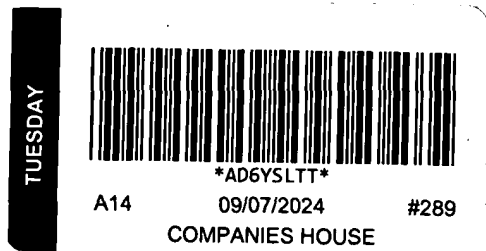


ISS Facility Services Limited

Annual report and financial statements

Registered number 00890885

For the year ended 31 December 2023



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Strategic report

The Directors present their strategic report for the year ended 31 December 2023.

Principal activity

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

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

Development and performance of the business of the Company

Financial performance

Turnover for the year was £693.6m (2022: £657.5m) and resulted in a gross profit of £88.3m (2022: £91.3m). Turnover increased by 5.5%, the result of new contract wins, scope and inflationary increases, successful retention strategies, and the full impact of wins from 2022.

During the year the Company continued with the Group's OneISS strategy with a focus on organising the operations more effectively, exiting non-core or low performing contracts, and rolling out cost management initiatives. Gross margin has reduced to 12.7% from 13.9% in the prior year. The company is continuing to manage margin pressures on project work.

Administrative expenses have increased from £71.4m to £75.6m. The increase relates to higher head office allocations as a result of the transformation activities as part of the OneISS strategy implementation to achieve growth and profit objectives.

Operating profit was £12.7m (2022: £20.0m). The Company's profit before taxation was £11.5m (2022: £19.1m). The Company made a profit after taxation of £10.2m (2022: £19.0m).

OneISS strategy execution

Execution of the OneISS strategy continued during 2023, and remains unchanged for 2024, targeting strong growth at sustainable and attractive margins. The five key strategic priorities are unchanged with focus on growth, brilliant operating basics, technology, planet and people. Additionally, the ISS UK&I Group will continue to focus on customer retention.

Business environment

Despite a continuing competitive external market, business momentum continued during 2023. The Directors remain confident that the business is well positioned to gain market share in a growing market underpinned by increased outsourcing and continuing demand for higher quality services. Despite the growing risk of inflationary pressures, as outlined below in Principal Risks and Uncertainties, it is the view of the Directors that the Company's underlying performance levels will continue on a trajectory of revenue growth, cost reduction and strong customer retention. The Company has well-embedded processes in place, to tightly manage inflation through price increases and operational efficiencies. The current pipeline of future opportunities is very strong.

Key performance indicators ("KPIs")

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

Strategic report *(continued)*

Principal risks and uncertainties

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

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

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

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

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 with ISS A/S and long-term debt and cash pool arrangements as noted below.

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

Directors' qualifying third party indemnity provision

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

Section 172 of the Companies Act 2006

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

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

Strategic report *(continued)*

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

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

Decision making

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

Interest of Company employees

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

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

In 2023, as part of the global strategy to provide qualifications to placemakers, ISS UK&I offered placemakers who completed the ISS Pure Space Office cleaning training the opportunity to gain a recognised Licence to Practice, certified by the British Institute of Cleaning Science. 745 members achieved this Licence.

Fostering business relationships

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

Community and the environment

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

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

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

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

Sustainability in our services is about optimising our business operations, products and behaviour to improve the sustainability of our global and local services; examples would be the use of Winnow to track food waste to support achievement of our commitment to reduce food waste by 50% by 2027. We have already put in place systems to 'measure' and are now working to 'reduce'. What we can't reduce, we will 'redistribute' through our partner Olio and our own in-house scheme Kitchen Community.

Strategic report *(continued)*

Community and the environment *(continued)*

The ways in which we deliver sustainability include:

- ISS committed to reaching Net Zero greenhouse gas emissions within scope 1 and 2 by 2030 and scopes 1-3 Net Zero emissions by 2040, including its full supply chain. To support these commitments, ISS signed the Cool Food Pledge, committing to reducing greenhouse gas emissions associated with the food it serves by 25 percent by 2030 and halve its food waste by 2027. During 2023, ISS' near-term science-based emissions reduction target were approved by the Science-Based Targets initiative (SBTi). This target directs ISS countries across the world to reduce carbon with 46.5% across Scopes 1 and 2, aligned to the 1.5 degree pathway, and a 27.5% reduction for Scope 3, aligned to the well below 2 degree pathway.
- ISS and LeasePlan, a global leader in Car-as-a-Service, have signed an international Vested agreement for next generation fleet management. Among other things, the partnership will support ISS's journey towards reaching Net Zero greenhouse gas emissions through electrification of the global ISS fleet.
- The ISS UK 'Roots for the Future', a school wellbeing and sustainability programme to help young children understand where their food comes from, how to prepare it, and how their dietary choices can impact their physical and mental wellbeing and the environment around them.
- The ISS UK&I Sustainability Training Academy (certified by the IEMA) enables the delivery of sustainability training courses to our placemakers, suppliers and customers.

High standards of business conduct

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

Act fairly between members of the Company

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

Corporate Governance

Overview of ISS UK

In October 2023, the UK&I Group became part of the Northern Europe and UK&I Area. Within the ISS UK&I Group, ISS Facility Services Limited is one of the UK operational companies, servicing the UK private sector accounts. The ISS UK Group in total employs around 25,000 people with skills ranging from Cleaning, Catering, Security and Facility Maintenance.

ISS Facility Services Limited

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

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

Strategic report *(continued)*

Corporate Governance *(continued)*

Global Corporate Governance and The Wates Principles

ISS A/S is a public Company listed on the Danish Stock Exchange, Nasdaq Copenhagen (“the ISS Group”). As such, the ISS Group are legally required to abide by the Danish Corporate Governance Codes and a published report can be found in the ISS A/S 2023 Annual Report on the Company’s website (www.issworld.com).

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

The Wates Principles are set out below.

Company Purpose

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

Purpose

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

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

Strategy

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

The strategy and objectives set are actioned and governed by the Executive Group Management (EGM), passed down to the Country Leadership Team. In October 2023, the UK&I Group became part of the Northern Europe and UK&I Area. As a result, the UK&I Group no longer sits on the EGM and reports into Northern Europe.

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

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

Strategic report *(continued)*

Corporate Governance *(continued)*

Culture and values

To deliver on the Group strategic ambition and our purpose, ISS Global's cultural ambition is to become the global Company of Belonging. This strategic approach to belonging creates value for all:

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

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

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

There are six Employee Resource Groups (ERG) – voluntary groups of ISS employees for each strategic dimension who work on concrete initiatives to promote inclusion and belonging, these are proven initiatives that increase engagement, retention and development of diverse talent:

1. The Gender Balance ERG is a Placemaker-led group working together to foster a diverse and inclusive workplace across ISS UK & Ireland, supporting personal and professional development and creating a safe space where everybody can bring their whole selves to the table. The aim is to make a change and impact to our organisation by having topical conversations to create a better workplace for us all. By 2025, ISS will have at least 40% gender balance across corporate leadership roles globally.
2. The Abilities ERG fosters a greater awareness and appreciation of the unique backgrounds, styles and perspectives of people with disabilities of any form. The ERG focuses on advocacy and inclusion, uniting employees with disabilities, caregivers of people with disabilities and other allies of the community. We want members of our community to be empowered to reach their full potential.
3. The Generations and Age ERG encourages a collaborative environment where employees of all ages recognize strengths and skills in each other and explore opportunities to grow. There are as many as five generations in the workforce now and, given demographic trends of increased longevity and lower birth rates, it is likely that the workforce is going to remain multi-generationally diverse for the foreseeable future. Generational diversity includes members from different generations: Baby Boomers, Generation Z, and everyone in between. At ISS, we recognise it is increasingly important to know the expectations, skills and perspectives each generation brings to the table.
4. Cultures, Race and Ethnicity ERG encourages a collaborative environment where employees of all cultures, race and ethnicity recognize strengths and skills in each other and explore opportunities to grow.
5. PRIDE provides a network that supports the professional development of LGBTQIA+ employees; facilitates recruitment and retention; builds community among LGBTQIA+ employees; and works with the Senior Leadership Team to develop policies and practices that positively impact LGBTQIA+ people at ISS UK & Ireland. Our Pride ERG helps ISS to recognise, include and support our people to feel confident to have and share all expressions of sexual orientation, gender and relationship and family models. We do this by being open, curious and inclusive towards those, and by helping to set the policy, practice and approach in this area.
6. The Military Community ERG's aim is to create a network for all veterans, service leavers, families, spouses and supporters of the forces within ISS, to empower them to showcase their unique talents. The Joint Forces programme is the FM industry leading support platform for Veterans, Service Leavers, and spouses.

Strategic report *(continued)*

Corporate Governance *(continued)*

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 part of the Northern Europe and UK&I Area within the ISS Global Group, the UK CLT sits underneath this.

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

There is additional rigour with the ISS UK Group reporting into ISS Group, who preside over Company and group strategy.

ISS UK & Ireland CLT

CEO Elizabeth Benison

Elizabeth was the UK&I CEO until October 2023, when she moved into a new Group role. As CEO, she was accountable for all of ISS's activities in the UK and Ireland, from strategy through to execution. She was also a member of the Group's Executive Group Management. Elizabeth 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.

Elizabeth 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.

CEO Scott Davies

Scott became the UK&I CEO in January 2024, having previously been the Regional CEO of ISS Asia Pacific. In this role he is accountable for all of ISS's activities in the UK&I, from strategy through to execution. Scott has spent 20+ years in the hospitality industry in a variety of operations and country leadership roles across Australia, Hong Kong, China and India.

Scott holds a Bachelor of Business in Catering and Hotel Management. His 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. His skillset is developing people and driving commercial growth in the key market segments where ISS adds real value for our customers. He has experience in leading teams and developing a values, trust and purpose based culture as a fundamental element to strategy execution.

CFO Joanne Roberts

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

Her purpose in this role is to lead, embed, support and continuously improve all aspects of the finance function within the UK and its support to the broader business, including driving the Finance Transformation and enhancing the rigour of the financial control framework. Joanne has deep experience in transforming finance functions plus operating at an executive level with focus on deploying excellent technical, compliance and commercial know-how. Since October 2023 Joanne has been interim CEO and is supporting Scott in his transition to the UK&I CEO.

Strategic report *(continued)*

Corporate Governance *(continued)*

Director People and Culture Sandy Lucas

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

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

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

Chief Operating Officer Aidan Bell

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

Chief Operating Officer Andrew Wilkinson

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

Chief Operating Officer Martin Burholt

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

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

Chief Commercial Officer Simon Titchener

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

Legal General Counsel John Needham

John joined the UK&I CLT as General Counsel in July 2023, and brings over 20 years in-house experience having held General Counsel roles at Balfour Beatty, Infrastructure Investments, Serco and John Laing. John possesses strong communication, inter-personal and influencing skills at all levels, with a focus on the achievement of excellence and the promotion of high ethical standards.

John is an established leader of substantial legal and commercial teams with a track record of building, coaching and development. His expertise includes devising and implementing internal legal and commercial processes and procedures, training and knowledge management to raise standards, manage risk and enhance business performance and efficiency to contribute to the business's bottom line. John's core experience includes infrastructure investment and PPP/PFI, distressed asset situations, dispute resolution, strategic leadership, risk management, commercial management, governance risk and ethics, M&A, joint ventures, business process outsourcing and support services.

Strategic report *(continued)*

Corporate Governance *(continued)*

Chief Information Officer Leanne Lynch

Leanne joined the UK&I CLT as Chief Information Officer in September 2023 and brings global experience in the FMCG, aviation and mobile internet industries. In her role as Chief Information Officer, she is responsible for ensuring the IT and technology infrastructure is fully embedded in the OneISS transformation, positioning us to achieve our strategic objectives.

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

Directors' and Board responsibilities

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

ISS A/S Committees

Board committees

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

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&I Group reports into the overall control environment evaluation held at Group level and provides 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 Governance

The ISS UK CLT presides over the management of the ISS UK&I Group. This Board meets formally each month. 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&I business, enable open discussion and challenge cross functionally.

Reporting to Group Board

ISS UK Executive Management Board have a monthly Business Review with the Northern Europe and UK&I Area and Group Committees at Parent Company level, including the UK Audit and Risk Committee (ARC). The CEO for Northern Europe and UK&I reports into the EGM.

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

Opportunity and risk

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

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

Risks

The ISS A/S Group has identified the following key risks for 2023 and into 2024:

- Strategic transformation
- Emerging technology
- Sustainability
- Health and safety
- Contract management
- Data collection and analysis
- People management
- Regulatory compliance
- IT security
- Macroeconomic and political environment

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

ISS Facility Services Limited recognises the need to look at risks that emerge from within the business to ensure the normal running of the business is maintained and where such risks are identified, ensure they are escalated, and that effective risk management plans are implemented. The UK&I risk management framework uses the Enterprise Risk Management process. Risks are assessed based on risk impact (minor to major) and vulnerability/probability (unlikely to almost certain) and scored using a scale. Risk causes, financial impact and proposed mitigation are assessed using the above governance relevant to the risk and via holding engagement meetings with appropriate stakeholders.

Strategic report *(continued)*

Corporate Governance *(continued)*

Other macro-economic risks

Other macro-economic risks have also played a large role in 2023 and through the first half of 2024. 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.

Executive Remuneration

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

Remuneration Committee

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

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

The success of the Company is dependent upon its placemakers. The Company has minimum wage obligations, and fully settled remediation activities as part of a working practices review during 2023, as well as pressure for a range of 'living wage' (a wage that is high enough to maintain a normal standard of living) levels. The ambition is to pay a minimum 'living wage' by 2025, with significant progress made during 2023 within the UK&I. 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.

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&I leadership team are full members of the LTIP.

Under the SIP, restricted share units (RSUs) are granted to the participants consisting of senior leaders. Each RSU entitles the holder to receive one share at no cost, subject to achievement of individual service or performance criteria upon vesting in 2025.

There is also a short-term incentive programme (STIP) that allows members the opportunity to earn a cash bonus subject to achieving certain financial and non-financial KPIs, measured annually and is designed to drive performance and the OneISS strategy.

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.

Strategic report *(continued)*

Corporate Governance *(continued)*

The following are the key stakeholders identified by the Company:

Employees

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

- Emails – business updates are emailed throughout each week
- UK Intranet
- ISS News – a UK monthly email newsletter, with news from around the business
- myISS – is a site for employees to access
- Yammer – this is our online messaging platform used for sharing news
- Internal events – these include conferences and events planned throughout the year
- ISSTV – a new TV series about life in ISS UK & Ireland was launched in December 2023

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&I Group has a dedicated Trade Union manager to ensure the relationship is maintained.

Customers

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

ISS Group

ISS UK Holding Limited (ISS UK Limited parent Company) is a wholly owned subsidiary of ISS A/S. The UK&I Group is a significant contributor to both the Northern Europe Area and the ISS Group as a whole. Therefore as a stakeholder the relationship is fundamental to the UK business.

ISS UK aligns to the Group structure and is fully supported by the central functions. Reporting into the Northern Europe and UK&I Area, which reports into ISS Group, provides a robust governance framework. Monthly Business Reviews are part of the reporting structure, these are compiled locally and sent to ISS Group via Northern Europe.

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

Suppliers

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

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

The ISS UK&I Group of businesses are signed up to the voluntary Prompt Payment Code and mandated to the Payment Practices Reporting (Duty to Report). Participants are expected to pay 95% invoices within 60 days. For the year ended 31 December 2023, the Company achieved 95% paid within 60 days.

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

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

Strategic report *(continued)*

Suppliers *(continued)*

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

Pension Funds

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

Non-financial and sustainability information statement

In accordance with sections 414CA and 414CB of the Companies Act 2006, the non-financial information for ISS Facility Services Limited is set out below.

Climate-related financial disclosures

In preparing the climate-related financial disclosures, the Company has considered the recommendations of the Task Force for Climate Related Financial Disclosures.

Governance

The Company forms part of the ISS UK&I Group which has a Net Zero Steering Committee, established in 2021. The Committee is accountable for managing climate-related risks and opportunities as well as programme risks relevant to the net zero agenda and wider climate-related business impacts. The Committee is sponsored by a member of the Country Leadership Team (CLT), of which the Company directors are part of.

The Terms of Reference for the committee state their responsibilities as follows:

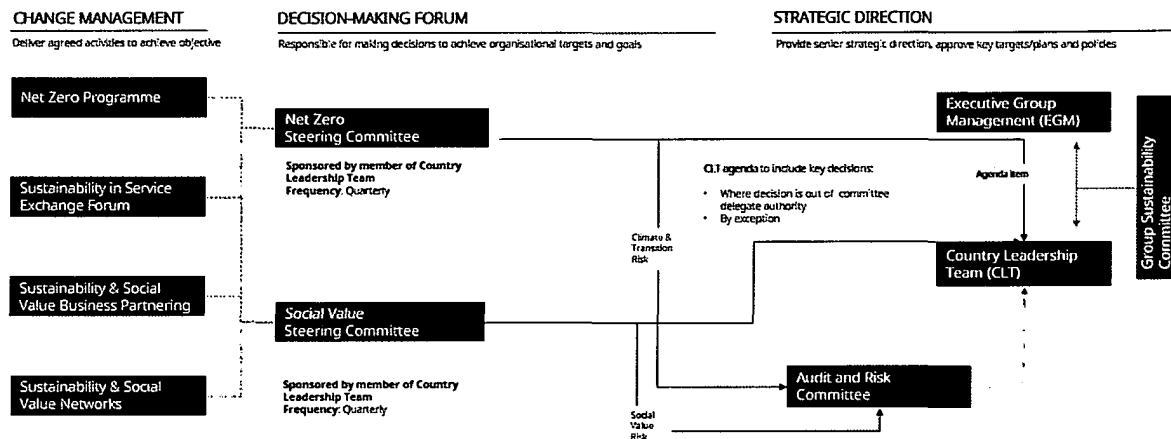
- Accountable for the UK&I Net Zero target and Transition Plan being delivered.
- Make decisions aligned to ISS organisational strategy and values.
- Take ownership of key transition impacts (financial, strategic, operational) providing clarity through expert knowledge, risk and opportunity articulation.
- Sponsor change activities including resource allocation and securing organisational buy-in.

Below is an overview of the sustainability governance, which sets out to connect steering committees to make focused and informed strategic decisions in order to meet organisational, market and customer-aligned sustainability.

Strategic report (continued)

UK&I SUSTAINABILITY GOVERNANCE

Championing
Sustainable
Workplaces



Strategy and Risk management

Environmental sustainability is one of the 5 strategic priorities of the OneISS strategy, with the goal of championing sustainable workplaces and protecting the environment. Sustainability is not viewed as a separate discipline, but intrinsic in the way we work. It is a key part of the strategy for business and embedded in decisions taken both globally and at a UK&I level.

As part of the UK strategy, there is a structured management process for risk as part of the UK&I risk management framework. All climate-related risks are assessed and managed in line with this process. Climate-related risks are a standing agenda item at the quarterly Audit & Risk Committee. For assessment of identified climate-related risks, ISS UK use the Enterprise Risk Management process. Risks are assessed based on risk impact (minor to major) and vulnerability/probability (unlikely to almost certain) and scored using a scale. Risk causes, financial impact and proposed mitigation are assessed using the above governance relevant to the risk and via holding engagement meetings with appropriate stakeholders. Actions taken are feedback through the relevant stakeholders/committees and monitored via the Net Zero Steering Committee or the Net Zero Programme.

Risks and opportunities are assessed by differing source types, as set out in the table below:

Source Type	Source Title	Source Description
Framework	UK Risk Management Framework	See above
Committee	ISS UK&I Net Zero Steering Committee	See above
Management Structure	Sustainability Senior Leadership Team	Operations Performance Sustainability management team reviews and defines risks related to the function
Programme Management	ISS UK&I Net Zero Programme	All projects within the Net Zero programme must manage their own risks to progress which often cover climate-related risks and opportunities
Employee Network	Sustainability Champions & Amassadors Network	The employee network is able to identify key operational transition risk and opportunities in day-to-day activities
Workshops	Ad-Hoc Risk Workshops	ISS UK hold risk workshops periodically on climate-risk to review how climate research and expected impacts will affect the organisation.

Strategic report *(continued)*

ISS UK&I also have key risks identified and fed down through the ISS Group Sustainability team. These are reviewed and incorporated as relevant to the ISS UK&I business.

The UK&I Group consider risks, opportunities and targets to be 'Short-Term' if within the next 5 years, 'Near-Term' if between 5-10 years and 'Long-Term' if over 10 years.

Climate-Related Risks

The UK&I Group, as applicable to ISS Facility Services Limited, have identified a series of climate-related risks. The 5 highest impact risks are set out below.

- **Chronic Physical Risk:** If climate change affects the food supply chain, the Company may not be able to maintain and deliver food services or the operating costs will significantly increase due to commodity scarcity. (Timeframe: Short-Term)
- **Chronic & Acute Physical Risk:** The UK&I may be subject to extreme weather events that trigger temporary floods and risk to customers sites. ISS service delivery will be affected if ISS cannot attend site or maintain the building at the required level. Risk to revenue and of penalties/liabilities. For critical services in the private sector, such as production, if ISS are unable to maintain service continuity there may be a significant impact to customer output. (Timeframe: Long-Term)
- **Transition Risk:** Increased operating costs with suppliers for different products, data, supply chain transparency. There is expected to be a high demand in private sector for Life Cycle Assessment data from ISS Facility Service Ltd. for service provision. (Timeframe: Short-Term)
- **Policy Transition Risk:** With increased regulation and policy released, companies will need to demonstrate their compliance through enhanced reporting requirements. For ISS Facility Services Ltd., the regulatory landscape for private sector may be held to a higher account and may not be aligned between customers. This will increase resources required to comply. If ISS does not comply with standards/regulation, there could be financial penalties, regulatory and commercial risk. (Timeframe: Short-Term)
- **Legal Transition Risk:** To achieve net zero, ISS UK&I will have to 'offset' emissions through the use of carbon credits. In recent years, carbon credit schemes have been exposed as fraudulent, inaccurate, socially damaging. Private sector customers may ask ISS Facility Service Ltd. to offset emissions for the service delivery on their behalf, accelerating the need for internal framework. If ISS is unable to secure partnerships or high-quality offsets there is a financial and reputational risk. (Timeframe: Near-Term)

Risk Management & KPI Selection

Food Waste Target: One of the activities that ISS can do to mitigate increased food costs is to manage food supplies and waste to ensure the highest proportion of edible food is consumed. The ISS waste target encourages the minimisation of plate waste, preparation waste and effective and dynamic food ordering.

Net Zero Target: Though ISS, is a comparatively low-emitting organisation, it is critical that all organisations support the mitigation of climate change through the reduction of emissions. ISS UK&I have held, as part of the wider ISS Group, a Net Zero target since 2022, with an absolute carbon reduction target.

Climate-Related Opportunities

ISS UK&I, as applicable to ISS Facility Services Limited, have identified a series of climate-related opportunities. The 5 highest impact opportunities are set out below.

- **Products & Services:** ISS has developed a series of sustainability products to support customer sustainability goals including energy and waste management as well as advisory services. This activity is accelerated in the private sector, where there has been significant investment in innovations to address sustainability-related challenges. (Timeframe: Short-Term)
- **Products & Services:** ISS can increase growth and market-share through developing a strong proposition on sustainability. This could increase the win-rate and retention rate for customers. (Timeframe: Short-Term)
- **Resource Efficiency:** ISS can save money through effective management of resources and embedding circularity principles in business processes. (Timeframe: Short-Term)
- **Markets:** ISS can strengthen branding with investors and customers through a strong sustainability proposition and secure long-term revenue and easier retention. Sustainability strategies are long term; if ISS can build a strategy together with our customers, customer retention rates are more likely to increase. (Timeframe: Short-Term)

Strategic report *(continued)*

- **Products & Services:** ISS can develop new sustainable core services as well as new services to meet the demands of the market as well as build climate-resilience. (Timeframe: Short-Term)

The Company identifies, assesses and manages climate-related risks to ensure business resilience to the direct and indirect impacts of climate and the global transition to a low-carbon economy. The company will strengthen the service offering with sustainability products and work with the supply chain to build resilience against climate risk. In the short-term, the need for quality sustainability data and the ability to meet new regulatory and reporting requirements is recognised and addressed. The Company utilises the framework and both existing and new internal governance structures to proactively mitigate the managed companies impacts and capitalise on opportunities.

Qualitative Scenario-Risk Analysis

In early 2024, ISS Group released the 2023 Sustainability Report with the use of scenario-based analysis (Sustainability Report 2023 pages 45-47), using the Intergovernmental Panel on Climate Change (IPCC) scenarios of warming to model the financial impact of physical climate change to revenue.¹ ISS UK&I have adopted the same scenarios and have completed a qualitative scenario-based risk analysis from a legal entity perspective. Two scenarios have been selected for analysis using the IPCC reports and following the ISS Group example. This structure has been used to review the five key risks and their impacts against the scenarios.

SSP1/ RCP 2.6- Reflects a global outcome where emission reduction commitments are generally realized and resulting in a likely moderate temperature increase stabilizing at around 1.8 degrees C by the end of the century.

SSP5/ RCP 8.5 - Reflects a continued global fossil-fuels dependency development leading to almost double CO₂ emission levels by 2050 compared to today and resulting in a likely temperature increase of 4.4 degrees C in 2100

Ref.	Risk Title (For full description see above)	Baseline Impact	Scenario SSP1/ RCP 2.6	Scenario SSP5/RCP 8.5	Mitigation Activities	Risk Connections
R1	Climate change affecting the food supply chain.	ISS currently experience some impacts on food supply chain, for example the heat in Southern Europe affecting fruits & vegetables as well as increased rainfall on potato harvest.	Expectations of some price fluctuations and increased food costs, potential service limitations but significant scarcity and service disruption are less likely. Disruptions are likely to be less frequent and severe with climate commitments being met.	More frequent droughts, floods, and extreme weather events could significantly disrupt food production and distribution. Risk to nutritional value of food in high carbon environment. Food scarcity and price instability would affect service delivery.	Diversifying suppliers Alternate food sources Long-term partnership with food producers Flexible menu/commodity planning with customers	
R2	Extreme weather events that trigger temporary floods and risk to customers sites	ISS have experienced cases of significant disruption to service delivery (COVID) in recent years.	Increased frequency and intensity of floods could disrupt service delivery, leading to revenue loss and potential penalties for missed service levels. However, the overall impact might be more manageable. There may be potential penalties for failing to maintain buildings and reputational damage.	Flooding events could become more frequent and severe, causing widespread disruption and potentially overwhelming ISS's ability to respond. The financial impact from revenue loss, penalties, and potential liabilities could be significant. ISS may not be skilled and equipped to manage severe service disruption. Business continuity critical for customers (e.g productions)	Developing contingency plans and risk assessments for extreme weather events. Exploring remote service delivery options and options for additional, relevant services.	

¹ IPCC (2023), AR6 Synthesis Report <AR6 Synthesis Report: Climate Change 2023 (ipcc.ch)>

Strategic report (continued)

Ref.	Risk Title (For full description see above)	Baseline Impact	Scenario SSPI/ RCP 2.6	Scenario SSP5/RCP 8.5	Mitigation Activities	Risk Connections
R3	Increased operating costs with suppliers for different products, data, supply chain transparency.	Limited impact experienced to date.	In the scenario that climate targets are achieved this will only have happened with access to high quality data and strong supply chain management, increasing costs. ISS can expect to see price increases for supply chain transparency measures.	In this scenario, suppliers will likely face more significant costs due to climate-related disruptions and regulations. This will be shared with the responsibilities to provide data, whereas in the SSP1/RCP 2.6 the focus is likely on data/information provision.	Long-term supplier contracts with price escalation clauses, exploring alternative suppliers with lower climate risk profiles. Define product package in alignment with market rates.	Suppliers also affected by regulation (R4). Climate impact and mitigation cost significant for food supply chains (R1)
R4	Increased climate regulation and reporting	ISS UK has already been impacted by increasing regulations and requirement to report e.g.CFD, PPN06/21.	With stricter regulations aimed at achieving net zero, reporting requirements are likely to become more complex. The private sector (e.g. financial services) may be held to a higher standard sooner and require that of their suppliers	In this scenario, because climate goals have not been met, mitigation related policy changes may be more reactive, have quicker response times and require more significant business changes/costs. Increased pressure on private sector to act, ISS Facilities Service Ltd. would be required to comply.	Building internal expertise in climate reporting, investing in compliance management systems. Provision of time/resource to alert, scope and prepare for changes in regulation/market	
R5	To achieve net zero, ISS UK&I will have to 'offset' the emissions through the use of carbon credits.	ISS UK&I have not defined a 'Responsible Offsetting Policy' due to the turbulence of the voluntary carbon credit market.	Potentially less demand for offsets as the "green road" had been taken meaning absolute reduction has taken place rather than reliance on offsets. Regardless of the emissions scenario, the validity and effectiveness of carbon offset schemes remain a concern. ISS needs to be cautious in selecting offsets and invest in credible solutions to mitigate reputational risk.	Potentially more demand for offsets as absolute reduction is not taking place with this scenario. This would lead simultaneously to an increase in costs for carbon credits as well as increased regulation if they are not delivering expected results. Reputational risk if associated with unreliable carbon offset schemes, potential financial penalties for non-compliance. Regardless of the emissions scenario, the validity and effectiveness of carbon offset schemes remain a concern.	Investing in credible carbon offset programs with robust verification systems, exploring internal carbon reduction initiatives. Mitigating risk through portfolio resilience and potentially long-term partnerships.	Offsetting schemes may be regulated by the UK Government in the near future, where ISS UK would have to demonstrate due diligence (R4).

Strategic report *(continued)*

Metrics and targets

ISS UK&I metrics and targets focus on delivering against strategic, sustainability targets on GHG emission reduction as well as intensity targets.

Term	Metric	Target (2019 Baseline)	Progress (2019 Baseline)
Near-Term	Absolute reduction Scope 1 & 2 carbon emissions	90% by 2030	(26%) ISS Group Progress (36%) UK Progress
Long-Term	Absolute reduction Scope 3 carbon emissions	90% by 2040	(5%) ISS Group Progress (*) ISS UK
Near-Term	Absolute reduction Scope 3 carbon emissions	27.5% by 2030	
Near-Term	Absolute reduction food-related carbon emissions	25% by 2030	This will be reported in 2024 following external verification as part of the Cool Food Pledge
Short-Term	Absolute reduction target for food waste	50% 2027	30% has been achieved globally in 2023
Near-Term	All commercial vehicles EV or hydrogen by 2030	100% by 2030	15% across company cars and commercial vehicles

*UK specific Scope 3 target progress to be reported on in 2024 as part of further calculation and data quality assurance activities. Group Progress information can be found on page 60 of the ISS A/S Sustainability Report.

Emission targets are measured using the same methodologies as set out in the Streamlined Energy and Carbon Reporting Section below.

Reducing food emissions is done through reducing consumption volume e.g. by optimising meal sizes or by changing the recipe mix towards less carbon emission intensive sources while at the same time ensuring that end-users remain satisfied. Our talented chefs and food teams design innovative menus that support the well-being and nutritious needs of our end-users and move us closer to our 2030 food emission reduction target.

Our food waste initiative is supported by our partnership with Winnow and we have continued our roll-out of our Winnow food waste reduction service product

To incentivise personnel, ESG targets are included as part of the remuneration in the STIP (Short Term Incentive Plan). The ESG targets centre around the percentage of absolute carbon emission reduction in line with decarbonisation targets.

Streamlined Energy and Carbon Reporting

ISS UK&I is committed to be a responsible user of resources and continues to consider ways it can reduce its environmental impact. Since 2018, ISS UK&I have increased the amount of consumed power from renewable sources to 97%, resulting in a reduction in property (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).

In 2023, ISS UK&I completed the first year of an energy optimisation programme across the ISS UK&I estate which includes data analysis using interval meter data, site surveys by energy managers, identification and delivery of Energy Conservation Measures and measurement & verification to quantify reduction. The energy reduction target was achieved for Year 1 and progress will be continued across the estate. ISS have also been working and engaging with landlords to remove natural gas from buildings as well as embedding a Building Temperature Policy across the estate.

As part of the decarbonisation activities, ISS UK&I has been transitioning the fleet (inclusive of company cars and cash allowance vehicles) to less CO₂e intensive options.

Strategic report *(continued)*

Streamlined Energy and Carbon Reporting *(continued)*

The table below provides this information for ISS Facility Services Limited from January to December 2022 and 2023. The Company 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 2023. Further information on ISS's methodology can be found on the ISS UK Website <https://www.uk.issworld.com/>

ISS Facility Services Limited - GHG Tonnes (t/CO₂e)			
Scope 1	2023	2022	Change to previous year (%)
Natural Gas	32.01	32.28	(0.84)
Diesel	3,367.72	3,865.74	(12.88)
Petrol	716.36	463.50	54.55
Other fuels	101.03	45.42	122.45
f-Gas	0.86	1.97	(56.33)
Total scope 1	4,217.97	4,408.91	(4.33)
Scope 2			
Electricity - location-based	188.37	128.32	46.8
Electricity - market-based	68.10	40.66	67.49
Total scope 1 & 2 (Location)	4,406.35	4,537.22	(2.88)
Total scope 1 & 2 (market)	4,286.08	4,449.57	(3.67)
Scope 3			
Business Travel (Private miles)	80.10	118.42	(32.36)
Total Scope 3	80.10	118.42	(32.36)
Total Scope 1, 2 & 3 (location-based)	4,486.45	4,655.65	(3.63)
Total Scope 1, 2 & 3 (market-based)	4,366.18	4,567.99	(4.42)
Total kWh	18,449,632.22	19,446,808.49	(5.13)
Intensity Ratio (t/Co₂ per £m T/O)	6.22	6.84	(9.01)

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

Strategic report *(continued)*

Energy consumption (used to calculate emissions above)

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

ISS Facility Services Ltd kWh		
Activity source	kWh 2023	kWh 2022
Natural Gas	174,970.7	179,315.5
Diesel	13,832,661.9	15,936,714.9
Petrol	3,197,614.3	2,024,211.1
Electricity	909,852.66	810,665.40
Business Travel (Private miles)	334,532.7	495,901.7
Total kWh	18,449,632	19,446,808

On behalf of the Board



J Roberts
Director

Velocity 1
Brooklands Drive
Brooklands
Weybridge
Surrey
KT13 0SL

3 July 2024

Directors' report

The Directors present their Directors' report and the audited financial statements for the year ended 31 December 2023. 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 (2022: £nil).

Directors

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

E Benison

J Roberts

A Wilkinson

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 (2022: £nil).

Going concern

The financial statements have been prepared on a going concern basis. ISS UK Limited has loan facilities totalling £200m in place with ISS Global A/S, penultimate parent Company consisting of a £125m and £75m facility, with maturity dates of 31 July 2025 and 1 June 2028 respectively. The Company is in receipt of a letter of support from ISS UK Limited, the parent Company, to assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. ISS UK Limited has confirmed that it has the ability to provide such support and it will provide this support to the Company, to the extent outlined above, until 31 July 2025.

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

The Directors have assessed the ability and made the relevant enquiries of ISS A/S, ultimate parent Company, to continue to provide these facilities and support during the forecast period to 31 July 2025 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 2024 and to 31 July 2025 which included analysis of cash flows for that forecast period.

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

Directors' report (continued)

Going concern (continued)

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

The possibility of both the severe but plausible and reverse stress scenarios are considered remote when contemplating the business' financial performance in 2023 and 2024 to date and the contractual nature of the ISS UK business which is typically medium to long term in nature, typically contain fixed minimum monthly revenues and any changes in scope or scale require ISS consent.

This assessment confirmed that the consolidated ISS UK businesses have adequate undrawn credit facilities to enable it to meet its obligations as they fall due in order to continue its operations during the going concern forecast period that was considered to 31 July 2025. Based on the Board's review of the Company's going concern assessment and the liquidity and cash flow reviews of the Company, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to auditor

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

Future outlook

In 2024, the execution of the OneISS strategy will continue: strategies that define the key strategic objectives for growth, business improvement and achieving success. 2024 and beyond will focus on growth, functional transformation focussed on financial control, and a cultural focus on an enterprise mindset.

The organisation will invest in growth opportunities within our core and growth segments of Banking, Professional Services, Production & Technology. The 2024 and future outlook will focus on 5 strategic priorities centred around: Commercial Momentum – strong commercial governance; Brilliant Operating Basics - leverage technology-enabled and scalable processes to drive efficiencies; Service Products Built on Leading Technology – innovate service lines and embed technology in service products; Environmental Sustainability - global industry leader in environmental sustainability; and Safe, Diverse and Inclusive Workplaces – Leading promoter of social value and a 'Global Company of Belonging'.

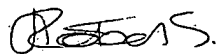
Subsequent events

There have been no subsequent events after the year end.

Auditor

Following a recent external audit tender process, the Board of ISS A/S have decided that for the 31 December 2024 year end, the audit of ISS A/S (including its subsidiaries) will be performed by PricewaterhouseCoopers LLP. As such, Ernst & Young LLP will resign as auditors of the Company.

On behalf of the Board



J Roberts
Director

Velocity 1
Brooklands Drive
Brooklands
Weybridge
Surrey
KT13 0SL

3 July 2024

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 2023 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

The Company is reliant on a letter of financial support from its immediate parent, ISS UK Limited, for the period to 31 July 2025. Based on the procedures we performed, we have determined that the immediate parent has the ability to provide support to the Company in order for the Company to remain a going concern for the period to 31 July 2025. Our procedures are primarily focused on assessing ISS UK Limited's ability to provide financial support to the Company for the period to 31 July 2025.

- We confirmed our understanding of ISS UK Limited's going concern assessment process and how relevant key factors were identified and considered in its assessment;
- We obtained ISS UK Limited's going concern assessment, which covers the period through to 31 July 2025, 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 (e.g., contract wins and losses, portfolio vs non-portfolio mix, inflationary cost increase, and margin and cost improvement actions) have been considered and the performance of stress testing;
- We reviewed management's reverse stress testing to assess the headroom before cash and available facilities are fully utilised;

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

(Continued)

- We confirmed the amount and period of the facilities available to ISS UK Limited from ISS Global A/S the Company's penultimate parent; and assessed the likelihood that ISS UK Limited may require additional financial support throughout the forecast period to 31 July 2025; and
- We read the Company's going concern disclosures included in the annual report and financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 July 2025.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations focusing on the most significant reporting and tax regulations referenced above. Our procedures involved obtaining and reading correspondence with relevant authorities where available and with professional service advisors where they have been involved or provided advice to the Company. We also obtained a listing of legal and professional fees to understand their nature and assist in identifying any non-compliance matters not covered by other procedures. We involved our tax specialists in the audit of management's corporation tax calculations. We involved other specialists to assist in our assessment of provisions in other areas and in the design of audit procedures responsive to significant risks, where required. We assessed for potential non-compliance with laws and regulations, including required communications. We evaluate 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 a risk of fraud and 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;
 - testing manual journals, with a focus on identified terms and large or unusual transactions;
 - enquiries of legal counsel; and
 - 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
3 July 2024

Income statement

for the year ended 31 December 2023

	<i>Note</i>	2023 £000	2022 £000
Turnover	4	693,610	657,491
Cost of sales		(605,299)	(566,147)
		<hr/>	<hr/>
Gross profit		88,311	91,344
Administrative expenses		(75,583)	(71,363)
		<hr/>	<hr/>
Operating profit	5	12,728	19,981
Interest payable and similar charges	8	(176)	(23)
Other finance expense	9	(1,096)	(861)
		<hr/>	<hr/>
Profit before taxation		11,456	19,097
Tax on profit	10	(1,284)	(435)
		<hr/>	<hr/>
Profit for the financial year		10,172	18,662
		<hr/> <hr/>	<hr/> <hr/>

All activities relate to continuing operations.

Statement of comprehensive income
for the year ended 31 December 2023

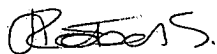
	<i>Note</i>	2023 £000	2022 £000
Profit for the financial year		10,172	18,662
Items that cannot be reclassified to profit or loss:			
Remeasurement gain on defined benefit pension plans	22	6,414	298
Tax on remeasurement gain on defined benefit pension plans	10	(1,604)	(75)
		<hr/>	<hr/>
Other comprehensive income		4,810	223
		<hr/>	<hr/>
Total comprehensive income for the financial year		14,982	18,885
		<hr/> <hr/>	<hr/> <hr/>

Statement of financial position

at 31 December 2023

	<i>Note</i>	2023 £'000	2022 £'000
Fixed Assets			
Tangible assets	11	7,970	8,730
Right of use assets	12	24,253	20,613
Defined benefit pension plan asset	22	6,468	-
		<u>38,691</u>	<u>29,343</u>
Current Assets			
Stocks	13	880	770
Debtors: (including £6,487,000 (2022: £9,702,000) falling due after one year)	14	273,266	254,683
Cash at bank	16	742	427
Current Assets		<u>274,888</u>	<u>255,880</u>
Creditors: amounts falling due within one year	17	(208,083)	(191,757)
Provisions	18	(1,849)	(7,402)
Net Current Assets		<u>64,956</u>	<u>56,721</u>
Total Assets less Current Liabilities		103,647	86,064
Creditors: amounts falling due after more than one year	19	(19,567)	(16,676)
Provisions	18	(1,650)	(1,642)
Defined benefit pension plan deficit	22	(48)	(346)
Net Assets		<u>82,382</u>	<u>67,400</u>
Capital and Reserves			
Share capital	20	100	100
Retained earnings		82,282	67,300
Total Equity		<u>82,382</u>	<u>67,400</u>

These financial statements were approved by the Board of Directors on 3 July 2024 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 2023

	<i>Note</i>	Share capital £000	Retained earnings £000	Total Equity £000
At 1 January 2022		100	48,415	48,515
Profit for the financial year		-	18,662	18,662
Other comprehensive income			223	223
Total comprehensive income for the year		-	18,885	18,885
At 31 December 2022		100	67,300	67,400
Profit for the financial year		-	10,172	10,172
Other comprehensive income		-	4,810	4,810
Total comprehensive income for the year		-	14,982	14,982
At 31 December 2023		100	82,282	82,382

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 2023 were authorised for issue by the Board of Directors on 3 July 2024 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 and incorporated and domiciled in England, with a registered office at Velocity 1, Brooklands Drive, Brooklands, Weybridge, Surrey, KT13 0SL, United Kingdom.

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

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

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

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

Going concern

The financial statements have been prepared on a going concern basis. ISS UK Limited has loan facilities totalling £200m in place with ISS Global A/S, penultimate parent Company consisting of a £125m and £75m facility, with maturity dates of 31 July 2025 and 1 June 2028 respectively. The Company is in receipt of a letter of support from ISS UK Limited, the parent Company, to assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. ISS UK Limited has confirmed that it has the ability to provide such support and it will provide this support to the Company, to the extent outlined above, until 31 July 2025.

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

The Directors have assessed the ability and made the relevant enquiries of ISS A/S, ultimate parent Company, to continue to provide these facilities and support during the forecast period to 31 July 2025 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 2024 and to 31 July 2025 which included analysis of cash flows for that forecast period.

The UK consolidated cash flow forecasts are regularly reviewed and updated, incorporating our actual experience to date along with our expected future outturn. In preparing these cash flows, the directors have taken into consideration the relevant impacts of macroeconomic and geopolitical risks such as any impact of the Ukraine war and high inflationary and interest rate environment. Consideration was then given to the principal risks attributable to the ISS UK businesses, such as significant reductions in revenues, caused by loss of custom through bankruptcy or retender or change in contract scope, or delay in collection from customers. Further, consideration was given to increased levels of inflation particularly with respect to non-people costs borne by the Company and the ability to pass on to or recover the increased costs from customers, as well as margin and cost improvement actions that can be taken. The cash flow forecasts were sensitised for principal risks and uncertainties relevant to the ISS UK businesses in a severe but plausible downside scenario. Cash flow forecasts then were reverse stress tested to understand the headroom available before the loan facilities referred to above could be exhausted. The possibility of both the severe but plausible and reverse stress scenarios are considered remote when contemplating the business’ financial performance in 2023 and 2024 to date and the contractual nature of the ISS UK business which is typically medium to long term in nature, typically contain fixed minimum monthly revenues and any changes in scope or scale require ISS consent.

This assessment confirmed that the consolidated ISS UK businesses have adequate undrawn credit facilities to enable it to meet its obligations as they fall due in order to continue its operations during the going concern forecast period that was considered to 31 July 2025. Based on the Board's review of the Company’s going concern assessment and the liquidity and cash flow reviews of the Company, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Notes (continued)

2 General information

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

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (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; and
- (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.

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.

Deferred tax assets – judgement and estimation

Deferred tax assets relating to tax losses carried forward are recognised, when management assesses that these can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date. Future taxable income is based on financial forecasts approved by management. These represent management's best estimates but are by nature associated with uncertainty.

Notes (continued)

2 General information (continued)

Judgements and key sources of estimation uncertainty(continued)

Pension and other post-employment benefits - judgement

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

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

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

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 22.

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.

Notes (continued)

3 Significant accounting policies (continued)

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.

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.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements. A disclosure for a contingent liability is made where there is a possible obligation arising out of a past event, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation arising out of a past event where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

Notes (continued)

Leases

The Company as lessee

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

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

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

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

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

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

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

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

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

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 the income statement.

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.

Notes *(continued)*

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.

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.

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.

Notes (continued)

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 the income statement. 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.

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 the income statement 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 from contracts with customers

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.

Notes (continued)

Trade receivables and contract assets

Trade receivables and contract assets are 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 (ECL).

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 the income statement when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

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

Contract assets and contract liabilities

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

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

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

Where revenue recognised at each reporting period is more than amounts invoiced, the Company recognises unbilled revenue (a contract asset). Where revenue recognised is less than amounts invoiced, deferred revenue is recognised as a contract liability.

For key accounts and other large contracts, the transaction price may include variable consideration based on achievement of certain key performance indicators (also known as management fee at risk (MFAR)). Estimated variable consideration is accrued and recognised as an asset (contract asset - unbilled receivable). Where the Company is required to refund a portion of the consideration received for non-achievement of key performance indicators, a contract liability is recognised.

Recoverability of contract assets is assessed at each reporting date and an impairment recognised immediately in the income statement 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.

Share-based payments

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

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

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

Notes (continued)

4 Turnover

Turnover is entirely derived within the United Kingdom. Revenue is analysed as follows:

	2023 £000	2022 £000
Facilities management	378,840	299,061
General cleaning	199,730	245,806
Security	67,653	75,212
Catering	47,387	37,412
	<u>693,610</u>	<u>657,491</u>

5 Operating profit

	2023 £000	2022 £000
Depreciation on tangible fixed assets	1,501	2,132
Depreciation on right-of-use assets	5,655	5,397
Stock recognised as an expense	11,644	8,503
Subcontractor costs	205,979	182,097
Net management fees	41,643	40,451
Loss on disposal of fixed assets	-	293
Net impairment reversals on financial and contract assets	(694)	(2,603)
Amortisation of contract assets		
Capitalised transition costs	196	393
Sign-on fees	565	565
	<u>600</u>	<u>555</u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	<u>600</u>	<u>555</u>

There were no amounts receivable by the auditors and their associates in respect of taxation or other services (2022: nil)

6 Remuneration of Directors

	2023 £000	2022 £000
Directors' emoluments	1,721	1,577
Company contributions to the money purchase pension schemes	5	10
	<u>1,726</u>	<u>1,587</u>

The emoluments disclosed above represent the total remuneration for services to all group companies, on the basis that it has not been possible to apportion this. The directors are all remunerated by ISS UK Limited.

Notes (continued)

6 Remuneration of Directors (continued)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £908,000 (2022: £670,000), and Company pension contributions of £nil (2022: £nil) were made to a money purchase scheme on their behalf. The Directors are paid by ISS UK Limited for their services. Additionally, the Company has an annual bonus plan and a 3-year SIP and LTIP and this incentivises the Board and senior leaders to support long term goals. The SIP is based on Restricted Stock Units (RSUs) which vest subject to certain conditions. The LTIP is based on Performance Share Units (PSUs) which, subject to certain conditions, vest and convert into ISS shares, again incentivising long term value. One option vested during the year. 1 director (2022: 1) participated in the SIP (including the highest paid director). 3 directors (2022: 5) participated in the LTIP (including the highest paid director) with £85,000 paid to the directors. 1 director (2022: 3) had Company pension contributions made to a money purchase scheme on their behalf.

7 Staff numbers and costs

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

	2023	2022
Management and administration	2,108	1,954
Operatives	9,741	11,129
Average number of employees	<u>11,849</u>	<u>13,083</u>

The aggregate payroll costs of these persons were as follows:

	2023 £'000	2022 £'000
Wages and salaries	287,693	286,999
Social security costs	31,638	32,856
Other pension costs	13,418	11,737
Redundancy	3,077	-
Total	<u>335,826</u>	<u>331,592</u>

The other pension costs referred to above represent ISS Facility Services Limited's share of the schemes that it participates in. Full details of the schemes can be found in note 22.

8 Interest payable and similar charges

	2023 £'000	2022 £'000
Bank interest payable	<u>(176)</u>	<u>(23)</u>

Notes (continued)

9 Other finance expense

	2023	2022
	£'000	£'000
Interest income on pension scheme assets (note 22)	1,345	662
Interest expense on pension scheme liabilities (note 22)	(1,369)	(678)
Interest on lease liabilities (note 12)	(810)	(559)
Other interest expense	(262)	(286)
	<u>(1,096)</u>	<u>(861)</u>

10 Taxation

Tax in the income statement

	2023	2022
	£000	£000
<i>Current tax</i>		
UK corporation tax on profit for the year	601	306
Adjustments in respect of prior periods	(363)	356
	<u>238</u>	<u>662</u>
<i>Deferred tax (see note 15)</i>		
Origination/reversal of temporary differences	1,922	2,084
Adjustments in respect of prior periods	(876)	(782)
Effect of changes in tax laws and rates	-	(1,366)
Other movements – pensions	-	(163)
	<u>1,046</u>	<u>(227)</u>
Total deferred tax charge/(credit)	<u>1,046</u>	<u>(227)</u>
Tax charge in the income statement	<u>1,284</u>	<u>435</u>

Tax in other comprehensive income

	2023	2022
	£000	£000
<i>Deferred tax (see note 15)</i>		
Remeasurement gains and losses on defined benefit pension plans	1,604	75
	<u>1,604</u>	<u>75</u>
Total deferred tax charge	<u>1,604</u>	<u>75</u>
Tax charge in other comprehensive income	<u>1,604</u>	<u>75</u>

Notes (continued)

10 Taxation (continued)

Reconciliation of total tax charge

The tax charge in the income statement is lower (2022: lower) than the standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are explained below:

	2023 £000	2022 £000
Profit before tax	11,456	19,097
Current tax at 23.5% (2022: 19%)	2,692	3,628
<i>Effects of:</i>		
Expenses not deductible for tax purposes	330	268
Income not taxable	(614)	(499)
Effect of changes in tax laws and rates	-	(1,366)
Relating to pensions	-	(163)
Group relief utilised not paid for	-	(1,227)
Tax rate differential on temporary differences	115	220
Adjustments in respect of prior periods	(1,239)	(426)
Tax charge reported in the income statement	<u>1,284</u>	<u>435</u>

Change in corporation tax rate

The current rate of corporation tax in force in the period was a rate of 23.5%.

The UK Budget 2021 included an increase to the UK's main corporation tax rate to 25%, which was effective from 1 April 2023 and enacted at the balance sheet date. Deferred taxes have been measured at 25%.

The ISS group is within the scope of the OECD Pillar Two model rules. The group head office is fully engaged in determining the impact of the OCED Pillar Two model rules on the global group. Safe harbour calculations for the UK have indicated that no top-up tax would be due. Furthermore, Pillar Two legislation was enacted in the UK, the jurisdiction in which the company is incorporated, and will come into effect from 1 January 2024.

Since the Pillar Two legislation was not effective at the reporting date, the company has no related current tax exposure. The company has applied the exemption to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. Under the UK legislation, the UK group is liable to pay a domestic top-up tax (DTT) for the difference between their UK Group effective tax rate per jurisdiction and the 15% minimum rate. Based on draft calculations for 2023, the average effective tax rate for the UK group would exceed 15% and so no DTT would be due.

The UK group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect, however, currently, we do not envisage that any DTT would be due and, if any were, any impact would not be material to the financial statements.

Notes (continued)

11 Tangible fixed assets

	Land and Buildings	Leasehold Improvements	Office Equipment	Machinery	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	4,968	6,562	3,393	1,814	16,737
Additions	273	-	140	328	741
Disposals	-	(18)	(1,315)	(1,341)	(2,674)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	5,241	6,544	2,218	801	14,804
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	1,309	2,811	2,130	1,757	8,007
Charge for year	199	783	437	82	1,501
Disposals	-	(18)	(1,315)	(1,341)	(2,674)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,508	3,576	1,252	498	6,834
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2023	3,733	2,968	966	303	7,970
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	3,659	3,751	1,263	57	8,730
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Leases

Right-of-use assets

	Buildings	Vehicles	Equipment	Total
<i>Net book value</i>	£000	£000	£000	£000
At beginning of year	13,670	6,754	189	20,613
Additions	71	9,162	62	9,295
Depreciation charge for year	(2,111)	(3,471)	(73)	(5,655)
Net book value 31 Dec 2023	11,630	12,445	178	24,253

Amounts recognised in the income statement

	2023	2022
	£000	£000
Depreciation expense on right-of-use assets	5,655	5,397
Interest expense on lease liabilities	810	559
Short term leases	106	-

The total cash outflow for leases amounted to £5,938,000 (2022: £5,603,000).

Lease liabilities

Analysed as:	2023	2022
	£000	£000
Current (note 17)	5,500	4,223
Non-current (note 19)	19,567	16,676
Total	25,067	20,899

Maturity analysis

	2023	2022
	£000	£000
Years 1 - 5	20,945	13,136
Years 5+	4,122	7,763
	25,067	20,899

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 4.66 years (2022: 4.51 years).

13 Stocks

	2023	2022
	£000	£000
Raw materials and consumables	880	770

Notes (continued)

14 Debtors

	2023 £000	2022 £000
Amounts falling due within one year		
Trade debtors	53,471	55,835
Allowance for credit losses	<u>(78)</u>	<u>(870)</u>
	53,393	54,965
Amounts owed by parent companies	177,702	158,937
Amounts owed by fellow subsidiaries	5,026	5,862
Corporation tax	178	-
Other debtors	7,195	6,460
Prepayments	2,264	1,904
Contract assets	21,021	16,853
	<u>266,779</u>	<u>244,981</u>
Amounts falling due after more than one year		
Contract assets	689	1,254
Deferred tax asset (note 15)	5,798	8,448
	<u>6,487</u>	<u>9,702</u>
	<u>273,266</u>	<u>254,683</u>

Contract assets comprise of the following:

	2023 £000	2022 £000	1 January 2022 £000
Short term			
Contract assets – unbilled receivables	11,643	10,087	18,001
Contract assets – sign-on fees	565	565	2,384
Contract assets – capitalised transition costs	144	340	733
Contract assets - WIP	<u>8,669</u>	<u>5,861</u>	<u>7,069</u>
	<u>21,021</u>	<u>16,853</u>	<u>28,187</u>
Long term			
Contract assets – sign on fees	<u>689</u>	<u>1,254</u>	<u>-</u>

Contract assets have increased year on year largely due to the increase in unbilled receivables and contract WIP. Further information on revenue recognition can be found in Note 3 to these accounts.

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

Debtors and net current assets include debtors receivable after more than one year of £6,487,000 (2022: £9,702,000).

Notes (continued)

14 Debtors (continued)

Amounts owed by parent companies and fellow subsidiaries are non-interest bearing and repayable on demand. 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 £484,000 (2022: £333,000).

Contract WIP is stated after provisions of £500,000 (2022: £1,240,000).

15 Deferred tax asset

	2023 £000	2022 £000
At start of the year	8,448	8,459
Deferred tax (charge)/credit in the income statement	(1,046)	64
Deferred tax charge in other comprehensive income	(1,604)	(75)
	<hr/>	<hr/>
At the end of the year	<u>5,798</u>	<u>8,448</u>

The elements of deferred taxation are as follows:

	2023 £000	2022 £000
Relating to temporary differences due to accelerated capital allowances	2,335	3,042
Relating to other temporary differences	547	1,327
Relating to losses unutilised	4,520	3,992
Relating to pension schemes	(1,604)	87
	<hr/>	<hr/>
	<u>5,798</u>	<u>8,448</u>

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

16 Cash and bank

	2023 £000	2022 £000
Cash at bank	742	427
	<hr/>	<hr/>

Notes *(continued)*

17 Creditors: amounts falling due within one year

	2023	2022
	£000	£000
Trade creditors	34,758	21,009
Amounts owed to parent companies	69,945	69,192
Amounts owed to fellow subsidiaries	6,459	5,184
Taxation and social security	19,384	13,269
Corporation tax	-	27
Group relief	407	2,103
Accruals	41,218	49,946
Contract liabilities	30,412	26,804
Lease liabilities (note 12)	5,500	4,223
	<u>208,083</u>	<u>191,757</u>

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

Amounts owed to parent companies and fellow subsidiaries are non-interest bearing and repayable on demand.

Revenue recognised that was included in the contract liability at the beginning of the period amounted to £21,497,000 (2022: £18,179,000).

Contract liabilities comprise of the following:

	2023	2022	1 January 2022
	£000	£000	£000
Contract liabilities – other	6,627	5,307	11,199
Contract liabilities – deferred revenue	<u>23,785</u>	<u>21,497</u>	<u>18,179</u>
	<u>30,412</u>	<u>26,804</u>	<u>29,378</u>

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

The increase in deferred revenue contract liabilities is due to new contracts with revenue billed in advance and an increase in revenue billed in advance on existing contracts which will be recognised in 2024.

Notes (continued)

18 Provisions for liabilities and charges

	Property restoration	Contract provisions	Regulatory and employment matters	Total
	£000	£000	£'000	£'000
As at 1 January 2023	2,308	2,123	4,613	9,044
Charged to income statement	76	-	678	754
Released to income statement	(82)	(636)	(2,046)	(2,764)
Utilised during the year	(51)	(783)	(2,701)	(3,535)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	2,251	704	544	3,499
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Property restoration	Contract provisions	Regulatory and employment matters	Total
	£000	£000	£'000	£'000
Current	601	704	544	1,849
Non-current	1,650	-	-	1,650
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	2,251	704	544	3,499
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

The provision for regulatory matters relates to a pay-related review by HMRC for the period April 2017 to June 2022, following a review of internal working practices in conjunction with external professional and legal advice, and other employment claims. The pay-related review was fully settled in 2023. The Company is working to resolve the remaining aspects of other employment claims in 2024.

Contract provisions include onerous contracts and provisions to settle contract obligations that are expected to be settled in 2024. Onerous contract provisions relate to contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision is measured at the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The provision will be unwound over the individual contract lives.

19 Creditors: amounts falling due after more than one year

	2023 £000	2022 £000
Lease liabilities (note 12)	19,567	16,676
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

20 Share capital & dividends

	2023 £000	2022 £000
<i>Authorised, allotted, called up and fully paid</i>		
100,000 Ordinary shares of £1 each	100	100

Dividend paid

The Directors did not declare or pay a dividend in relation to 2023 (2022: £nil).

21 Contingent liabilities

The Company's bankers have issued performance bonds totalling £927,000 (2022: £927,000) against default of the Company's performance in the ordinary course of business. The bonds are indemnified by ISS Facility Services Limited.

On 16 June 2023, the High Court ruled on the Virgin Media v NTL Pension Trustees II Limited case, concerning defined benefit pension schemes that were contracted out between 6 April 1997 and 5 April 2016. It considered the interpretation of Section 37 of the Pension Schemes Act 1993, which required that rules of salary related contracted out schemes could not be altered in relation to certain contracted out rights unless the actuary had confirmed in writing that the Scheme in question would continue to satisfy the reference scheme test.

The Court held that where the required actuarial confirmation was not supplied, the effect of Section 37 was to render the relevant amendment invalid and automatically void, which meant that there was scope for amendments to be void where there is no actuarial confirmation.

Virgin Media have appealed the ruling, with the hearing set for June 2024.

While the case does not involve the Company, ISS UK Limited - the parent Company sponsors defined benefit schemes (of which the Company is a participating employer) which were contracted out on a reference scheme test basis from April 1997. The Company is awaiting the ruling of the appeal and any clarification around the validity of the Section 37 confirmations before it can determine any potential obligation. At this stage, management have performed enquiries and concluded that the risk of any possible obligation is low, given that changes cannot be made to the Railways Pension Scheme and Pegasus Security Group Limited Retirement Benefits Scheme is in place to provide GAD-certified benefits for employees transferring in from the public sector. These are designed to provide Public Sector 'equivalent' benefits. As such, the Company has been limited in terms of making changes to benefits. Additionally, the other defined benefit schemes are comprised of small sections, with the Company being limited in terms of making changes to benefits or contain a limited number of members so any risk remains low.

22 Pension schemes

i) Defined benefit schemes

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

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

The Company operates seven 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 2022 and was updated for IAS 19 purposes to 31 December 2023 by a qualified independent actuary.

Notes (continued)

22 Pension schemes (continued)

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 2022 and was updated for IAS 19 purposes to 31 December 2023 by a qualified independent actuary.

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

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

The latest full actuarial valuation was carried out at 31 March 2021 and was updated for IAS 19 purposes to 31 December 2023 by a qualified independent actuary. Following a legal review of the scheme rules, there has been a change in the IFRIC 14 treatment for 31 December 2023. Surplus is now recognised whereas the previous treatment was to apply IFRIC 14 restrictions, as necessary.

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

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

The latest full actuarial valuation was carried out at 31 March 2021 and was updated for IAS 19 purposes to 31 December 2023 by a qualified independent actuary. Following a legal review of the scheme rules, there has been a change in the IFRIC 14 treatment for 31 December 2023. Surplus is now recognised whereas the previous treatment was to apply IFRIC 14 restrictions, as necessary.

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

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

The latest full actuarial valuation was carried out at 31 March 2021 and was updated for IAS 19 purposes to 31 December 2023 by a qualified independent actuary. Following a legal review of the scheme rules, there has been a change in the IFRIC 14 treatment for 31 December 2023. Surplus is now recognised whereas the previous treatment was to apply IFRIC 14 restrictions, as necessary.

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

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

The latest full actuarial valuation was carried out at 12 November 2019 and was updated for IAS 19 purposes to 31 December 2023 by a qualified independent actuary. Following a legal review of the scheme rules, there has been a change in the IFRIC 14 treatment for 31 December 2023. Surplus is now recognised whereas the previous treatment was to apply IFRIC 14 restrictions, as necessary.

g) *ISS Genesis Pension Scheme*

ISS Facility Services Limited has 2 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 (2023 contributions £46,000).

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

Notes (continued)

22 Pension schemes (continued)

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.

h) The Mercer DB Master Trust – ISS (Southdown Cleaning) Section

The ISS (Southdown Cleaning) Section of The Mercer DB Master Trust was transferred to ISS Facility Services Limited on 2 September 2023.

The latest full actuarial valuation was carried out at 5 April 2022 and was updated for IAS 19 purposes to 31 December 2023 by a qualified independent actuary.

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

	2023	2022
Rate of increase in salaries	3.05%	2.65%
Return on scheme assets	4.55%	4.80%-4.85%
Discount rate	4.55%	4.80%-4.85%
RPI price inflation	2.95%	3.15%
CPI price inflation	2.35%-2.55%	2.35%-2.65%
Pension increases	2.55%-2.95%	2.65%-3.15%
Mortality	SAPS with Heavy Projections	SAPS with Heavy Projections

The assumed life expectancy on retirement at age 65 is:

	2023	2022
Retiring today		
- Males	84.5	85.0
- Females	87.8	88.2
Retiring in 20 years		
- Males	85.4	86.0
- Females	89.0	89.5

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

Amounts to be recognised in the income statement:

	2023 £000	2022 £000
Current service cost	(11)	(33)
Interest expense on scheme liabilities	(900)	(512)
Interest income on scheme assets	1,345	662
Administration and asset related costs	(43)	(40)
Interest expense on effect of asset ceiling	(469)	(166)
	<hr/>	<hr/>
Total expense to be recognised in the income statement	(78)	(89)
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

22 Pension schemes *(continued)*

Reconciliation of fair value of scheme assets:

	2023 £000	2022 £000
Fair value of scheme assets at beginning of year	28,076	33,337
Additions from transfers	243	-
Interest income on scheme assets	1,345	662
Actuarial loss on scheme assets	(1,412)	(5,416)
Contributions by the Company	430	431
Contributions by members	11	12
Administration costs	(43)	(40)
Benefits paid	(981)	(910)
	<hr/>	<hr/>
Fair value of scheme assets at end of year	27,669	28,076
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of the present value of the defined benefit obligation:

	2023 £000	2022 £000
Present value of defined benefit obligation at beginning of year	19,052	26,072
Additions from transfers	200	-
Service cost (employer cost)	11	33
Interest expense on scheme liabilities	900	512
Members' contributions	11	12
Actuarial gain due to changes in demographic assumptions	(433)	(21)
Actuarial loss/(gain) due to changes in financial assumptions	275	(8,601)
Actuarial loss due to experience	944	1,955
Benefits paid	(981)	(910)
	<hr/>	<hr/>
Present value of defined benefit obligation at end of year	19,979	19,052
	<hr/> <hr/>	<hr/> <hr/>

Amounts to be recognised in the statement of financial position:

	2023 £000	2022 £000
Present value of funded obligation	(19,979)	(19,052)
Fair value of scheme assets	27,669	28,076
	<hr/>	<hr/>
Surplus in the scheme	7,690	9,024
Effect of the limit on the net asset to be recognised	(1,270)	(9,370)
	<hr/>	<hr/>
Net asset/(liability)	6,420	(346)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

22 Pension schemes (continued)

	2023 £000	2022 £000
Net asset/(liability) is analysed as:		
Assets	6,468	-
Liabilities	(48)	(346)
	<u>6,420</u>	<u>(346)</u>

Total amount recognised in other comprehensive income:

	2023 £000	2022 £000
Actuarial (loss)/gain	(2,198)	1,251
Additions from transfers	43	-
Effect of the limit on the net asset to be recognised	8,569	(953)
Actuarial gain recognised in other comprehensive income	<u>6,414</u>	<u>298</u>

Effect of the asset ceiling

Opening balance	9,370	8,251
Effect of the limit on the net asset to be recognised	(8,569)	953
Interest expense on effect of asset ceiling	469	166
Closing balance	<u>1,270</u>	<u>9,370</u>

Fair value of scheme assets at year end:

	2023 £000	2022 £000
Equities	-	5,369
Bonds and gilts	23,992	14,863
Other	3,677	7,844
Total scheme assets	<u>27,669</u>	<u>28,076</u>

Estimated contributions:

The employer's best estimate of contributions to be paid to the scheme by the Company next year is £68,000 (2022: £432,000). Schemes are funded directly by contributions paid, which includes agreed deficit repair payments.

Investment performance monitoring and risk disclosures:

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

Notes (continued)

22 Pension schemes (continued)

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

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

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

Sensitivity analysis:

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

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	Decrease by 0.5%	Increase by 6%-9%
Inflation assumption	Increase by 0.5%	Increase by 3%-7%
Rate of salary increases	Increase by 0.5%	n/a
Post retirement mortality longevity	Increase by 1 year	Increase by 4%

Maturity analysis:

The estimated weighted average duration of the defined benefit obligation was 14 years (2022: 15 years) and is split into:

	2023	2022
Active employees	17	18
Retired employees	9	10
Deferred vested	17	18
Total employees	14	15

ii) Defined contribution Schemes

The Company operates several defined contribution schemes with each member having their own personal pension fund. The total pension charge for the year was £12,305,000 (2022: £12,331,000). Contributions outstanding at the end of the financial year were £1,023,000 (2022: £1,171,000).

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 (2022: £nil) and there were no contributions outstanding at the end of the financial year (2022: nil).

23 Commitments and guarantees

Capital commitments contracted for at the end of the financial year are £3,116,000 relating to lease contracts not yet commenced at 31 December 2023, but entailing future lease payments (2022: £nil).

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

Notes *(continued)*

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

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

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

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

ISS A/S
Buddingevej 197
DK-2860 Søborg
Denmark

www.issworld.com

25 Subsequent events

There have been no subsequent events after the year end.