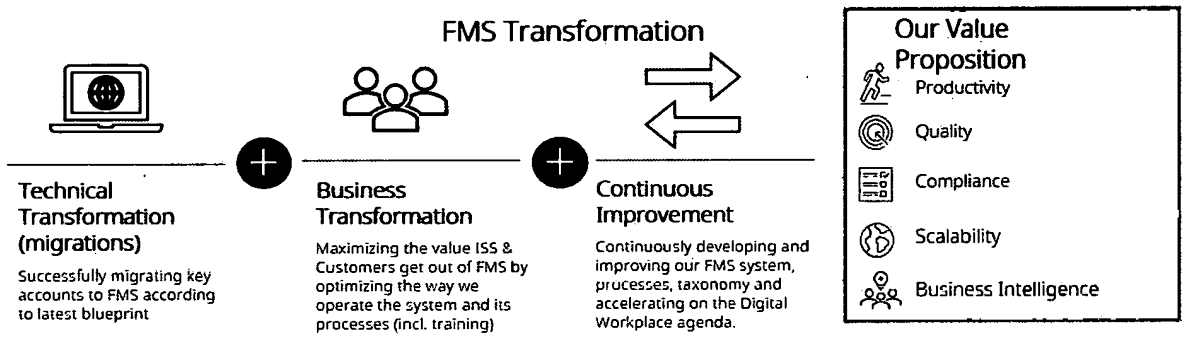
Other macro-economic risks
Other macro-economic risks have also played a large role in 2021 and the beginning of 2022. In our key markets, inflation has been rising putting pressure on wages and cost of goods. We have a structured approach to inflation risk, as even low inflation scenarios can impact 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.

Strategic report *(continued)*

Corporate Governance *(continued)*

Facilities Management System Transformation

As part of the new OneISS Global strategy, a new business function has been developed, Operations Performance. This is a Global function with each country having a replica structure. 2021 saw the launch of the Global FMS@ISS Transformation Programme by the Group Business Transformation. This programme was designed to strengthen and leverage opportunities with the business and support with aligned and robust systems.



ISS Facility Services Limited Bottom-Up Risks
ISS Facility Services Limited recognise 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. During 2021, recovering from the Global Pandemic was still a key priority. In the UK, the Governance of the response to the pandemic was centrally managed by the Central Emergency Response Operation (CERO). The CERO met three times a week for the majority of the year and developed key procedures and guidelines, including Business Continuity Plans, Site closure plans and guidance, and Health and Safety communications.

Integrated Management System
In the UK we have an Integrated Management System (IMS) which conforms and is certified to the following international standards:

ISO14001: Environmental Management
ISO45001: Occupational Health and Safety Management
ISO9001: Quality Management
ISO50001: Energy Management
ISO27001: Information Security (Technical Services, a division of ISS Facilities Services – *see note below)
ISO44001: Collaborative Working
ISO55001: Asset Management

This system provides the compliance framework for H&S/Food Safety Environment etc as per above ISOs. Being aligned via the International Standard allows the ISS UK Group to harmonise between UK operations and the wider Group. The OneISS global restructure is looking to extend the scope of the ISO certifications to worldwide.

Legal Regulatory Compliance
In 2021 ISS UK identified the need to understand the Legal Regulatory Compliance environment and using a risk-based approach, ensure that obligations are understood and met. The current Global system used to record GDPR compliance is being reviewed and additional applications considered to use the system to record risks and compliance requirements. A central approach to incidents is being developed to ensure all incidents are managed and lessons learned are embedded across the business. Within the ISS UK legal team, there are Legal Regulatory Compliance, Employment Law, Supplier and Contract Law specialists to support the business.

Strategic report *(continued)*

Corporate Governance *(continued)*

Technical Regulatory Compliance
In 2021, the ISS UK Group improved the structure around technical statutory compliance, developing a more robust governance framework. This framework is dedicated to the Engineering and Hard FM regulations and ensures these are met by having an effective work permit and a review and reporting framework, which is embedded and operated correctly.

Whistleblowing – Reactive Risk management
The ISS Group Speak-Up Policy covers the reporting of serious and sensitive concerns that could have an adverse impact on the operations and performance of the business of ISS and which, due to the nature of the concern, cannot be reported through normal reporting lines. The nature of concerns could include:

- unlawful activity
- financial fraud
- bribery or corruption
- acts by senior management that cannot be reported using local channels
- violation of competition laws
- serious endangerment to environment, health and safety
- activities, which otherwise by law, treaty or agreement amount to serious improper conduct.

The policy is available externally and to all employees without the need to log into any system, ensuring that should any member of ISS have a concern, they can review the policy wherever they are.

ISS Group have placed further emphasis on the Speak-Up system as part of the OneISS restructure and have recruited a dedicated team member to manage the communication and support of the system. On 1st March 2021, a dedicated Speak Up manager was hired to continue to embed the agenda of Speak Up, ethics and compliance at ISS Global.

During the year, the Code of Conduct and Speak Up Policy was reviewed and republished and recommunicated to all Countries. Additionally, there is refreshed Code of Conduct training for support staff on the ISS learning platform.

Process
The detail of each complaint is received by the Head of Group Internal Audit who:

- records all reported complaints or concerns;
- considers the seriousness and credibility of the complaint or concern raised and
- proceeds accordingly in determining the appropriate action. Some complaints or concerns may be resolved without requiring investigation.

All new joiners to the ISS Facility Services Limited business must complete mandatory Code of Conduct training which includes the Speak-Up Policy (whistleblowing). The Speak-up Policy is aligned with the Anti-Human Trafficking publications to further enhance awareness of issues in that area and facilitate a communications method.

The policy and how to use it is reinforced via the new version of the UK Handbook which includes all the Speak-Up details.

Compliance to the Principle
Throughout 2021, whilst still reactively managing the ongoing effects of the Global Pandemic, ISS Facility Services Limited continued with key initiatives. The new OneISS structure strengthens some of the central group support functions including Risk, Information Security and Transformation. With the implementation of the additional resource at Group level for Risk, a refreshed methodology based on ISO33001 has been developed to better support the overall Enterprise Risk Management.

The initial reporting to the new framework was April 2022 however throughout 2021 work was performed to align to the framework. Additionally, a UK Risk Roadmap is being developed to support a more robust localised management of risks. This will feed into the overall Group risk and is based on the same methodology, ISO33001.

Strategic report *(continued)*

Corporate Governance *(continued)*

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 Executive Management Board, 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 Executive Management Board the annual pay increases, although these ultimately are subject to ISS Group scrutiny and approval.

The ISS UK Group operates in the facilities management sector and employ over 32,000 staff within UK&I who are predominantly based at client sites providing a range of core services such as cleaning, managing front of house, security and catering etc. As such, the success of the company is dependent upon its place-makers. The company has minimum wage obligations as well as pressure for a range of 'living wage' levels, and the company's ability to win and retain business is dependent upon the levels of wages that customers are prepared to pay. Wherever it can, with customer support, the company pays above minimum wage. 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.

As part of the overall annual review of remuneration for senior executives, the UK Director of People and Culture provides the Chief Executive Officer with an overview of the general approach being taken to remuneration for the wider workforce. The review encompasses the workforce remuneration and the approach to salary reviews across the business. ISS are committed to ensuring the salary scales are proportionate to roles and responsibilities. All Board Member appointments are approved by the ISS Group via a 'grandparenting' method of oversight.

As outlined in the Stakeholder Tab section, we engage with our staff by various means and we continuously strive to engage at all levels. 2021 continued to be an unusual year with factors such as Brexit and the Global Pandemic. The UK labour market has become increasingly challenging in the business sectors ISS operates in. Several initiatives were carried out throughout the year to support the operations in meeting requirements.

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 Group Scheme.

Strategic report *(continued)*

Corporate Governance *(continued)*

Compliance to the Principle:
At present the UK Executive Remuneration framework is not sufficiently developed to meet the requirements of the principle due to the lack of formalised and documented procedures and terms of reference. However, the formal committee has been established as part of the enhancement of the UK Governance Framework. This is mitigated by the oversight of the Executive Group Board. However, ISS Facility Services Limited recognises the need to further enhance the framework to ensure it is independently robust. As mentioned, the market has not had a suitable norm for comparative information, however, with a more stable outlook, with the appointment of the new CEO and the overall Group strategy, the ISS UK Group will aim to develop the framework to incorporate the available information and to formally document remuneration decisions. With ISS Group collaboration, we ensure that a suitable strategy for pay and reward is included in the ISS long term objectives.

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. (Detailed in the stakeholder table).

Compliance to the Principle:

Key stakeholder engagement and significant decisions made are detailed in the section 172 Stakeholder Table.

Strategic report *(continued)*

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. Since 2018, ISS has purchased all 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 [E] (category 6) and employee commuting (category 7).

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

- Refurbishments underway for 2 of our main offices.
- Improved energy efficiency of our South Quay office during an extensive refurbishment, including LED upgrades.
- Launched our net-zero commitment including a full glidepath of emission reduction towards our 2030 net-zero target, including a commitment to 100% EV.

The table below provides this information for our ISS Facility Services Ltd entity from January to December 2020 and 2021. 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 2021. Further information on ISS's methodology can be found on the ISS UK Website https://www.uk.issworld.com/

ISS Facility Services Ltd - GHG Tonnes (t/CO2e)		
Scope 1	**2020**	**2021**
Natural Gas	72.26	62.55
Diesel	5,621.23	4,960.76
Petrol	284.90	349.44
Heating Oil	-	-
f-Gas	13.95	20.45
Total scope 1	**5,992.33**	**5,393.21**
Scope 2		
Electricity - location-based	256.70	144.95
Electricity - market-based	53.38	24.66
Total scope 1 & 2 (Location)	**6,249.03**	**5,538.16**
Total scope 1 & 2 (market)	**6,045.71**	**5,417.87**

Scope 3		
Business Travel (Private miles)	356.20	251.41
Total Scope 3	**356.20**	**251.41**
Total Scope 1, 2 & 3 (location-based)	**6,605.22**	**5,789.56**
Total Scope 1, 2 & 3 (market-based)	**6,401.91**	**5,669.27**
Total kWh	26,844,639.13	24,469,967.15
Intensity Ratio (t/Co2 per £m Turnover)	8.80	7.80

- [A]Location-based emissions: Using the UK National Grid conversion factor, irrespective of the supply arrangements.
- [B]Market-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.
- [C]F-gas loss resulting from one of our A/C units requiring a re-fill.
- [D] tCO_2e – carbon dioxide equivalent is the measure of greenhouse gas emissions.
- [E]Business Travel – emissions resulting from the following were included:
    - Employee Private vehicles
    - Employee expenses claims for fuel in private and company or hire cars
    - Expensed miles for those claiming a car (cash) allowance

Energy consumption (used to calculate emissions above)
The below table demonstrates the breakdown of the energy consumption for ISS Facility Services Ltd, broken down as per methodology linked above.

ISS Facility Services Ltd kWh		
Activity source	**kWh 2020**	**kWh 2021**
Natural Gas	393,002.8	341,509.4
Diesel	22,044,232.3	20,890,922.0
Petrol	1,230,355.7	1,507,043.0
Electricity - location-based	856,741.3	682,661.9
Electricity - market-based	228,948.7	20,340.6
Business Travel (Private miles)	2,091,358.3	1,027,490.3
Total kWh	**26,844,639**	**24,469,967**

On behalf of the Board

J Roberts
Director

Velocity 1
Brooklands Drive
Brooklands
Weybridge
Surrey
KT13 0SL

3 August 2022

Directors' report

The Directors present their Directors' report and the audited financial statements for the year ended 31 December 2021. 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 (2020: £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
E Benison (appointed 21 May 2021)
P Leigh (resigned 28 February 2021)
S Titchener (resigned 6 January 2022)
B van der Waag (resigned 22 October 2021)
S Hamilton (appointed 22 February 2021, resigned 31 July 2021)
J Roberts (appointed 22 October 2021)

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 *(2020: £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, with maturity date of 1 January 2024. 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 30 September 2023.

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 (the Global Parent company) to continue to provide these facilities and support during the forecast period to 30 September 2023 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 2022 and to 30 September 2023 which included analysis of cash flows for that forecast period.

Directors' report *(continued)*

Going concern *(continued)*
Cash flow forecasts were reverse stress tested to understand the headroom available before the loan facilities referred to above could be exhausted. Consideration was then given as to whether the principal risks attributable to the ISS UK businesses would give rise to severe downside scenarios that could cause exhausting the liquidity available, such as significant reductions in revenues, caused by loss of custom through bankruptcy or retender or change in contract scope, or significant 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.

The possibility of these scenarios happening are considered remote when contemplating the business' financial performance in 2021 and 2022 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.

The continued potential impact of Covid-19 has been considered as part of the going concern assessment and under the various scenarios stress tested it is considered remote that the credit facilities will not be sufficient to meet the company's needs. ISS has a relatively low exposure to those sectors that are considered at risk in the Covid pandemic such as aviation, non-essential retail or hospitality and loss of such customers would not give rise to a risk that the facilities available would not be sufficient.

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 30 September 2023. 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 and the Group 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 themself aware of any relevant audit information and to establish that the auditor is aware of that information.

Future outlook
In 2022, the execution of the OneISS strategy will continue. The outlook for 2022 assumes a continued return to the workplace and Covid-19 recovery, and positive effects from contract wins and expansions achieved during 2021.

Subsequent events
There have been no material subsequent events since the statement of financial position date.

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 2022

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 2021 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes 1 to 23, 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 2021 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 30 September 2023. 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 30 September 2023. Our procedures are primarily focused on assessing ISS UK Limited's ability to provide financial support to the company for the period to 30 September 2023.

- 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 30 September 2023, 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, 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;

- We confirmed the amount and period of the facilities available to ISS UK Limited from the company's ultimate parent ISS A/S; and assessed the likelihood that ISS UK Limited may require additional financial support throughout the forecast period to 30 September 2023; 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 30 September 2023

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 36, 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 tax and indirect 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 the Coronavirus Job Retention Scheme, 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 ISS Facility Services 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.

- Based on this understanding we designed our audit procedures to identify noncompliance 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, overstatement of rebates from suppliers and understatement of trade payables and accrued liabilities. We also identified a fraud risk of management override related to overstatement of revenue at period end on variable elements of contracts with customers.
- 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.

Ernst & Young LLP

Christine Chua (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 3 August 2022

Income statement
for the year ended 31 December 2021

	Note	2021 £000	Restated 2020 £000
Turnover	*4*	**713,867**	750,327
Cost of sales		**(636,146)**	(726,808)
Gross profit		**77,721**	23,519
Administrative expenses		**(62,638)**	(78,643)
Other income	*2, 5*	**5,470**	24,160
Operating profit/(loss)	*5*	**20,553**	(30,964)
Interest payable and similar charges	*8*	**(276)**	(107)
Other finance expense	*9*	**(745)**	(867)
Profit/(loss) before taxation		**19,532**	(31,938)
Tax on profit/(loss)	*10*	**(303)**	4,261
Profit/(loss) for the financial year		**19,229**	(27,677)

All activities relate to continuing operations.

Statement of comprehensive income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Profit/(loss) for the financial year		**19,229**	(27,677)
Items that cannot be reclassified to profit or loss:			
Remeasurement loss on defined benefit pension plans	*21*	**(554)**	(752)
Tax on remeasurement losses on defined benefit pension plans	*10*	**139**	143
Other comprehensive expense		**(415)**	(609)
Total comprehensive income/(expense) for the year		**18,814**	(28,286)

Statement of financial position

at 31 December 2021

	Note	**2021**	2020
		£'000	£'000
Fixed Assets			
Tangible assets	*11*	**7,014**	9,604
Right of use assets	*12*	**20,984**	23,893
		27,998	33,497
Current Assets			
Stocks	*13*	**800**	1,223
Debtors: (including £9,415,000 *(2020: £8,657,000)* falling due after one year)	*14*	**685,743**	642,805
Cash at bank		**862**	-
Current Assets		**687,405**	644,028
Creditors: amounts falling due within one year	*16*	**(641,900)**	(622,263)
Provisions	*17*	**(6,046)**	(4,499)
Net Current Assets		**39,459**	17,266
Total Assets less Current Liabilities		**67,457**	50,763
Creditors: amounts falling due after more than one year	*18*	**(16,102)**	(17,643)
Provisions	*17*	**(1,691)**	(2,295)
Defined benefit pension plan deficit	*21*	**(1,149)**	(1,124)
Net Assets		**48,515**	29,701
Capital and Reserves			
Share capital	*19*	**100**	100
Retained earnings		**48,415**	29,601
Total Equity		**48,515**	29,701

These financial statements were approved by the Board of Directors on 3 August 2022 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 2021

	Note	Share capital £000	Retained earnings £000	Total Equity £000
At 1 January 2020		**100**	**57,887**	**57,987**
Loss for the financial year		-	(27,677)	(27,677)
Other comprehensive expense			(609)	(609)
Total comprehensive expense for the year		-	(28,286)	(28,286)
At 31 December 2020		**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**

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 2021 were authorised for issue by the Board of Directors on 3 August 2022 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, with maturity date of 1 January 2024. 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 30 September 2023.

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 (the Global Parent company) to continue to provide these facilities and support during the forecast period to 30 September 2023 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 2022 and to 30 September 2023 which included analysis of cash flows for that forecast period.

Cash flow forecasts were reverse stress tested to understand the headroom available before the loan facilities referred to above could be exhausted. Consideration was then given as to whether the principal risks attributable to the ISS UK businesses would give rise to severe downside scenarios that could cause exhausting the liquidity available, such as significant reductions in revenues, caused by loss of custom through bankruptcy or retender or change in contract scope, or significant 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.

The possibility of these scenarios happening are considered remote when contemplating the business' financial performance in 2021 and 2022 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.

The continued potential impact of Covid-19 has been considered as part of the going concern assessment and under the various scenarios stress tested it is considered remote that the credit facilities will not be sufficient to meet the company's needs. ISS has a relatively low exposure to those sectors that are considered at risk in the Covid pandemic such as aviation, non-essential retail or hospitality and loss of such customers would not give rise to a risk that the facilities available would not be sufficient.

Notes *(continued)*

Going concern *(continued)*

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 30 September 2023. 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 and the Group 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.

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.

On 31 December 2020, EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the company financial statements transitioned to UK-adopted international accounting standards (as described above) on 1 January 2021. There is no impact on recognition, measurement or disclosure in the period reported as a result of this change.

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.

Notes *(continued)*

2 General Information *(continued)*

Change of presentation

In the previous year, other income, relating to government grants from the UK Government Coronavirus Job Retention Scheme, was included below operating profit/(loss), but has now been presented within operating profit/(loss) to reflect the nature of the income. This has reduced the 2020 operating loss by £24.2m, from £55.1m to £31.0m. There was no impact on the loss for the financial year ended 31 December 2020 or net assets as at 31 December 2020.

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 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 21.

Regulatory matter – judgement and estimation

As set out in note 17, the company is subject to an ongoing regulatory investigation. The Directors' have exercised significant judgement over the likely outcome of this regulatory investigation. Estimates have been made of probable liabilities that may arise from this investigation including the estimate of fines and penalties. Three alternative scenarios of outcomes were created, with the most likely scenario used as the basis of the calculation of the provision. A key judgement in the calculation has been the use of three month's pay and hours data extrapolated over the period under review (2016 to date) using the nominal annual rate of increase, to help understand the potential impact of any non-compliance. If there are differing views on the assumptions made regarding the estimate between those made by ISS and those used by HMRC, this may result in a revision to the estimate. Further information about the regulatory provision is included in note 17.

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 of 2.7% (2020: 2.7%).

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.

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 accrued revenue. Where revenue recognised is less than amounts invoiced, deferred revenue is recognised.

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.

Adoption of new and revised Standards

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 and is analysed as follows:

	2021 £000	2020 £000
Facilities management	**321,479**	316,422
General cleaning	**282,709**	298,481
Security	**85,244**	97,906
Catering	**24,435**	37,518
	713,867	750,327

5 Operating profit/(loss)

	2021 £000	2020 £000
Depreciation and other amounts written off tangible fixed assets	**2,870**	4,585
Depreciation on right-of-use assets	**5,784**	6,598
Cost of goods sold	**3,752**	9,957
Management fees	**30,146**	26,105
Loss on disposal of fixed assets	**36**	411
Amortisation of contract assets (note 14)		
Capitalised transition costs	**725**	1,674
Sign-on fees	**565**	268
Government grants	**5,470**	24,160

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 Company did not benefit directly from any other form of government assistance. In the previous year, other income was included below operating profit, but has now been presented within operating profit to reflect the nature of the income.

	2021 £000	2020 £000
Auditor's remuneration:		
Audit of these financial statements	**629**	288

6 Remuneration of Directors

	2021 £000	2020 £000
Directors' emoluments	**1,872**	1,720
Company contributions to money purchase pension schemes	**12**	46
	1,884	1,766

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £366,000 *(2020: £407,000)*, and company pension contributions of £nil *(2020: £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 LTIP and this incentivises the board and senior leaders to support long term goals. This is based on Performance Share Units (PSUs) which, subject to certain conditions, vest and convert into ISS Shares, again incentivising long term value. No options vested during the year. 7 directors *(2020: 8)* participated in the LTIP and 5 directors *(2020: 5)* had company pension contributions made to a money purchase scheme on their behalf.

Notes *(continued)*

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:

	2021	2020
Management and administration	**2,769**	2,231
Operatives	**14,307**	20,050
Average number of employees	**17,076**	22,281

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	**333,867**	391,229
Social security costs	**38,498**	43,279
Other pension costs	**13,670**	15,756
Total	**386,035**	450,264

8 Interest payable and similar charges

	2021	2020
	£'000	£'000
Bank interest payable	**(276)**	(107)

9 Other finance expense

	2021	2020
	£'000	£'000
Interest income on pension scheme assets (note 21)	**438**	560
Interest expense on pension scheme liabilities (note 21)	**(450)**	(565)
Interest on lease liabilities (note 13)	**(581)**	(663)
Other interest expense	**(152)**	(199)
	(745)	(867)

Notes *(continued)*

10 Taxation

Tax in the income statement

	2021 £000	2020 £000
Current tax		
UK corporation tax credit at 19%	**1,533**	-
Adjustments in respect of prior periods	**(611)**	-
Total current tax charge	**922**	-
Deferred tax (see note 15)		
Origination/reversal of temporary differences	**2,394**	(3,791)
Adjustments in respect of prior periods	**(1,953)**	(73)
Effect of changes in tax laws and rates	**(1,060)**	(397)
Total deferred tax credit	**(619)**	(4,261)
Tax charge/(credit) in the income statement	**303**	(4,261)

Tax in other comprehensive income

	2021 £000	2020 £000
Deferred tax (see note 15)		
Actuarial gains and losses on defined benefit pension plans	**(105)**	(128)
Effect of changes in tax laws and rates	**(34)**	(15)
Total deferred tax credit	**(139)**	(143)
Tax credit in other comprehensive income	**(139)**	(143)

Notes *(continued)*

10 Taxation *(continued)*

Reconciliation of total tax charge/(credit)

The tax charge/(credit) in the income statement is lower (2020: higher) than the standard rate of corporation tax in the UK of 19% *(2020: 19%)*. The differences are explained below:

	2021	2020
	£000	£000
Profit/(loss) before tax	**19,532**	(31,938)
Current tax at 19% *(2020: 19%)*	**3,711**	(6,068)
Effects of:		
Expenses not deductible for tax purposes	**216**	377
Effect of changes in tax laws and rates	**(1,060)**	(397)
Losses not recognised	**-**	1,900
Adjustments in respect of prior periods	**(2,564)**	(73)
Tax charge/(credit) reported in the income statement	**303**	(4,261)

Change in corporation tax rate

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

Prior year adjustments of £2,564,000 relate primarily to the recognition of the deferred tax on losses that were previously unrecognised and revisions to the 2018 tax return.

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023 and was enacted at the balance sheet date. Deferred taxes have been measured at 25% where the item is expected to unwind after 1 April 2023, or 19% where expected to unwind before that date. The effect of this was a reduction in the tax charge of £1,060,000 in 2021 (2020: reduction in tax charge of £397,000).

Notes *(continued)*

11 Tangible fixed assets

	Land and Buildings	Leasehold Improve-ments	Office Equipment	Machinery	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	**2,592**	**5,293**	**11,716**	**20,267**	**39,868**
Additions	-	-	316	-	316
Disposals	(7)	-	(357)	(221)	(585)
At end of year	**2,585**	**5,293**	**11,675**	**20,046**	**39,599**
Depreciation					
At beginning of year	**970**	**1,601**	**8,303**	**19,390**	**30,264**
Charge for year	89	578	1,689	514	2,870
Disposals	(7)	-	(326)	(216)	(549)
At end of year	**1,052**	**2,179**	**9,666**	**19,688**	**32,585**
Net book value					
At 31 December 2021	**1,533**	**3,114**	**2,009**	**358**	**7,014**
At 31 December 2020	1,622	3,692	3,413	877	9,604

Notes *(continued)*

12 Leases

Right-of-use assets

	Buildings	Vehicles	Equipment	Total
Net book value	**£000**	**£000**	**£000**	**£000**
At beginning of year	16,688	7,187	18	23,893
Additions	547	2,328	-	2,875
Depreciation charge for year	(1,958)	(3,811)	(15)	(5,784)
Net book value 31 Dec 2021	**15,277**	**5,704**	**3**	**20,984**

Amounts recognised in profit and loss

	2021	2020
	£000	£000
Depreciation expense on right-of-use assets	**5,784**	6,598
Interest expense on lease liabilities	**581**	663

The total cash outflow for leases amounted to £5,811,000 *(2020: £6,662,000).*

Lease liabilities

Analysed as:	2021	2020
	£000	£000
Current (note 16)	**4,710**	4,839
Non-current (note 18)	**15,974**	17,515
Total	**20,684**	22,354

Maturity analysis

	2021	2020
	£000	£000
Years 1 - 4	**12,102**	12,920
Years 5+	**8,582**	9,434
	20,684	22,354

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 4.13 years (2020: 4.21 years).

13 Stocks

	2021	2020
	£000	£000
Raw materials and consumables	**800**	1,223

Notes *(continued)*

14 Debtors

	2021	2020
	£000	£000
Amounts falling due within one year		
Trade debtors	**67,367**	82,069
Allowance for credit losses	**(847)**	(2,351)
	66,520	79,718
Amounts owed by parent companies	**555,651**	501,732
Amounts owed by fellow subsidiaries	**7,641**	8,671
Group relief	**4,335**	-
Corporation tax	**4,228**	9,484
Other debtors	**7,872**	7,648
Prepayments	**1,894**	4,314
Accrued income, intercompany	**-**	609
Contract assets	**28,187**	21,972
	676,328	634,148
Amounts falling due after more than one year		
Amounts owed by parent company	**956**	956
Deferred tax asset (note 15)	**8,459**	7,701
	9,415	8,657
	685,743	642,805

Contract assets comprise of the following:

	2021	2020	1 January 2020
	£000	£000	£000
Contract assets – unbilled receivables	**18,001**	10,080	31,141
Contract assets – sign-on fees	**2,384**	554	672
Contract assets – capitalised transition costs	**733**	1,458	2,471
Contract WIP	**7,069**	9,880	10,937
	28,187	21,972	45,221

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

Debtors and net current assets include debtors receivable after more than one year of £9,415,000 *(2020: £8,657,000)*.

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 £2,611,027 *(2020: £nil)*.

Contract WIP is stated after provisions of £892,000 *(2020: £nil)*.

Notes *(continued)*

15 Deferred tax asset

	2021 £000	2020 £000
At start of the year	**7,701**	3,297
Deferred tax credit in the profit and loss account	**619**	4,261
Deferred tax credit in other comprehensive income	**139**	143
At the end of the year	**8,459**	7,701

The elements of deferred taxation are as follows:

	2021 £000	2020 £000
Relating to temporary differences due to accelerated capital allowances	**4,226**	3,709
Relating to other temporary differences	**817**	254
Relating to losses unutilised	**3,088**	3,556
Relating to pension schemes (note 21)	**328**	182
	8,459	7,701

In 2020, 'losses unutilised' were disclosed within 'other temporary differences' but have now been correctly shown separately.

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.

Notes *(continued)*

16 Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	**8,088**	6,892
Amounts owed to parent companies	**471,708**	478,963
Amounts owed to fellow subsidiaries	**34,242**	35,103
Taxation and social security	**17,525**	18,058
Accruals	**76,249**	72,995
Contract liabilities	**29,378**	5,120
Lease liabilities (note 12)	**4,710**	4,839
Accruals, intercompany	**-**	293
	641,900	622,263

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

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 payables.

Lease liabilities falling due within one year were previously shown separately on the face of the statement of financial position. These are now included within creditors: amounts falling due within one year.

Revenue recognised that was included in the contract liability at the beginning of the period amounted to £5,120,000 *(2020: £9,265,000)*.

Contract liabilities comprise of the following:

	2021	2020	1 January 2020
	£000	£000	£000
Contract liabilities – other	**11,199**	-	-
Contract liabilities – deferred revenue	**18,179**	5,120	9,265
	29,378	5,120	9,265

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 arrangement with the customer which is dependent on financial performance. In the prior year other contract liabilities were included within deferred revenue and amounted to £1,391,000.

The increase in deferred revenue contract liabilities is due to a new significant customer contract and credits due to customers resulting from Covid-19 customer closures.

Notes *(continued)*

17 Provisions for liabilities and charges

	Property restoration	Onerous contracts	Insurance claim	Regulatory and employment matters	Total
	£000	£000	£000	£'000	£'000
As at 1 January 2021	2,295	-	1,000	3,499	6,794
Charged/(released) to income statement	(763)	646	(1,000)	2,166	1,049
Utilised during the year	-	-	-	(106)	(106)
At 31 December 2021	1,532	646	-	5,559	7,737

	Property restoration	Onerous contracts	Insurance claim	Regulatory and employment matters	Total
	£000	£000	£000	£'000	£'000
Current	200	287	-	5,559	6,046
Non-current	1,332	359	-	-	1,691
At 31 December 2021	1,532	646	-	5,559	7,737

The property restoration provision relates to make-good provisions with certain property lease contracts, expected to be utilised over 1 – 12 years.

The provision for regulatory matters relates to a pay-related review by HMRC, following a review of internal working practices in conjunction with external professional and legal advice, and other employment claims. The review commenced in 2020 and the company is working to resolve this review, and other employment claims in 2022. The HMRC regulatory provision relates to the period from 2016 to date and is management's best estimate of the company's exposure based on the output from an analysis of three month's pay and hours data (which has then been extrapolated over the period under review using the nominal annual rate of increase), including any fines or penalties. This estimate reflects management's judgement as to the outcome of the matter. There however remains uncertainty about the outcome of the review, including the magnitude of any fines or penalties arising. Other information required by IAS 37 is not disclosed on the grounds that it would be seriously prejudicial to the outcome.

Notes *(continued)*

18 Creditors: amounts falling due after more than one year

	2021 £000	2020 £000
Amounts owed to parent companies	**128**	128
Lease liabilities (note 12)	**15,974**	17,515
	16,102	17,643

Lease liabilities falling due after one year were previously shown separately on the face of the statement of financial position. These are now included within creditors: amounts falling due after more than one year.

19 Share capital & dividends

	2021 £000	2020 £000
Authorised, allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	**100**	100

Dividend paid

The Directors did not declare a dividend this year *(2020: £nil)*.

20 Contingent liabilities

The company's bankers have issued performance bonds totalling £20,000 *(2020: £118,500)* 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)*

21 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 2016 and was updated for IAS 19 purposes to 31 December 2021 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 2016 and was updated for IAS 19 purposes to 31 December 2021 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 2015 and was updated for IAS 19 purposes to 31 December 2021 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 2015 and was updated for IAS 19 purposes to 31 December 2021 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 2015 and was updated for IAS 19 purposes to 31 December 2021 by a qualified independent actuary.

Notes *(continued)*

21 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 2016 and was updated for IAS 19 purposes to 31 December 2021 by a qualified independent actuary.

g) *ISS Transferred Pension Scheme*

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

h) *ISS Genesis Pension Scheme*

ISS Facility Services Limited has 9 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 (2021 contributions £104,000).

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)*

21 Pension schemes *(continued)*

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

	2021	2020
Rate of increase in salaries	**2.35%-2.75%**	2% up to 2021, CPI thereafter
Return on scheme assets	**2.00%**	1.45% pa
Discount rate	**2.00%**	1.45% pa
RPI price inflation	**3.15%-3.25%**	2.80% pa
CPI price inflation	**2.35%-2.75%**	2.10% pa
Pension increases	**2.65%-3.20%**	2.75% pa
Mortality	**SAPS with Heavy Projections**	SAPS with Heavy Projections

The assumed life expectancy on retirement at age 65 is:

	2021	2020
Retiring today		
- Males	**85.0**	85.0
- Females	**88.2**	88.2
Retiring in 20 years		
- Males	**86.0**	86.5
- Females	**89.5**	89.8

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:

	2021 £000	2020 £000
Current service cost	**(30)**	(32)
Interest expense on scheme liabilities	**(401)**	(497)
Interest income on scheme assets	**438**	560
Administration and asset related costs	**(40)**	(40)
Interest expense on effect of asset ceiling	**(49)**	(68)
Past service costs (including curtailments)	**-**	(5)
Total expense to be recognised in the income statement	**(82)**	(82)

Notes *(continued)*

21 Pension schemes *(continued)*

Reconciliation of fair value of scheme assets:

	2021 £000	2020 £000
Fair value of scheme assets at beginning of year	**30,482**	29,086
Interest income on scheme assets	**438**	560
Actuarial gain on scheme assets	**2,739**	1,607
Contributions by the company	**611**	241
Contributions by members	**12**	13
Administration costs	**(40)**	(40)
Benefits paid	**(905)**	(985)
Fair value of scheme assets at end of year	**33,337**	30,482

Reconciliation of the present value of the defined benefit obligation:

	2021 £000	2020 £000
Present value of defined benefit obligation at beginning of year	**28,088**	25,985
Service cost (employer cost)	**30**	32
Interest expense on scheme liabilities	**401**	497
Members' contributions	**12**	13
Actuarial gain due to changes in demographic assumptions	**(48)**	(27)
Actuarial (gain)/loss due to changes in financial assumptions	**(213)**	2,521
Actuarial (gain)/loss due to experience	**(1,293)**	47
Benefits paid	**(905)**	(985)
Past service cost (including curtailments)	**-**	5
Present value of defined benefit obligation at end of year	**26,072**	28,088

Amounts to be recognised in the statement of financial position:

	2021 £000	2020 £000
Present value of funded obligation	**(26,072)**	(28,088)
Fair value of scheme assets	**33,337**	30,482
Surplus in the scheme	**7,265**	2,394
Unrecognised asset	**(8,251)**	(3,355)
Less deferred tax liability	**(163)**	(163)
Net liability	**(1,149)**	(1,124)
Net liability is analysed as:		
Assets	**-**	-
Liabilities	**(1,149)**	(1,124)
Net liability in statement of financial position	**(1,149)**	(1,124)

Notes *(continued)*

21 Pension schemes *(continued)*

Total amount recognised in other comprehensive income:

	2021	2020
	£000	£000
Actuarial gain/(loss)	**4,293**	(934)
Effect of the limit on the net asset to be recognised	**(4,847)**	182
Actuarial loss recognised in other comprehensive income	**(554)**	(752)

Fair value of scheme assets at year end:

	2021	2020
	£000	£000
Equities	**17,564**	19,412
Bonds and gilts	**13,224**	9,295
Other	**2,549**	1,775
Total scheme assets	**33,337**	30,482

Estimated contributions:

The employer's best estimate of contributions to be paid to the scheme by the company next year is £429,000 (*2020: £254,000*). 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.

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:

Assumption	*Change in assumption*	*Impact on scheme liabilities*
Discount rate	Decrease by 0.5%	Increase by 7%-9%
Inflation assumption	Increase by 0.5%	Increase by 5%-9%
Rate of salary increases	Increase by 0.5%	n/a
Post retirement mortality longevity	Increase by 1 year	Increase by 4%

Notes *(continued)*

21 Pension schemes *(continued)*

Maturity analysis:

The estimated weighted average duration of the defined benefit obligation was 19 years (2020: 19 years) and is split into:

	2021	2020
Active employees	**20**	20
Retired employees	**12**	12
Deferred vested	**20**	20
Total employees	**17**	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 £14,014,000 *(2020: £15,398,000)*. Contributions outstanding at the end of the financial year were £1,210,000 *(2020: £1,327,000)*.

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 (2020: £nil) and there were no contributions outstanding at the end of the financial year (2020: nil).

22 Commitments

Capital commitments contracted for at the end of the financial year are £nil *(2020: £8.3m)*.

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 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.

23 Ultimate parent company and parent undertaking of larger 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 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