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FS Funding A/S

Annual Report 2005

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FS Funding A/S
Bredgade 30
DK – 1260 Copenhagen K
Denmark
CVR no 28 50 47 99

Phone: +45 38 17 00 00
Fax: +45 38 17 00 11

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Amounts in DKK millions	As of and for the period ended December 31, 2005 [1)]
Revenue	31,741
Operating profit before other items	1,932
Operating margin before other items, %	6.1
Operating profit	1,528
Profit/(loss) before impairment/amortization of intangibles	(410)
Net profit/(loss) for the year	(945)
Investments in property, plant and equipment, gross	425
Total assets	46,456
Goodwill	22,995
Carrying amount of net debt [2)]	22,741
Total equity	6,774

[1)] The reporting period covers the period March 11, 2005 to December 31, 2005. ISS A/S was acquired by FS Funding A/S on May 9, 2005, and consequently the operations of ISS A/S are not included for the full reporting period, but only for the period May 9 - December 31, 2005.

[2)] Excluding receivable/payable from/(to) affiliate regarding joint tax contribution.

Definitions

Operating margin	=	Operating profit before other items / Revenue
Carrying amount of net debt	=	Long-term debt + Short-term debt - Receivables from affiliates - Securities - Cash and cash equivalents

Company Report

FS Funding A/S ("FS Funding") was incorporated in March 2005 for the purpose of the acquisition (the "Acquisition") of ISS A/S ("ISS"), an international provider of facility services within cleaning, office support services, property services, catering and integrated facility services. FS Funding is a 100% owned subsidiary of FS Equity A/S, which is ultimately controlled by funds advised by EQT partners ("EQT") and Goldman Sachs Capital Partners ("GS Capital Partners"). EQT is one of Europe's leading private equity firms. GS Capital Partners is managed by the Principal Investment Area of Goldman Sachs, a global leader in corporate equity and mezzanine investing.

The consolidated financial statements of FS Funding as of and for the period ended December 31, 2005, on pages 17-64 of this report, comprise FS Funding and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

The Acquisition
On March 29, 2005, FS Funding commenced a voluntary public tender offer for all outstanding ordinary shares of ISS. The offer price was DKK 470 per share, but was subsequently reduced to DKK 465 per share following ISS's declaration of a DKK 5 dividend per share on April 13, 2005. On April 27, 2005, the Board of Directors of ISS unanimously recommended that ISS shareholders accepted the voluntary public tender offer. On May 3, 2005, the voluntary public tender offer expired and, on May 9, 2005, FS Funding announced that it had received tenders representing 91.55% of ISS's outstanding shares. The provisions of the Danish Securities Act require that any acquirer of a majority interest in a Danish listed company shall institute a mandatory public tender offer for the shares that it has not already acquired, in this case during the voluntary public tender offer period. Accordingly, FS Funding commenced a mandatory public tender offer for the remaining ISS shares, which expired on June 10, 2005. Upon expiration of this mandatory public tender offer, FS Funding held 98.30% of ISS's shares. On July 26, 2005, the remaining outstanding shares of ISS were acquired by FS Funding through a compulsory acquisition procedure regulated by the Danish Companies Act. In addition, FS Funding and its subsidiaries have settled substantially all of the outstanding options and warrants relating to its Shares, as described in note 4 to the consolidated financial statements as of and for the period ended December 31, 2005.

Neither the Board of Directors nor management of ISS A/S or anybody else in ISS knew or should have known about the interest from EQT Partners and GS Capital Partners prior to the contact made to the chairman of the Board of Directors in March 2005. No management presentations or other information were provided to EQT Partners and/or GS Capital Partners prior to the public tender offer, which was exclusively based on publicly available information. During the tender offer period no non-public information was furnished to EQT or GS Capital Partners and no management presentations were made.

At the time of the Acquisition, FS Funding estimated that the annualized revenue of ISS was approximately DKK 45 billion. At the time of the Acquisition, the estimated annualized revenue of ISS was approximately DKK 45 billion. The consolidated financial statements of FS Funding on pages 17-64 of this report include eight months of operations of ISS.

FS Funding is a holding company, and its primary assets consist of shares in ISS and cash in its bank accounts. The Acquisition has resulted in a number of accounting adjustments to FS Funding's financial statements, including purchase price allocation adjustments which have significantly increased consolidated non-cash expenses and resulted in a significant consolidated net loss. FS Funding has no revenue generating operations of its own, and therefore FS Funding's cash flow and ability to service its indebtedness, will depend primarily on the operating performance and financial condition of ISS and its operating subsidiaries, and the receipt by FS Funding of funds from ISS and its subsidiaries in the form of dividends or otherwise.

For further information about ISS, including information about risk factors that could adversely impact the operations and financial position of ISS, please see the ISS A/S Annual Report 2005, which is available from the Group's website, www.issworld.com.

Financing of the Acquisition
In connection with the Acquisition, FS Funding entered into senior credit facilities, a subordinated bridge credit facility, and a deeply subordinated loan from its direct parent, FS Equity. FS Funding used borrowings under the senior credit facilities, the subordinated bridge facility, cash equity contributed by EQT and GS Capital Partners, as well as proceeds from the deeply subordinated shareholder loan, to finance the Acquisition.

On November 7, 2005 FS Funding announced that it had finalized the financing arrangements relating to its acquisition of ISS A/S.

The senior facilities are subject to customary undertakings, covenants (including financial covenants) and other restrictions. Neither ISS nor any of its direct or indirect subsidiaries has guaranteed or granted any security for FS Funding's borrowing used for financing the Acquisition.

During the period May - October 2005, a Danish and an English law firm representing certain holders of Medium Term Notes issued by ISS Global A/S ("ISS Global"), a 100% owned subsidiary of ISS, engaged in discussions with the board of directors of FS Funding, ISS and ISS Global regarding the financing of the Acquisition. In October 2005, the group of noteholders instructing the two law firms informed ISS Global that they were satisfied that the specific nature of the proposed financing would not result in any infringement of the terms of the Medium Term Notes nor would the proposed financing be otherwise unlawful.

Group governance structure

The Board of Directors and management of FS Funding are responsible for decisions regarding the overall strategy, financing, and other policy matters for the Group. The members of the Board of Directors are nominated by EQT and GS Capital partners. The composition of the Board of Directors and Executive Management of FS Funding is described on page 9 of this report.

Effective July 1, 2005, FS Funding entered into a Management Services Agreement with ISS Management A/S ("ISS Management"), a subsidiary indirectly owned through ISS Global A/S. Under the agreement ISS Management provides certain operational and administrative management services to FS Funding.

Group Financials

The reporting period covers the period March 11, 2005 to December 31, 2005. ISS A/S was acquired by FS Funding on May 9, 2005, and consequently the operations of ISS A/S are not included for the full reporting period. For practical purposes and based on an evaluation of materiality ISS A/S is consolidated as from May 1, 2005.

Total revenue for the period ended December 31, 2005 was DKK 31.7 billion of which approximately DKK 0.1 billion were related to discontinued operations in Health Care and Japan.

Operating profit before other items was DKK 1,932 million, of which DKK 12 million were related to the discontinued operations. The operating margin was 6.1%.

Other income and expenses, net, was a net expense of DKK 363 million, primarily due to costs related to the change of ownership of ISS A/S and a Group Restructuring Project in ISS.

Costs related to the change of ownership of ISS A/S include fees to financial advisors, lawyers, auditors etc. The total costs of DKK 67 million were recognized in Other income and expenses, net.

In the autumn of 2005, ISS initiated a Group Restructuring Project comprising certain organizational and structural changes to reduce ongoing costs in a number of countries. The project includes physical relocations, termination of leaseholds, redundancy payments, and contract restructuring. The Board of Directors approved an expenditure of DKK 250 million, of which DKK 224 million was recognized in Other income and expenses, net in 2005. The remaining DKK 26 million is expected to be expensed in 2006.

The loss before impairment/amortization of intangibles was DKK 410 million, impacted by finance costs, including amortization of financing fees of DKK 342 million, and costs of DKK 67 million related to the change of ownership of ISS A/S and DKK 224 million related to the Group Restructuring Project. Profit before impairment/amortization of intangibles for the discontinued operations was DKK 6 million.

The net loss was DKK 945 million, negatively impacted by net finance costs and the aforementioned costs related to the change of ownership of ISS A/S and the Group Restructuring Project, net of tax, and non-cash charges related to amortization of customer contract portfolios and related customer relationships, net of tax. Net profit for the discontinued operations was DKK 6 million.

Total cash flow was DKK 1,814 million, negatively impacted by a cash outflow of DKK 20,848 million from investing activities, which included the proceeds paid to acquire ISS. This was more than offset by a cash inflow from operating activities of DKK 1,127 million and a DKK 21,535 million cash inflow from financing activities, which primarily resulted from increased indebtedness and proceeds from a DKK 7,693 million capital increase in May 2005.

Total assets amounted to DKK 46,456 million, of which DKK 35,593 million was non-current assets and DKK 10,863 million was current assets. Total equity was DKK 6,774 million and Total liabilities amounted to DKK 39,682 million, of which DKK 20,073 million was long-term liabilities and DKK 19,609 million was current liabilities. Thus, the current liabilities exceeded total current assets by DKK 8,746 million. The subordinated bridge facility included in current liabilities will automatically convert into a nine-year term facility, if not refinanced before November 11, 2006.

Acquisition of Tempo Services Ltd.

In December 2004, ISS was invited by DB Capital Partners to invest in Australian-based Tempo Services Ltd. ("Tempo") through Pacific Service Solutions Pty Ltd. and to take the company private. ISS has, since April 2005, held 49% of the shares in Tempo indirectly through Pacific Service Solutions Pty Ltd. On February 13, 2006, ISS announced the acquisition of the remaining 51% of the shares in Tempo which were previously owned by investors managed by DB Capital Partners.

International Financial Reporting Standards

FS Funding has prepared its consolidated financial statements for 2005 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The applied accounting policies are described in note 1 to the consolidated financial statements.

Expectations

FS Funding incurred a net loss for the period March 11, 2005 to December 31, 2005. Due to the significant indebtedness as well as non-cash expenses resulting from amortization of intangible assets relating to the purchase price allocation performed in connection with the change of ownership, FS Funding is expected to continue to generate net accounting losses in the foreseeable future.

Subsequent Events

The Group has made a number of acquisitions subsequent to December 31, 2005, see note 10, Acquisition and divestment of businesses. As mentioned above, ISS announced on February 13, 2006, the acquisition of the remaining 51% of the shares in Tempo Services Ltd. which were previously owned by investors managed by DB Capital Partners.

Apart from the above and the events described in this Annual Report, the Group is not aware of events subsequent to December 31, 2005, which are expected to have a material impact on the Group's financial position.

Forward-looking statements

This report may contain forward-looking statements. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words ‘‘may’’, “will”, “should”, ‘‘expect’’, ‘‘anticipate’’, ‘‘believe’’, ‘‘estimate’’, ‘‘plan’’, "predict," ‘‘intend’’, ‘‘should’’ or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. FS Funding has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of FS Funding. Although FS Funding believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ as a result of uncertainties relating to the following matters, among others:

- the demand for the services offered by FS Funding, which is primarily dependent upon outsourcing trends and macroeconomic conditions, including economic growth, inflation or deflation;
- risks related to FS Funding’s growth strategy, including potential contingent liabilities of acquired businesses and failure to manage growth and integrate acquired businesses successfully;
- risks related to the substantial indebtedness including fluctuations in interest rates and limitations on additional debt to finance FS Funding’s acquisition strategy and access to capital to finance its operations;
- FS Funding’s ability to operate profitably, in particular under fixed-price or long-term contracts;
- FS Funding’s exposure to currency-related risks, particularly the value of the Danish kroner against other currencies;
- complexities related to compliance with regulatory requirements of many jurisdictions as a result of FS Funding’s international operations and decentralized organizational structure;
- FS Funding’s dependence on its management team and qualified personnel;
- FS Funding’s potential liability for acts of its employees, including negligence, injuries, omissions and willful misconduct;
- the threat, institution or adverse determination of claims against FS Funding;
- potential environmental liabilities; and
- any adverse effect on FS Funding’s operating results and cash flows from the impact of changes to laws and regulations, including health and safety and environmental laws and regulations.

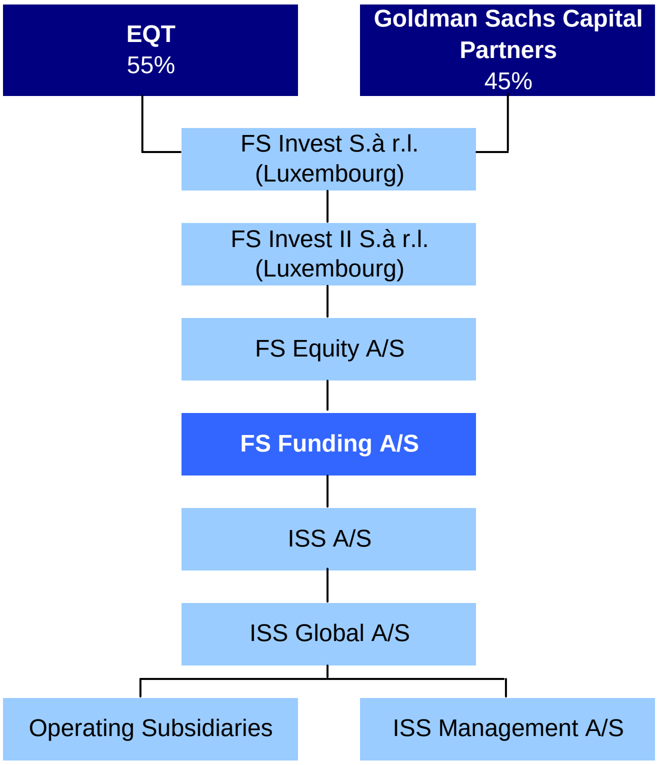
As a result, you should not rely on these forward-looking statements.

FS Funding undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

Governing text

The Annual Report has been translated from Danish into English. The Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish version shall prevail.

Group Structure



Board of Directors of FS Funding A/S, December 31, 2005

Leif Östling (1945)
Chairman
Member of the Board since October 26, 2005.

Richard Sharp (1956)
Vice-Chairman
Member of the Board since May 27, 2005.

Ole Andersen (1956)
Member of the Board since May 27, 2005.

Sanjay Patel (1961)
Member of the Board since May 27, 2005.

Jørgen Lindegaard (1948)
Member of the Board since April 6, 2006.

Christoph Sander (1962)
Member of the Board since April 6, 2006.

Peter Korsholm (1971)
Alternate Director [1)]

Steven Sher (1970)
Alternate Director [1)]

[1)] Alternate Directors are entitled to be present at Board meetings, but shall only be entitled to vote if they are standing in for a Board member who is unable to attend the meeting.

Executive Management of FS Funding A/S

Steen Parsholt (1951)
Managing Director

Note: The ultimate parent company for which consolidated financial statements is prepared is FS Equity A/S.

Management

Overview
The overall strategy of the Group is determined by the members of the Board of Directors of FS Funding. The Group's day-to-day operations are managed by the Executive Management Board of ISS Management A/S pursuant to a Management Services Agreement.

Board of Directors of FS Funding
FS Funding's Board of Directors functions in accordance with its rules of procedure, which provide guidelines for the Board of Director's work in general and prescribe any special duties assigned to the Chairman. The following table sets forth information concerning the directors of FS Funding.

Name	Age	Position
Leif Östling	61	Chairman
Richard Sharp	50	Vice Chairman
Ole Andersen	49	Director
Sanjay Patel	44	Director
Jørgen Lindegaard	57	Director
Christoph Sander	44	Director
Peter Korsholm	35	Alternate Director
Steven Sher	35	Alternate Director

Leif Östling was appointed Chairman in October 2005. He is currently the President and Group Chief Executive of Scania AB, a position he has held since 1994. Prior to that time, Mr. Östling held various positions with Scania, including acting manager of Scania's South American operations, head of Strategic Planning, Marketing Manager in the Netherlands and President of Scania Nederland. He has also served as Chairman of the Board of the Danish company Sabro Refrigeration, which was previously owned by EQT. Mr. Östling is a member of the Board of Directors of Scania AB, AB SKF, Svenskt Näringsliv and Teknikföretagen. He holds a Master of Science in Engineering degree from Chalmers University of Technology in Gothenburg and an MSc Economics and Business Administration degree from the Gothenburg School of Economics.

Richard Sharp is head of the Principal Investment Area of Goldman Sachs in Europe and is on the Board of Directors of Goldman Sachs International. Mr. Sharp joined Goldman Sachs in 1984, was made a partner in 1994 and became a managing director in 1996. He is a member of the Supervisory Board of Cognis GmbH & Co. KG. Mr. Sharp received a Bachelor of Arts degree and a Master of Arts degree from Oxford University.

Ole Andersen has since September 2003 been the head of the Copenhagen office of EQT Partners. Prior to joining EQT Partners, Mr. Andersen was employed at Enskilda Securities. From 1997 to 2000 he was head of the Copenhagen Branch and from 2000 to 2003 he was global head of Corporate Finance of Enskilda Securities. From 1983 to 1997 Mr. Andersen worked for Arthur Andersen & Co., Skandinavisk Holding, Scandinavian Capital Partner and Alfred Berg. Mr. Andersen is currently a director of Contex Holding A/S, Aleris AB and Brandtex Group A/S. Mr. Andersen graduated from the Copenhagen Business School with a Masters degree in Economics.

Jørgen Lindegaard has been the President and CEO of SAS Group since May 2001. He has worked in the telecommunications industry since 1975 in several positions, including President of Fyns Telefon A/S, President of Københavns Telefon A/S and Vice President of Teledanmark A/S. Before joining SAS Mr. Lindegaard was President and CEO of GN Store Nord A/S. Mr Lindegaard is a member of the Board of Telenor AS. He received an engineering degree from Technical University of Denmark.

Sanjay Patel is co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs. Prior to joining Goldman Sachs in 2005 he worked with GS Capital Partners, holding the position of co-President from 1999 to 2003. In 2004 he was a Senior Advisor of GS Capital Partners. Mr Patel previously worked in the Principal Investment Area of Goldman Sachs from 1987 to 1997. Mr Patel is a director of Ahlsell AB and the R.L. Winston Rod Company. He also serves on the Advisory Boards of International Asset Transactions LLC., SmartAnalyst Inc. and is a Strategic Advisor to the India Real Estate Opportunities Fund. Mr Patel received a Bachelor of Arts degree, magna cum laude, and a Master of Science degree from Harvard University, and a Master of Business Administration degree from Stanford University.

Christoph Sander was Managing Director of the European and Australasian outsourcing services business of Bunzl from 1993 to 2005. In 2004 he became a director of Bunzl plc and was appointed Chief Executive Officer designate in February 2005. Mr. Sander resigned as CEO designate and director in June and July 2005, respectively, and left Bunzl in January 2006. Prior to joining Bunzl, he worked for The Boston Consulting Group in London. Mr. Sander received a Master of Arts in Economics from Cambridge University and a Master of Business Administration from Harvard Business School.

Peter Korsholm is a partner at EQT Partners. He joined EQT Partners in 1999. Previously, he worked at Morgan Stanley in London. Mr. Korsholm is currently a deputy director of the Board of Contex Holding A/S and a director of Brandtex Group A/S. Prior to joining EQT, Mr. Korsholm received his Master of Business Administration degree with distinction from INSEAD. He also holds a Master of Science in Econometrics and Mathematical Economics from London School of Economics and a Bachelor of Arts in Economics from University of Copenhagen.

Steven Sher is a vice-president in Europe for the Principal Investment Area of Goldman Sachs. Prior to joining Goldman Sachs in 1997, Mr. Sher was with PriceWaterhouse in London, where he qualified with the Institute of Charted Accountants of England and Wales. Mr. Sher is a director of Ahlsell AB and Rhiag Group Ltd. Mr. Sher received a Bachelor of Commerce degree and a post graduate Bachelor of Accounting from the University of Witwatersrand.

The business address for each of the members of the Board of Directors of FS Funding is c/o FS Funding A/S, Bredgade 30, DK-1260 Copenhagen K, Denmark.

Executive Management of FS Funding

Steen Parsholt, 55, was appointed Managing Director on January 1, 2006. In addition to this position, Mr. Parsholt serves as non-executive director of a number of companies. Prior to joining FS Funding, Mr. Parsholt served as CEO of Aon Nordic Region from 2003 to 2005. During the period from 1996 to 2002, he served as member, and subsequently Chairman, of the Management Board of Nederlandsche Credietverzeekering Maatschappij in Amsterdam. Mr. Parsholt is a graduate from Copenhagen Business School, where he now serves as an external examiner. He has attended Bowdoin College and AMP at INSEAD.

There are no other executive officers of FS Funding.

Financial Statements

Signatures to the Annual Report

COPENHAGEN, APRIL 10, 2006

The Board of Directors and the Executive Management have today discussed and approved the Annual Report 2005 of FS Funding A/S. The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at December 31, 2005 and of the results of the Group's and the Parent Company's operations and cash flows for the period ended December 31, 2005.

EXECUTIVE MANAGEMENT

Steen Parsholt
Managing Director

BOARD OF DIRECTORS

Leif Östling Chairman	Richard Sharp Vice-Chairman
Ole Andersen	Sanjay Patel
Jørgen Lindegaard *)	Christoph Sander *)

*) Elected as member of the Board on an Extraordinary General Meeting on April 6, 2006.

Auditor's Report

COPENHAGEN, APRIL 10, 2006

TO THE SHAREHOLDER OF FS FUNDING A/S
We have audited the Annual Report 2005 of FS Funding A/S prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Management. Our responsibility is to express an opinion on the Annual Report based on our audit.

BASIS OF OPINION
We conducted our audit in accordance with Danish and International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Executive Management, as well as evaluating the overall Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

OPINION
In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at December 31, 2005 and of the results of the Group's and the Parent Company's operations and cash flows for the period ended December 31, 2005 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Finn L. Meyer
State Authorized Public Accountant

Jesper Ridder Olsen
State Authorized Public Accountant

Financial Review

FS Funding was incorporated on March 11, 2005, for the purpose of the acquisition of ISS A/S ("the Acquisition"). Apart from the operations of ISS, no operating activities are included in the consolidated financial statements of FS Funding.

Income Statement

Revenue was DKK 31,741 million reflecting eight months of ownership of ISS during the period from May 9 to December 31, 2005.

Operating profit before other items was DKK 1,932 million for the period. The operating profit before other items as a percentage of revenue, i.e. the operating margin of 6.1% was above ISS's operating margin for the year ended December 31, 2005. This reflected the fact that the operating margin in the first four months of the year, which were not consolidated in FS Funding's financial statements, was generally lower than the operating margin in the eight months period ended December 31, 2005.

Other income and expenses, net was a net expense of DKK 363 million. The net expense primarily reflected Other income and expenses, net, recognized in the consolidated financial statements of ISS during the period May 9, 2005 to December 31, 2005. However, gains on divestments were not included since these gains, most significantly the gain on the sale of the Health Care operations, were included in the opening balance sheet of ISS through fair value adjustments carried out in connection with the Acquisition.

Other income and expenses, net, included costs of DKK 67 million related to the change of ownership of ISS, such as fees to financial advisors, lawyers, auditors etc.

Following the Acquisition, a Group Restructuring Project was initiated comprising certain organizational and structural changes to reduce ongoing costs in a number of countries. The project includes costs for physical relocations, termination of leaseholds, redundancy payments, and contract restructuring. The Board of Directors approved an expenditure of DKK 250 million, of which DKK 224 million was recognized in Other income and expenses, net in 2005. The remaining DKK 26 million is expected to be expensed in 2006.

A downsizing of ISS's damage control activities in Denmark, Norway and Sweden and the divestment of damage control activities in Israel and Sweden led to a loss of DKK 53 million.

Net finance costs were DKK 1,721 million, mainly comprising DKK 1,165 million of interest expenses, DKK 342 million of amortization of financing fees related to the Acquisition and DKK 127 million of amortization of market price adjustment related to the Medium Term Notes issued by ISS Global.

The Medium Term Notes were recognized at market price in the opening balance sheet prepared as part of the purchase price allocation related to the Acquisition. An expense of DKK 127 million related to the market price adjustment was recognized in the consolidated financial statements of FS Funding in 2005 and the remaining market price adjustment, amounting to DKK 1,651 million as at December 31, 2005, will be expensed in the consolidated financial statements of FS Funding over the remaining term of the Medium Term Notes.

Income taxes were DKK 230 million. The finance costs exceed the taxable profit in the jointly taxed Danish subsidiaries. The exceeding tax loss can be carried forward indefinitely, but only the amount of the tax loss that can be utilized in the foreseeable future has been capitalized as a deferred tax asset. The unrecognized tax asset related to Danish tax losses amounts to DKK 232 million. Primarily due to this valuation allowance, the effective tax rate was negative at 127.8%, calculated as the consolidated tax provision of DKK 230 million divided by the loss before tax and impairment/amortization of intangibles of DKK 180 million.

Until 2004, ISS maintained joint taxation with its wholly owned Danish subsidiaries and certain of its wholly owned foreign subsidiaries. Due to changes in the applicable laws, ISS withdrew from this joint taxation arrangement with its foreign subsidiaries with effect from January 1, 2005. As a result of this withdrawal, ISS is subject to re-taxation of tax-deductible losses realized in its foreign jointly taxed subsidiaries. However, according to the applicable transitional rules, ISS may repay this tax liability gradually over future years as these foreign subsidiaries achieve positive taxable income. Because ISS has historically recognized provisions under deferred taxes to cover the eventual re-taxation, ISS's withdrawal from joint taxation with its foreign subsidiaries is not expected to lead to a higher income tax expense in its income statement.

FS Funding A/S is jointly taxed with all Danish resident affiliates. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are included in the Danish tax on account scheme. Additions, deductions and allowances are recognized under Net finance costs.

Amortization of brands and customer contracts amounted to DKK 757 million. The customer contract portfolios and related customer relationships of ISS and the ISS brand and other local brands used by ISS subsidiaries were separated from goodwill as part of the purchase price allocation performed in connection with the Acquisition. The value of the acquired customer contract portfolios and related customer relationships is amortized over the estimated useful lives of such portfolios and relationships using the declining balance method. The value of local brands is amortized over the useful lives of such brands. The useful life of the ISS brand is deemed indefinite and consequently, FS Funding does not amortize the value of the ISS brand.

Tax effect of goodwill impairment and write-down and amortization of brands and customer contract portfolios and related customer relationships which is presented separately in the income statement to show the effective tax percentage before impairment/amortization of intangibles was DKK 222 million.

The net loss for the period was DKK 945 million, negatively impacted by net finance costs and the costs discussed above related to the change of ownership of ISS and the Group Restructuring Project, net of tax, as well as non-cash charges related to amortization of brands and customer contract portfolios and related customer relationships, net of tax. A loss of DKK 954 million was attributable to the equity holders of FS Funding, while a profit of DKK 9 million was attributable to minority interests.

Net profit for the period in the discontinued operations was DKK 6 million, all of which was attributable to the equity holders of FS Funding.

Cash Flow Statement

Cash flow from operating activities. Net cash flow from operating activities was an inflow of DKK 1,127 million.

Changes in working capital was a net cash inflow of DKK 870 million, primarily from an increase in payables of DKK 730 million. ISS's working capital requirement is normally impacted by seasonality with higher working capital requirement in the first quarter of the year. Thus, the level of working capital in the opening balance at the Acquisition date May 9, 2005 was higher than the working capital level recognized in ISS's consolidated financial statements as at January 1, 2005.

Interest paid, net, amounted to DKK 982 million from net financing costs of DKK 1,496 million partly offset by a gain on settlement of interest rate swaps of DKK 514 million.

Historically, ISS has swapped the interest on its Medium Term Notes from fixed into floating rates. At the end of June 2005, ISS settled the interest rate swaps relating to ISS Global's €850 million 2010 Medium Term Notes and partially settled the interest rate swaps relating to ISS Global's €500 million 2014 Medium Term Notes. This resulted in a net cash inflow of DKK 782 million, of which DKK 268 million were accrued interest. This was offset by the September 2005 coupon payment of DKK 301 million on the notes expiring in September 2010 and the December 2005 coupon payment of DKK 168 million on the notes expiring in December 2014.

Income taxes paid, net represented a cash outflow of DKK 569 million, mainly due to additional tax payments of approximately DKK 95 million relating to the years 2001-2004 and a tax payment of DKK 160 million resulting from an advanced payment of tax on interest rate swaps.

Payments related to Other income and expenses, net amounted of DKK 292 million primarily DKK 65 million related to the Group Restructuring Project and DKK 160 million, related to the change of ownership of ISS.
Payments related to integration costs represented a cash outflow of DKK 77 million.

Cash flow from investing activities. Net cash flow from investing activities represented an outflow of DKK 20,848 million, primarily related to the Acquisition as well as a number of smaller acquisitions during the period from May 9, 2005 to December 31, 2005. This was partly offset by proceeds from divestments of DKK 267 million, primarily DKK 206 million related to the sale of the Health Care operations and the joint venture stake in Japan. See note 34 to the consolidated financial statements.

Cash flow from financing activities. Net cash flow from financing activities represented an inflow of DKK 21,535 million. The inflow was primarily due to an increased indebtedness related to the financing of the Acquisition of DKK 14,117 million and proceeds from a DKK 7,693 million capital increase in May 2005. This was partly offset by the settlement of options and warrants issued by ISS of DKK 219 million. Dividends paid to shareholders were a cash outflow of DKK 49 million and related solely to dividend withheld tax. Net payments to minority interests amounted to DKK 7 million.

Balance sheet

Total assets amounted to DKK 46,456 million at December 31, 2005, of which DKK 35,593 million were non-current assets, primarily intangible assets, and DKK 10,863 million were current assets, primarily trade receivables.

Intangible assets amounted to DKK 32,672 million at December 31, 2005. Intangible assets consisted primarily of goodwill, customer contract portfolios and related customer relationships and brands. In connection with the Acquisition on May 9, 2005, a carrying amount of intangible assets of DKK 31,844 million, of which DKK 22,035 million related to goodwill, was recognized in FS Funding's balance sheet.

At December 31, 2005, goodwill, customer contract portfolios and related customer relationships, brands and other intangible assets amounted to DKK 22,995 million, DKK 7,878 million, DKK 1,664 million and DKK 135 million, respectively.

Property, plant and equipment amounted to DKK 1,956 million at December 31, 2005. In connection with the Acquisition on May 9, 2005, a carrying amount of property, plant and equipment of DKK 1,819 million were recognized in FS Funding's balance sheet.

Investment in associates amounted to DKK 132 million at December 31, 2005, and were primarily related to the 49% stake in Pacific Service Solution Pty

Ltd., the holding company of Australian-based Tempo Services.

Deferred tax assets amounted to DKK 599 million at December 31, 2005, mainly related to provisions where the tax deduction is deferred and to tax losses carried forward. The deferred tax assets regarding tax losses amounted to DKK 669 million, gross, of which DKK 247 million is recognized representing the tax losses expected to be utilized in the foreseeable future.

Other financial assets of DKK 234 million at December 31, 2005, comprised mainly investments in Public Finance Initiatives (PFI) in the United Kingdom, cost related to Public Private Partnerships (PPP)/PFI contracts in the United Kingdom, and regulatory long-term loans.

Other receivables was DKK 844 million at December 31, 2005, primarily related to prepayments and receivables from associate.

Securities amounted to DKK 59 million at December 31, 2005 and primarily represented investments in listed Danish mortgage bonds. ***Cash and cash equivalents*** amounted to DKK 1,804 million at December 31, 2005.

Total equity amounted to DKK 6,774 million at December 31, 2005, of which DKK 6,714 million was equity attributable to the equity holders of FS Funding.

Net income and expenses recognized directly in equity reduced equity by DKK 22 million. This included currency adjustments relating to investments in foreign subsidiaries of DKK 128 million and realized and unrealized net losses on hedges of DKK 31 million. Declining discount rates and use of updated mortality tables resulted in an increase in pension liabilities. Thus, actuarial losses, net, on defined benefit pension schemes amounted to DKK 119 million. The losses were primarily related to the Group's pension schemes in the Netherlands, Norway, Sweden, Switzerland and the United Kingdom. As described in note 1 to the consolidated financial statements, such losses are taken directly to equity. Other entries recognized in equity reduced equity by DKK 38 million and tax effect of entries recognized directly in equity was DKK 38 million.

The net loss for the year attributable to the equity holders of FS Funding was DKK 954 million.

The equity ratio, defined as total equity relative to total assets, was 14.6% at December 31, 2005.

Pensions and similar obligations amounted to DKK 833 million at December 31, 2005. The majority of the Group's pension plans are defined contribution plans. The Group's contributions to such plans are accrued and expensed on an ongoing basis. In certain countries, mainly in the Netherlands, Norway, Sweden, Switzerland and the United Kingdom, FS Funding has defined benefit plans. As mentioned above, actuarial losses, net, of DKK 119 million were taken directly to equity. Based on the current discount rates ranging between 2.7% and 5.0%, pension costs are expected to amount to approximately DKK 125 million in 2006. A simultaneous change in the discount rates of 0.5 percentage point is estimated to increase or decrease, as the case may be, the costs in 2006 to approximately DKK 139 million or approximately DKK 112 million, all other things being equal. For detailed information on pension obligations, please see note 25 to the consolidated financial statements.

Other provisions were DKK 719 million at December 31, 2005, of which DKK 480 million were expected to mature within a year. The provisions were primarily related to DKK 692 million added through the acquisition of ISS A/S. The remaining provisions comprise provisions related to acquisitions in the period May 9 – December 31, 2005, and various obligations incurred in the ordinary course of business, e.g. labor related obligations, legal obligations, contract closures etc.

Other liabilities were DKK 8,110 million at December 31, 2005. These liabilities mainly consisted of accrued wages and holiday allowances, tax withholdings, VAT and other payables and accrued expenses taken over through the Acquisition.

Carrying amount of net debt was DKK 22,741 million, at December 31, 2005, primarily resulting from the borrowings to fund the Acquisition.

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

March 11 – December 31. Amounts in DKK millions

Note		2005		
		Continuing operations	Discontinued operations	Total
2	**Revenue**	**31,613**	**128**	**31,741**
3, 4	Staff costs	(20,751)	(82)	(20,833)
	Cost of sales	(2,549)	(7)	(2,556)
5	Other operating expenses	(5,944)	(25)	(5,969)
13, 15	Depreciation and amortization	(449)	(2)	(451)
2	**Operating profit before other items**	**1,920**	**12**	**1,932**
5, 6	Other income and expenses, net	(363)	-	(363)
	Integration costs	(41)	-	(41)
2	**Operating profit**	**1,516**	**12**	**1,528**
16	Share of profit from associates	13	-	13
7	Net finance costs	(1,718)	(3)	(1,721)
	Profit/(loss) before tax and impairment/ amortization of intangibles	**(189)**	**9**	**(180)**
8	Income taxes	(227)	(3)	(230)
	Profit/(loss) before impairment/ amortization of intangibles	**(416)**	**6**	**(410)**
13, 14	Goodwill impairment and write-down	-	-	-
13	Amortization of brands and customer contracts [1)]	(757)	(0)	(757)
8	Tax effect	222	-	222
	Net profit/(loss) for the period	**(951)**	**6**	**(945)**
	Attributable to:			
	Equity holders of FS Funding	(960)	6	(954)
	Minority interests	9	-	9
	Net profit/(loss) for the period	**(951)**	**6**	**(945)**

[1)] Includes customer contract portfolios and related customer relationships.

CONSOLIDATED CASH FLOW STATEMENT

March 11 – December 31. Amounts in DKK millions

	2005	Note
Operating profit before other items	1,932	
Depreciation and amortization	451	13, 15
Changes in working capital	870	9
Changes in provisions	(206)	
Interest paid, net [1)]	(982)	
Income taxes paid, net	(569)	8
Payments related to other income and expenses, net	(292)	
Payments related to integration costs	(77)	
Cash flow from operating activities	**1,127**	2
Acquisition of businesses	(21,455)	10
Divestment of businesses	267	10
Investments in intangible assets and property, plant and equipment, net	(372)	11
Sale of financial assets, net	712	11
Cash flow from investing activities	**(20,848)**	
Financial payments, net	14,117	12
Proceeds from issuance of share capital	7,693	
Dividends paid to shareholders [2)]	(49)	
Options and warrants settled	(219)	
Minority interests	(7)	
Cash flow from financing activities	**21,535**	
Total cash flow	**1,814**	
Cash and cash equivalents at March 11, 2005 (foundation)	1	
Total cash flow	1,814	
Foreign exchange adjustments	(11)	
Cash and cash equivalents at December 31, 2005	**1,804**	22

[1)] Interest paid, net included DKK 514 million in cash flow from the settlement of interest rate swaps.
[2)] Dividend withholding taxes related to distribution of dividend DKK 5 per share in ISS A/S in April 2005.

CONSOLIDATED BALANCE SHEET

At December 31. Amounts in DKK millions

Note		2005
	Assets	
13, 14	Intangible assets	32,672
15	Property, plant and equipment	1,956
16	Investments in associates	132
8, 17	Deferred tax assets	599
18	Other financial assets	234
	Total non-current assets	**35,593**
19	Inventories	300
20	Trade receivables	7,564
20	Contract work in progress	153
8	Tax receivables	139
21	Other receivables	844
22	Securities	59
22	Cash and cash equivalents	1,804
	Total current assets	**10,863**
	Total assets	**46,456**
	Equity and liabilities	
	Total equity attributable to equity holders of FS Funding	6,714
	Minority interests	60
23	**Total equity**	**6,774**
24	Long-term debt	15,699
25	Pensions and similar obligations	833
8, 17	Deferred tax liabilities	3,302
26	Other provisions	239
	Total long-term liabilities	**20,073**
27	Short-term debt	8,986
	Trade payables	1,952
8	Tax payables	81
28	Other liabilities	8,110
26	Other provisions	480
	Total current liabilities	**19,609**
	Total liabilities	**39,682**
	Total equity and liabilities	**46,456**

CONSOLIDATED STATEMENT OF TOTAL RECOGNIZED INCOME AND EXPENSE AND CHANGES IN EQUITY

At December 31. Amounts in DKK millions

	Attributable to equity holders of FS Funding						
2005	Share capital	Retained earnings	Cumula-tive fx adj.	Realized gain/(loss) on hedges	Unrealized gain/(loss) on hedges	Minority interests	Total equity
Total recognized income and expense							
Net profit/(loss) for the period	-	(954)	-	-	-	9	(945)
Foreign exchange adj. of subsidiaries and minorities	-	-	125	-	-	3	128
Gain/(loss) on hedges, net	-	1	-	(24)	(8)	-	(31)
Actuarial losses, net	-	(119)	-	-	-	-	(119)
Other	-	(38)	-	-	-	-	(38)
Tax on entries recognized directly in equity	-	30	-	6	2	-	38
Net income and expense recognized directly in equity	**-**	**(126)**	**125**	**(18)**	**(6)**	**3**	**(22)**
Total recognized income and expense for the period	**-**	**(1,080)**	**125**	**(18)**	**(6)**	**12**	**(967)**
Equity at March 11, 2005 (foundation)	**1**	**-**	**-**	**-**	**-**	**-**	**1**
Changes in equity							
Total recognized income and expense for the period	-	(1,080)	125	(18)	(6)	12	(967)
Acquisition of ISS A/S May 9, 2005	-	-	-	-	-	71	71
Impact from acquired and divested companies, net	-	-	(1)	-	-	(16)	(17)
Dividends paid	-	-	-	-	-	(7)	(7)
Share issue	99	7,594	-	-	-	-	7,693
Total changes in equity	**99**	**6,514**	**124**	**(18)**	**(6)**	**60**	**6,773**
Equity at December 31, 2005	**100**	**6,514**	**124**	**(18)** [1]	**(6)** [1]	**60**	**6,774**

[1] Net of taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

The consolidated financial statements of FS Funding A/S for the period March 11 - December 31, 2005, comprise FS Funding A/S and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and jointly controlled entities.

STATEMENT OF COMPLIANCE
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU being effective for the period March 11, 2005 - December 31, 2005, and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act. The Group has opted for early adoption of the amendment to IAS 19, "Employee Benefits" issued in December 2004.

BASIS OF PREPARATION
The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative financial instruments) at fair value through the income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The Group believes the following are the areas involving critical accounting estimates and judgements used in the preparation of the consolidated financial statements:

- revenue recognition and determination of deferred income
- the valuation of identifiable assets, liabilities and contingent liabilities in connection with the acquisition of subsidiaries/operations
- the impairment testing of goodwill, brands, customer contract portfolios and related customer relationships, and any other acquisition-related intangible assets
- the actuarial calculations regarding pension benefits
- the valuation of provisions other than pension benefits
- the assessment of ongoing litigations and the valuation of contingent liabilities
- the valuation of tax assets and
- bad debt provisions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

BASIS OF CONSOLIDATION
Subsidiaries The consolidated financial statements include FS Funding A/S and all subsidiaries in which FS Funding A/S, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest.

The consolidated financial statements are based on the financial statements of FS Funding A/S and the individual subsidiaries by adding items of a similar nature.

Associates Entities, which are not regarded as subsidiaries, but in which the Group holds investments and exercises a significant, but not a controlling influence are regarded as associates. The proportionate share of the associate's profit or loss after tax is recognized in the income statement in the consolidated financial statements in accordance with the equity method.

Joint ventures The Group's interests in jointly controlled entities are regarded as joint ventures and recognized in the consolidated financial statements by including the Group's proportionate share of the entities' assets, liabilities, income and expenses on a line-by-line basis with items of a similar nature.

Transactions eliminated on consolidation Intra group balances and any unrealized gains and losses on income and expenses arising from intra group transactions, are eliminated when preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Continues

1. Significant accounting policies (continued)

Business combinations Acquired entities are included in the consolidated financial statements as from the date when control commences. Entities that are divested or wound-up are included until the date where control ceases or the entity is wound-up.

Acquisitions are treated in accordance with the purchase method, under which identifiable assets, liabilities and contingent liabilities of acquired entities are recognized in the balance sheet at fair value at the date of acquisition. Identifiable intangible assets are recognized if separable or if they arise from contractual or other legal rights, provided that the fair value can be measured reliably. Tax impact related to fair value adjustments is taken into account.

Excess cost of acquisition over the fair value of acquired assets, liabilities and contingent liabilities is capitalized as goodwill. Goodwill is allocated to cash-generating units and tested for impairment annually. The first impairment test is prepared no later than at the end of the year of acquisition.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition, are adjusted to the initial goodwill. The adjustment is calculated as if it was recognized at the acquisition date. Comparative figures are restated. Subsequent to this period, goodwill is only adjusted for changes in estimates of the cost of the acquisition being contingent on future events. However, subsequent realization of deferred tax assets not recognized on acquisition will result in the recognition in the income statement of the tax benefit concurrently with a write-down of the carrying amount of goodwill to the amount that would have been recognized if the deferred tax asset had been recognized at the time of the acquisition.

Gains or losses on the divestment or winding-up of subsidiaries or associates are measured as the difference between the sales or winding-up sum adjusted for directly related divestment or winding-up costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying value of goodwill. Accumulated exchange rate adjustments on divested or wound-up subsidiaries or associates recognized in equity are included in the income statement under Net finance costs.

Foreign currency Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Danish kroner, which is the functional and presentation currency of FS Funding A/S.

Transactions in foreign currency are translated into the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

The income statements of foreign subsidiaries are translated into Danish kroner using the average exchange rates prevailing during the year, whereas balance sheet items are translated by applying the exchange rates ruling at the balance sheet date.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity having a functional currency different from Danish kroner are treated as assets and liabilities belonging to the foreign entity and translated into Danish kroner at the exchange rates ruling at the balance sheet date.

Realized and unrealized exchange gains and losses are included in the income statement under Net finance costs, except gains/losses arising from the translation of:

- the opening balances of net assets of foreign subsidiaries/joint ventures and investments in associates to exchange rates ruling at the balance sheet date
- the income statements of foreign subsidiaries/joint ventures and the share of profit from associates from average exchange rates to exchange rates ruling at the balance sheet date
- long-term intra-group balances which are considered an addition to the net assets of subsidiaries/joint ventures
- loans in foreign currency and derivatives hedging net investments in foreign subsidiaries/joint ventures.

Realized and unrealized exchange gains and losses related to the translation of the above four groups of transaction are taken directly to equity. The related tax impact is taken into account.

Continues

1. Significant accounting policies (continued)

INCOME STATEMENT

Revenue comprises the value of services provided during the year less VAT and duties as well as price and quantity discounts. Revenue is recognized when it is realized or realizable and earned. Revenue is considered to have been earned when the Group has substantially accomplished what it must do to be entitled to the revenue. Contract work in progress is recognized using the percentage-of-completion method based on the value of work completed at the balance sheet date.

In assessing whether revenue should be reported on a gross or a net basis (i.e. net of related costs), the Group considers whether it: (i) is the primary obligor in the arrangement; (ii) has the general inventory risk; (iii) has latitude in establishing price; (iv) changes the product or performs part of the service; (v) has discretion in supplier selection; (vi) is involved in the determination of product or service specifications; (vii) has physical loss inventory risk; or (viii) carries the credit risk.

Government grants Grants that compensate the Group for expenses incurred are recognized in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized in the income statement on a systematic basis over the useful lifetime of the asset.

Operating expenses **Staff costs** comprises salaries and wages, pensions, social security expenses and other employee related expenses. **Cost of sales** comprises materials consumption related to the recorded revenue. **Other operating expenses** includes expenses related to the operation of service equipment and other non-current assets, external assistance as well as other selling, distribution and administrative expenses, including expenses related to marketing, transportation, operating leases, subcontractors, audit, legal assistance, losses and loss provisions on receivables etc.

Share-based compensation The fair value of equity-settled share-based compensation plans, is recognized as an expense with a corresponding increase in equity. The fair value is fixed at grant date and allocated over the vesting period. The fair value of the options and warrants granted is measured using the Black-Scholes valuation method taking the terms and conditions upon which they were granted into account. Non-market vesting conditions are included in the assumptions about the number of options and warrants that are expected to become exercisable. At each balance sheet date, the Group revises this estimate. The Group recognizes the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Adjustments relating to prior years are included in the income statement in the year of adjustment.

Operating leases Operating lease costs are recognized in the income statement on a straight-line basis over the term of the lease. The obligation for the remaining lease period is disclosed in the notes under Contingent liabilities.

Other income and expenses, net consists of income and expenses, both recurring and non-recurring, that the Group does not consider to be part of normal ordinary operations, such as gains and losses arising from divestments, the winding-up of operations, disposals of property, restructurings and certain acquisition related costs.

Integration costs includes costs regarding the acquiring Group company and the acquired company that are a consequence of the integration. Integration costs include costs of compensating employees for termination of their employment, closing facilities, elimination of service lines of the acquired company, and termination of contracts of the acquired company.

Share of profit from associates comprises the share of profit after tax in associates.

Net finance costs comprises interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on derivatives that do not qualify for hedge accounting.

Income taxes consists of income tax and changes in deferred tax. Deferred tax is recognized based on the balance sheet liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. Furthermore, a deferred tax liability is recognized for expected re-taxation of tax-deductible losses realized in foreign subsidiaries previously included under Danish joint taxation.

Where the tax base can be calculated using different tax regulations, deferred tax is measured based on the planned use of the asset or the unwinding of the liability, as applicable.

Deferred tax is computed based on the tax rate expected to apply when the temporary differences are balanced out. No deferred tax provisions are made for undistributed profits of subsidiaries and goodwill not deductible for tax purposes. Deferred tax assets, including the tax value of losses carried forward, are recognized at the value at which they are expected to be applied either by eliminating tax on future earnings or by setting off deferred tax liabilities within the same legal tax unit and jurisdiction.

Continues

1. Significant accounting policies (continued)

The recognized income tax is allocated to Income taxes, Tax effect of goodwill impairment and write-down and amortization of brands and customer contracts and Equity, as applicable.

FS Funding A/S is jointly taxed with all Danish resident affiliates. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are included in the Danish tax on account scheme. Additions, deductions and allowances are recognized under Net finance costs.

Goodwill impairment and write-down and **Amortization of brands and customer contracts** are presented in separate line items below operating profit as this presentation is seen to provide a clearer view of the Group profitability. The tax effect of goodwill impairment and write-down and amortization of customer contracts is presented in a separate line item in connection with these two line items.

CASH FLOW STATEMENT

The cash flow statement shows the Group's cash flows for the period stemming from operating, investing and financing activities, the change in its cash position during the period as well as the Group's cash position at the beginning and the end of the period.

The cash flow statement is prepared using the indirect method based on Operating profit before other items.

The liquidity effect of acquisitions and divestments of businesses is shown separately under Cash flow from investing activities. The cash flow statement includes cash flows from acquired entities from the date of acquisition and cash flows from divested entities until the date of divestment.

Cash flow from operating activities comprises Operating profit before other items adjusted for non-cash items, changes in working capital and provisions and payments regarding interest, income taxes, other income and expenses and integration costs.

Cash flow from investing activities comprises cash flow from acquisition and divestment of businesses as well as the purchase and sale of non-current assets.

Cash flow from financing activities comprises proceeds from and repayment of loans, dividends, proceeds from share issues, purchase and sale of treasury shares, cash flow related to derivatives hedging net investments and dividends to Minority interests.

Cash and cash equivalents comprises cash and marketable securities, with maturity of less than three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

BALANCE SHEET

Business combinations are accounted for using the purchase method as described under "Basis of consolidation".

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. The determination of cash-generating units follows the level of monitoring for internal management purposes. This is generally equal to Facility Services at country level. Goodwill is tested for impairment annually.

An impairment loss is recognized whenever the carrying amount of a cash-generating unit exceeds its recoverable amount. The recoverable amount is calculated as the greater of net selling price and value in use. In assessing value in use the estimated future cash flows are discounted to their present value. An impairment loss is not reversed.

Brands Acquisition related brands are recognized at fair value at the date of acquisition. Subsequently, acquired brands with indefinite useful lives are measured at historical cost less any accumulated impairment losses while acquired brands with finite useful lives are measured at historical cost less accumulated amortization and any accumulated impairment losses. Amortization is provided on a straight-line basis over the expected useful life of the brand.

The valuation of acquired brands is based on a discounted cash flow model using the after-tax royalty payments (the royalty relief method). Cash flows are discounted on an after tax basis using the local Weighted Average Cost of Capital (WACC) plus a risk premium for the assumed risk inherent in the brand.

The net present value of the cash flow is increased with an estimated portion of the discounted tax amortization benefit applicable for a potential buyer based on the local tax amortization opportunity available for brand names when bought as a trade and asset purchase. The tax amortization benefit is discounted. This increased value of the brand equals the fair value at the date of acquisition.

Continues

1. Significant accounting policies (continued)

A deferred tax liability is calculated at the local tax rate on the difference between the book value and the tax value. The initial recognition of this deferred tax liability increases the amount of goodwill.

The value of brands is tested for impairment as part of the impairment test.

Customer contract portfolios and related customer relationships Acquisition related customer contract portfolios and related customer relationships are recognized at fair value at the date of acquisition and subsequently carried at cost less accumulated amortization and any accumulated impairment losses. The value is amortized based on the churn rate of the acquired portfolio using the declining balance method. This churn rate is calculated on a contract by contract basis and has historically averaged approximately 12% to 13% annually.

The valuation of customer contract portfolios and related customer relationships is based on a discounted cash flow model using an estimated split of the acquired revenue in business segments and the related churn rates and profitability of the revenue at the time of the acquisition. A contributory asset charge as a cost or return requirement for assets supporting the intangible asset has been included in the model. Cash flows are discounted on an after tax basis using the local Weighted Average Cost of Capital (WACC) plus a risk premium for the assumed risk inherent in customer contract portfolios and related customer relationships.

The net present value of the cash flow is increased with an estimated portion of the discounted tax amortization benefit applicable for a potential buyer based on the local tax amortization opportunity available for customer contract portfolios and customer relationships when bought as a trade and asset purchase. The tax amortization benefit is discounted. This increased value of customer contracts portfolios and related customer relationships equals the fair value at the date of acquisition.

A deferred tax liability is calculated at the local tax rate on the difference between the book value and the tax value. The initial recognition of this deferred tax liability increases the amount of goodwill.

The value of customer contract portfolios and related customer relationships is tested for impairment as part of the impairment test.

Software and other intangible assets and property, plant and equipment are measured at cost less accumulated amortization, depreciation, impairment loss and write-down.

Cost of assets includes cost price as well as costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. To the cost price is added the estimated cost of dismantling and removing the item and restoring the site on which it is located to the extent that this cost is recognized as an accrued liability.

Subsequent costs of replacing part of an item are recognized if it is probable that the future economic benefits embodied with the item will flow to the Group. The remaining carrying amount of the replaced item is de-recognized in the balance sheet and transferred to the income statement. All other costs for common repairs and maintenance are recognized in the income statement as and when incurred.

When measuring the value of software developed for internal use, external costs to consultants and software as well as internal direct and indirect costs related to the development are capitalized. Other development costs for which it cannot be rendered probable that future economic benefit will flow to the Group are recognized in the income statement as and when incurred.

Amortization and depreciation is provided on a straight-line basis over the expected useful lives of the assets taking into account the estimated residual value. The amortization and depreciation methods, useful lives and residual values are reassessed annually.

Non-current assets	**Expected useful life**
Software and other intangible assets	5-10 years
Buildings	20-40 years
Leasehold improvements	Over the lease term
Plant and equipment	3-10 years

If the estimated useful lives of the assets or the estimated residual value is changed the impact on the amortization and depreciation is recognized prospectively.

Gains and losses arising on the disposal or retirement of non-current assets are measured as the difference between the selling price less direct sales costs and the net carrying amount, and are recognized in the income statement under Other operating expenses in the year of sale, except gains and losses arising on disposals of property, which are recognized under Other income and expenses, net.

Continues

1. Significant accounting policies (continued)

Leased assets Assets held under finance leases are at inception of the agreement measured in the balance sheet at the lower of the fair value and the present value of future lease payments. When calculating the present value, the interest rate implicit in the lease or an approximated rate is applied as the discount rate. Assets held under finance leases are depreciated in accordance with the policy for non-current assets acquired by the Group.

Financial assets Investments in associates are measured in accordance with the equity method. Associates with a negative net asset value are stated at zero, and amounts owed to the Group by such associates are written down by the Group's share of the negative net asset value to the extent it is considered uncollectible. Should the negative net asset value exceed the receivable, the residual amount is recognized under provisions to the extent the Group has a legal or constructive obligation to cover the negative balance.

Costs related to tenders for public offers for PPP (Public Private Partnership)/PFI (Private Finance Initiative) contracts are recognized in the income statement as incurred. If the Group is awarded status as preferred bidder, directly attributable costs and investments from that date, if any, are recognized under Financial assets. For PPP/PFI contracts awarded, the costs are amortized over the term of the contract. If the Group is not awarded the contract, all costs are recognized in the income statement.

Investments in PFI contracts are classified as available-for-sale and are measured at fair value at the balance sheet date, with any resulting gains or losses being recognized directly in equity. When these investments are de-recognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value is the quoted bid price at the balance sheet date.

Inventories Raw materials and supplies are measured at the lower of cost under the FIFO principle and net realizable value. Finished goods and Work in progress are measured at the lower of cost plus attributable overheads and net realizable value. The cost price of raw materials and supplies includes the purchase price plus costs directly related to the purchase. Net realizable value is the estimated selling price less costs of completion and selling costs.

Receivables are measured at amortized cost less a provision for doubtful debts based on an individual assessment. Provisions and realized losses during the year are recognized under Other operating expenses.

Contract work in progress is measured at the sales value of the proportion of work completed at the balance sheet date. The sales value is calculated based on the stage of completion and the total amount expected to be received for each individual contract. Progress billings related to the completed proportion of work to be performed are deducted from the recognized value, while progress billings exceeding the completed proportion of work to be performed are recognized as Prepayments from customers under Current liabilities.

Securities are measured at fair value at the balance sheet date, with any resulting gains or losses recognized in the income statement. The fair value is the quoted bid price at the balance sheet date.

Treasury shares Proceeds related to the acquisition or disposal of treasury shares are taken directly to equity.

Dividends are recognized in the period in which they are declared.

Financial liabilities are initially measured at the value of the proceeds received less related transaction costs. Subsequently, financial liabilities are measured at amortized cost, equal to the capitalized value when applying a constant effective rate of interest, and the difference between the proceeds initially received and the nominal value is recognized in the income statement over the loan period.

Pensions and similar obligations Net obligations in respect of defined benefit pension plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Discount rates are based on the market yield of high quality corporate bonds in the country concerned approximating to the terms of the Group's pension obligations. The calculations are performed by a qualified actuary using the Projected Unit Credit Method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits vest. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

All actuarial gains and losses are recognized directly in equity.

Net pension assets are only recognized to the extent that the Group is able to derive future economic benefits in the way of refunds from the plan or reductions of future contributions.

Continues

1. Significant accounting policies (continued)

Other provisions comprise obligations concerning labor related matters, self-insurance, integration costs related to acquisitions, dismantling costs, and various other operational issues. The provisions are recognized when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Derivatives are measured at fair value calculated according to generally accepted valuation methods and recognized in Other receivables or Other liabilities.

For derivatives hedging the fair value of recognized assets and liabilities the value of the hedged asset or hedged liability is also stated at fair value in respect of the risk being hedged. When a hedging instrument expires or is sold, terminated or exercised but the hedged asset or hedged liability with a determinable maturity still exist, the adjustment recorded as part of the carrying amount of the hedged item is amortized to the income statement from that date onwards using the effective interest method.

The effective part of the changes in the fair value of derivatives hedging future transactions are recognized directly in equity, net of tax. On realization of the hedged item, value changes recognized under equity are reversed and recognized together with the hedged item. When a hedging instrument expires or is sold, terminated or exercised but the hedged future transactions are still expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs.

Derivatives that qualify as net investment hedges of subsidiaries, joint ventures and associates are recognized directly in equity, net of tax.

For derivatives, which do not comply with the hedge accounting conditions, changes in fair value are recognized as Net finance costs in the income statement as they occur.

Non-current assets held for sale Assets are classified as held for sale when the carrying amount of the assets will primarily be recovered through a sale within 12 months according to a formal plan rather than through continuing use. Assets held for sale are recognized at the lower of the carrying amount and fair value less costs to sell. Assets held for sale are not amortized or depreciated. Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent remeasurement. Assets and related liabilities are separated in the balance sheet and the main elements are specified in the notes to the financial statements.

Discontinued operations comprise a component of the Group's business that represent a separate major line of business or geographical area of which the operations and cash flows can be clearly distinguished, i.e. as a minimum a cash-generating unit. Classification as discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. The profit or loss is separated in the income statement, assets and related liabilities are separated in the balance sheet, and the cash flows from operating, investing and financing activities are disclosed in the notes to the financial statements.

March 11 – December 31. Amounts in DKK millions

2. Segment information

In line with the internal management structure, the geographical segment is the primary segment.

Geographical (Primary Segment)	External revenue	Total revenue [1]	Operating profit before other items	Operating margin %	Operating profit [2]	Share of profit from associates	Cash flow from operating activities [2]
2005							
France	6,036	6,036	408	6.8	360	0	404
United Kingdom	4,077	4,079	251	6.2	227	-	301
Norway	2,650	2,650	212	8.0	170	1	110
Denmark	2,329	2,338	175	7.5	142	-	236
Netherlands	2,216	2,216	176	8.0	161	0	281
Sweden (excluding Health Care)	2,160	2,162	104	4.8	33	-	162
Finland	2,094	2,094	184	8.8	180	1	184
Spain	1,851	1,851	125	6.8	115	-	89
Belgium and Luxembourg	1,582	1,582	100	6.3	93	-	108
Germany	1,184	1,184	37	3.1	3	0	60
Switzerland	989	989	79	8.0	69	-	108
Austria	955	955	76	8.0	76	-	15
Central Eastern Europe	339	339	28	8.2	26	-	42
Brazil	329	329	18	5.6	18	-	10
Ireland	321	321	27	8.5	27	-	32
Hong Kong	319	319	20	6.4	20	-	34
Singapore	263	263	15	5.7	15	-	22
Israel	255	255	16	6.2	9	-	5
Australia	247	247	29	11.8	22	11	8
Turkey	225	225	14	6.2	14	-	10
Portugal	204	204	15	7.2	15	-	20
Italy	145	145	22	14.9	21	-	19
Greece	143	143	9	6.4	9	-	11
Iceland	94	94	4	4.5	4	-	10
Thailand	80	80	5	6.9	5	-	7
Greenland	70	70	3	4.3	(1)	-	10
Indonesia	67	67	6	9.5	6	-	9
New Zealand	56	56	2	2.8	2	-	(0)
Argentina	56	56	1	1.6	(1)	-	(7)
Malaysia	48	48	4	8.3	4	-	6
Poland	48	48	2	3.5	2	-	6
Chile	46	46	3	6.9	3	-	2
China	44	44	2	3.8	2	-	7
Estonia	33	33	1	3.6	1	-	2
Russia	16	16	(4)	(27.1)	(4)	-	(6)
Sri Lanka	14	14	0	3.0	0	-	1
India	13	13	0	2.5	0	-	(1)
Brunei	11	11	2	20.3	2	-	1
Uruguay	4	4	0	4.1	0	-	0
Regional items, not allocated to countries	-	-	(14)	-	(14)	-	64
Continuing operations	**31,613**	**31,626**	**2,157**	**6.8**	**1,836**	**13**	**2,382**
Japan	25	25	0	-	0	-	0
Health Care	103	103	12	11.7	12	-	18
Discontinued operations	**128**	**128**	**12**	**9.4**	**12**	**-**	**18**
Corporate functions/eliminations	-	(13)	(237)	-	(320)	-	(1,273)
Total	**31,741**	**31,741**	**1,932**	**6.1**	**1,528**	**13**	**1,127**

[1] Internal revenue has not been disclosed due to immateriality.

[2] Excluding internal royalty to corporate functions.

Continues

March 11 – December 31. Amounts in DKK millions

2. Segment information (continued)

Geographical (Primary Segment)	Segment assets	Investment in intangible assets and property, plant and equipment, net	Investments in associates	Depreciation and amortization	Amortization of brands and customer contracts	Segment liabilities	Number of employees at year-end
2005							
France	10,086	(88)	3	106	132	6,837	40,168
United Kingdom	5,015	(38)	-	43	101	2,742	38,015
Norway	3,758	(27)	45	46	67	1,759	9,528
Denmark	3,239	(27)	-	35	69	1,021	12,424
Netherlands	3,079	(1)	4	21	58	1,849	21,024
Sweden (excluding Health Care)	2,373	(19)	-	33	32	1,748	10,156
Finland	4,106	(30)	1	44	70	1,932	12,488
Spain	2,200	(10)	-	10	41	1,771	20,664
Belgium and Luxembourg	2,266	(8)	-	13	37	1,071	10,921
Germany	1,387	(10)	1	12	11	696	13,982
Switzerland	1,409	(20)	-	17	23	755	7,393
Austria	1,791	(3)	-	5	31	1,063	7,477
Central Eastern Europe	535	(9)	-	6	11	164	11,178
Brazil	173	(4)	-	4	3	115	12,571
Ireland	622	(11)	-	5	15	231	2,950
Hong Kong	586	(6)	-	4	6	322	7,475
Singapore	385	(7)	-	4	6	110	4,693
Israel	231	(5)	-	4	3	100	5,891
Australia	729	(8)	78	6	10	548	860
Turkey	204	(4)	-	3	2	77	5,953
Portugal	352	0	-	3	5	261	4,058
Italy	256	(1)	-	3	6	197	590
Greece	272	(3)	-	1	3	129	1,490
Iceland	99	(2)	-	2	2	23	694
Thailand	105	(2)	-	1	2	30	7,456
Greenland	96	(3)	-	4	1	61	291
Indonesia	77	(7)	-	3	1	25	11,700
New Zealand	42	(1)	-	1	1	31	1,042
Argentina	49	(3)	-	1	1	26	2,171
Malaysia	76	(1)	-	1	2	18	2,292
Poland	40	(1)	-	1	1	20	1,834
Chile	57	(1)	-	1	1	50	2,443
China	29	(2)	-	1	1	13	8,428
Estonia	85	(0)	-	0	1	70	1,608
Russia	13	(1)	-	0	-	5	638
Sri Lanka	14	(0)	-	0	0	9	4,960
India	38	(1)	-	0	0	17	2,768
Brunei	61	(0)	-	0	1	9	271
Uruguay	3	(0)	-	0	0	2	209
Regional items, not allocated to countries	3,148	-	-	-	-	921	-
Continuing operations	**49,086**	**(364)**	**132**	**444**	**757**	**26,828**	**310,754**
Japan	-	(0)	-	0	-	-	-
Health Care	-	(2)	-	2	0	-	-
Discontinued operations	**-**	**(2)**	**-**	**2**	**0**	**-**	**-**
Corporate functions/eliminations [1)]	(2,630)	(6)	-	5	-	12,854	91
Total	**46,456**	**(372)**	**132**	**451**	**757**	**39,682**	**310,845**

[1)] Includes eliminations of intra-group balances and investments.

Continues

March 11 – December 31. Amounts in DKK millions

2. Segment information (continued)

The business segment, the secondary segment, is based on the main service areas defined in the Route 101 strategy plan. As the Group does not fully allocate balances to the service areas in Facility Services, only revenue is disclosed for the different service areas within the business segment.

Business (Secondary Segment)	2005
External revenue	
Cleaning Services	19,424
Office Support Services	1,099
Property Services	7,354
Catering Services	1,706
Integrated Facility Services	2,030
Continuing operations	**31,613**
Japan	25
Health Care	103
Discontinued operations	**128**
Total	**31,741**

3. Staff costs	2005
Wages and salaries	(15,795)
Pension costs, defined benefit plans	(21)
Pension costs, defined contribution plans	(830)
Social charges and other costs	(4,187)
Staff costs	**(20,833)**
Average number of employees	303,882

FS Funding A/S did not remunerate its Board of Directors or its Managing Director in 2005.

4. Share-based payments

The description below relates exclusively to share-based payments, i.e. warrants and stock options, issued by the wholly owned subsidiary, ISS A/S. No share-based payments have been established in FS Funding A/S. The obligation related to settlement of warrants and stock options in ISS A/S following the mandatory tender offer to shareholders of ISS A/S have all been provided for in the opening balance of ISS A/S in FS Funding.

Warrants

In the period from 1999 to 2003, ISS A/S issued warrants to senior managers under five warrant programs. The warrants were granted to senior managers on the basis of their position and potential after being nominated by their executive manager. The warrants were granted “out-of-the-money”, i.e. the subscription price was higher than the quoted market price of the ISS A/S share on the Copenhagen Stock Exchange at the time of subscription, and were not exercisable during a period of at least two years following the date of the grant.

The warrants were exercisable at specific dates within the exercise periods. In addition, the holders had the right to an extraordinary exercise of the warrants under certain circumstances, e.g. if the composition of owners of ISS A/S was changed in instances where - according to the Danish Securities Trading Act - the acquirer was under an obligation to submit a purchase offer to the remaining shareholders of ISS A/S; or if ISS A/S resolved to de-list the shares of ISS A/S from the Copenhagen Stock Exchange.

On May 13, 2005, FS Funding A/S announced its mandatory tender offer (the “Mandatory Tender Offer”) to the shareholders of ISS A/S to acquire the shares of ISS A/S at a price of DKK 465 per share (the “Offer Price”). Consequently, eligible warrant holders were entitled to exercise their warrants during a three-month period following the announcement. Effective June 21, 2005, ISS A/S was de-listed from the Copenhagen Stock Exchange, and accordingly, the eligible warrant holders were entitled to exercise their warrants during a three-month period following the de-listing. Thus the warrant holders had the opportunity to exercise their warrants in the period from May 13 – September 21, 2005 (the “Extraordinary Exercise Period”).

In accordance with the terms of the warrant programs, the exercise price of warrants issued by ISS A/S has not been adjusted for payments of the ordinary dividends paid in 2003, 2004 and 2005, nor has it been adjusted following the payment of interim dividends to FS Funding A/S of DKK 1,194 million in July 2005, DKK 4,400 million in August 2005 and DKK 1,400 million in November 2005. For further information about the terms and conditions of the warrant programs, please refer to ISS A/S's Articles of Association.

1999 Warrant program
At January 1, 2005, 707,000 warrants were outstanding under the 1999 Warrant program. The subscription price ranged from DKK 547 to DKK 861 and the warrants were exercisable for a period of 30 days following the announcement of ISS A/S's annual results for the years 2002-2005. During the Extraordinary Exercise Period, the outstanding warrants under the program were “out-of-the-money”. In 2005, 44,000 warrants were forfeited and at December 31, 2005, 663,000 warrants were outstanding under the program. The outstanding warrants are exercisable within a period of 30 days following the announcement of ISS A/S's annual results for 2005.

2000 Warrant program
At January 1, 2005, 343,000 warrants were outstanding under the 2000 Warrant program. The subscription price ranged from DKK 514 to DKK 522 and the warrants were exercisable for a period of 30 days following the announcement of ISS A/S's annual results for the years 2003-2006. During the Extraordinary Exercise Period, the outstanding warrants under the program were “out-of-the-money”. In 2005, 21,000 warrants were forfeited and at December 31, 2005, 322,000 warrants were outstanding under the program. The outstanding warrants are exercisable within a period of 30 days following the announcement of ISS A/S’s annual results for 2005 and 2006.

2001 Warrant program
At January 1, 2005, 410,539 warrants were outstanding under the 2001 Warrant program. The subscription price ranged from DKK 418 to DKK 440 and the warrants were exercisable for a period of 30 days following the announcement of ISS A/S's annual results for the years 2004-2007. During the 30-day period following the announcement of the results for 2004, 1,000 warrants and 3,000 warrants were exercised at prices of DKK 418 and DKK 440, respectively.

During the Extraordinary Exercise Period following the announcement of the Mandatory Tender Offer, ISS A/S offered the eligible warrant holders under this program to settle their warrants at an amount equal to the difference between the Offer Price and the exercise price. In total, ISS A/S paid approximately DKK 6 million to settle 69,329 warrants with an exercise price of DKK 418 and 112,400 warrants with an exercise price of DKK 440 under this program. Warrant holders who did not opt for cash settlement exercised a total of 42,996 warrants at a price of DKK 418 per share and 125,150 warrants at a price of DKK 440 per share and subsequently sold their shares to FS Funding A/S at the Offer Price. The net payment related to the exercise of warrants and subsequent purchase of shares amounted to DKK 5 million.

56,664 warrants were forfeited in 2005 and at December 31, 2005, no warrants were outstanding under the 2001 Warrant program.

Continues

March 11 – December 31. Amounts in DKK millions

4. Share-based payments (continued)

2002 Warrant program
At January 1, 2005, 285,178 warrants were outstanding under the 2002 Warrant program. The warrants were exercisable at a price of DKK 247 within a period of 30 days following the announcement of ISS A/S's annual results for the years 2005-2008.

During the Extraordinary Exercise Period following the announcement of the Mandatory Tender Offer, ISS A/S offered the eligible warrant holders under this program to settle their warrants at an amount equal to the difference between the Offer Price and the exercise price. In total, ISS A/S paid approximately DKK 36 million to settle 166,671 warrants under this program. Warrant holders that did not opt for cash settlement exercised a total of 94,671 warrants and subsequently sold their shares to FS Funding A/S at the Offer Price. The net payment related to the exercise of warrants and subsequent purchase of shares amounted to approximately DKK 21 million.

23,836 warrants were forfeited in 2005 and at December 31, 2005, no warrants were outstanding under the 2002 Warrant program.

2003 Warrant program
At January 1, 2005, 274,500 warrants were outstanding under the 2003 Warrant program. The warrants were exercisable at a price of DKK 319 within a period of 30 days following the announcement of ISS A/S's annual results for the years 2006-2009.

During the Extraordinary Exercise Period following the announcement of the Mandatory Tender Offer, ISS A/S offered the eligible warrant holders under this program to settle their warrants at an amount equal to the difference between the Offer Price and the exercise price. In total, ISS A/S paid approximately DKK 23 million to settle 158,000 warrants under this program. Warrant holders who did not opt for cash settlement exercised a total of 104,500 warrants and subsequently sold their shares to FS Funding A/S at the Offer Price. The net payment related to the exercise of warrants and subsequent purchase of shares amounted to approximately DKK 15 million.

12,000 warrants were forfeited in 2005 and at December 31, 2005, no warrants were outstanding under the 2003 Warrant program.

Stock options

Stock options granted to members of the Executive Management Board
At January 1, 2005, the members of the Executive Management Board of ISS A/S (the “EMB”) held a total of 525,000 stock options and former members of the EMB held a total of 137,500 stock options. The stock options were granted “out-of-the-money”, i.e. the subscription price was higher than the quoted market price of the ISS A/S share on the Copenhagen Stock Exchange at the time of subscription, and were not exercisable during a period of at least two years following the date of the grant.

Stock options held by members of the Executive Management Board and certain former executive officers of ISS A/S at January 1, 2005

Exercise Period	Exercise Price	Adjusted Exercise price [1]	Settlement [2]	Stock options held by executive officers employed by ISS as at January 1, 2005 [3]	Stock options held by former executive officers of ISS A/S	Stock options settled in 2005	Stock options forfeited or expired in 2005
1.1.02-31.12.05	385	364	Intrinsic value	25,000	50,000	75,000	-
1.1.02-31.12.05	650	621	Intrinsic value	25,000	75,000	-	100,000
1.1.03-31.12.06	470	450	Intrinsic value	25,000	-	25,000	-
1.1.04-31.12.07	500	479	Intrinsic value	25,000	-	-	25,000
1.1.04-31.12.08	585	562	Intrinsic value	25,000	12,500	-	37,500
1.1.03-31.12.08	480	462	Intrinsic value	25,000	-	25,000	-
1.1.06-31.12.09	315	302	Black-Scholes	125,000	-	125,000	-
1.1.07-31.12.10	319	310	Black-Scholes	125,000	-	125,000	-
1.1.08-31.12.11	340	337	Black-Scholes	125,000	-	125,000	-

[1] The exercise price of the stock options has been adjusted for dividends in excess of DKK 2 per share (adjusted for inflation) and the issue of employee shares below market price.

[2] The stock options were settled applying the method described in the terms of the relevant stock option certificates. Settlement under the intrinsic value method entitles the stock option holder to receive an amount equivalent to the positive difference between the exercise price and DKK 461.54, which was equivalent to the average share price quoted on the Copenhagen Stock Exchange during a 20-day period prior to May 11, 2005. Settlement under the Black-Scholes model entitles the holder to receive an amount equal to the estimated fair value of the stock option according to the Black-Scholes model. The Board of Directors of ISS A/S engaged an Investment Bank to calculate the Black-Scholes value of the options. A share price of DKK 465, a risk free interest rate of 3.5% and a volatility of 40.5% was assumed in the model.

[3] Effective July 1, 2005, the executive officers were transferred from ISS A/S to ISS Management A/S.

Continues

4. Share-based payments (continued)

The holders were offered to settle their stock options when FS Funding A/S announced the completion of the public tender offer to the Copenhagen Stock Exchange. Subsequently, 500,000 stock options were settled in cash for a total consideration of approximately DKK 105 million. The right to exercise 162,500 was waived by the holders. No stock options were granted to the EMB in 2005 and at December 31, 2005, no stock options were outstanding.

Stock options granted to members of the Board of Directors of ISS A/S
Directors serving on the Board of Directors of ISS A/S as of January 1, 2005 held a total of 27,500 stock options. The stock options entitle the holder to acquire ISS A/S shares from ISS A/S at a price of DKK 598 per share within a period of 30 days following the announcement of ISS A/S's financial results for each of the years 2002 - 2006. In accordance with the terms of the stock option agreements between the holders and ISS A/S, the exercise price of stock options issued by ISS A/S has not been adjusted for payments of the ordinary dividends paid in 2003, 2004 and 2005, nor has it been adjusted following the payment of interim dividends to FS Funding A/S of DKK 1,194 million in July 2005, DKK 4,400 million in August 2005 and DKK 1,400 million in November 2005.

At the Extraordinary General Meeting on May 27, 2005 the members of the Board of Directors of ISS A/S stepped down following the change of ownership and new members were elected to the Board. No further stock options were granted to members of the Board of Directors and no stock options were exercised during 2005 and at December 31, 2005, former members of the Board of Directors held a total of 27,500 stock options. The outstanding stock options are exercisable within a period of 30 days following the announcement of ISS A/S' annual results for 2005 and 2006.

Valuation
Taking into consideration that
• the outstanding warrants were "out-of-the-money" during the exercise periods in 2005
• ISS A/S has subsequently paid interim dividends totalling DKK 7 billion or approximately DKK 149 per share, which – other things being equal – would reduce the share price by DKK 149 per share and
• the exercise price of outstanding warrants, according to their terms, will not be adjusted for dividends
the Group believes that the value of the outstanding warrants was insignificant at December 31, 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 11 – December 31. Amounts in DKK millions

5. Fees to the Group's auditors	2005
KPMG	
Audit fees [1]	21
Other audit-related services	7
Tax and VAT advisory services	7
Other services [2]	16
Total fees to the Group's auditors	**51**

[1] Audit fees comprised audit of the consolidated and local Annual Reports.
[2] Other services mainly comprised work related to acquisitions such as financial and tax due diligence.

6. Other income and expenses, net	2005
Costs related to the change of ownership of ISS [1]	(67)
Group Restructuring Project [2]	(224)
Cost related to downscaling and divestment of Damage Control units [3]	(53)
Loss on divestment of building maintenance business in the United Kingdom	(4)
Other	(15)
Other income and expenses, net	**(363)**

[1] Costs related to the change of ownership of ISS included fees to financial advisors, lawyers, auditors etc.
[2] In the autumn of 2005, a Group Restructuring Project was initiated comprising certain organizational and structural changes to reduce ongoing costs in a number of countries. The project included physical relocations, termination of leaseholds, redundancy payments and contract restructuring. The Board of Directors approved an expenditure of DKK 250 million, of which DKK 224 million was recognized in Other income and expenses, net in 2005. The remaining DKK 26 million is expected to be expensed in 2006.
[3] A downsizing of ISS's damage control activities in Denmark, Norway and Sweden and the divestment of damage control activities in Israel and Sweden led to costs of DKK 53 million.

7. Net finance costs	2005
Interest income etc.	78
Gain from settlement of interest rate swaps [1]	12
Foreign exchange gain	2
Financial income	**92**
Interest expenses etc.	(1,094)
Interest expenses to affiliates	(71)
Market price adjustment of bond loans in the period	(127)
Amortization of financing fees	(342)
Foreign exchange loss	(179)
Financial expenses	**(1,813)**
Net finance costs	**(1,721)**

[1] The total gain from the settlement of interest rate swaps amounted to DKK 125 million. The remaining DKK 113 million will be included in the income statement in the financial years 2006 - 2014 corresponding to the remaining duration of the bond loans (see note 24, Long-term debt).

March 11 – December 31. Amounts in DKK millions

8. Taxes

2005	Income taxes	Tax payables/ (receivables)	Deferred tax liabilities/ (assets)
Acquisition of ISS A/S May 9, 2005	-	13	3,109
Foreign exchange adjustments	-	(1)	2
Additions from acquired companies, net	-	32	64
Adjustments relating to prior years, net	(11)	18	(7)
Tax regarding other equity movements	-	(38)	-
Tax on profit/(loss) before impairment/amortization of intangibles[1)]	(219)	463	(244)
Subtotal	**(230)**	**487**	**2,924**
Tax effect of goodwill impairment and write-down and amortization of brands and customer contracts	222	(1)	(221)
Reclassification of joint taxation contribution	-	25	-
Tax paid	-	(569)	-
Taxes at December 31, 2005	**(8)**	**(58)**	**2,703**
Tax receivables/deferred tax assets		(139)	(599)
Tax payables/deferred tax liabilities		81	3,302
Income taxes, net/deferred tax, net		**(58)**	**2,703**

[1)] Intangibles cover the value of goodwill, brands and customer contract portfolios and related customer relationships.

Computation of effective tax rate	2005 Danish resident entities	Foreign resident entities	Total	Percentage
Profit/(loss) before tax and impairment/amortization of intangibles	(1,186)	1,006	(180)	100.0%
Weighted average statutory tax rate	28.0%	29.0%	22.2 %	
Tax on profit/(loss) before impairment/amortization of intangibles	(332)	292	(40)	22.2 %
Tax of recurring permanent differences	3	23	26	(14.4)%
Tax provision before valuation allowance	(329)	315	(14)	7.8 %
Unrecognized tax assets	232	-	232	(128.9)%
Actual tax provision	(97)	315	218	(121.1)%
Effect of change in tax rates	-	6	6	(3.3)%
Share of tax in associates	-	(5)	(5)	2.7 %
Adjustment relating to prior years	(1)	12	11	(6.1)%
Effective tax rate (excluding effect from impairment/ amortization of intangibles)	**(98)**	**328**	**230**	**(127.8)%**

March 11 – December 31. Amounts in DKK millions

9. Changes in working capital	2005
Changes in inventories	(2)
Changes in trade receivables etc.	142
Changes in payables etc.	730
Changes in working capital	**870**

10. Acquisition and divestment of businesses

The Group made 66 acquisitions during 2005. The total purchase price amounted to DKK 24,071 million. The total annual revenue of the acquisitions is estimated at approximately DKK 47,569 million based on the expectations at the time of acquisition. The balance sheet items etc. relating to acquisitions and divestments are specified below:

	Acquisition of ISS A/S		Total acquisitions		
Acquisitions and divestments in 2005	Net book value before takeover	Fair value at takeover	Net book value before takeover	Fair value at takeover	Total divestments
Goodwill	15,592	-	15,595	-	(572)
Brands	-	1,657	-	1,657	-
Customer contract portfolios and related customer relationships	1,318	7,983	1,318	8,650	(21)
Other non-current assets	3,132	3,083	3,305	3,298	(88)
Trade receivables	7,252	7,250	7,760	7,803	(140)
Other current assets	4,682	4,577	5,027	4,925	(122)
Other provisions	(686)	(692)	(718)	(722)	-
Pensions, deferred tax liabilities and minorities	(1,532)	(4,526)	(1,562)	(4,687)	24
Long-term debt	(10,863)	(9,052)	(10,923)	(9,113)	7
Short-term debt	(1,154)	(1,154)	(1,263)	(1,264)	389
Other current liabilities	(8,822)	(9,111)	(9,400)	(9,748)	181
Net identifiable assets	**8,919**	**15**	**9,139**	**799**	**(342)**
Goodwill [1)]		22,035		23,490	-
Loss on divestment of businesses		-		-	22
Acquisition costs, net of tax [2)]		(154)		(218)	-
Purchase/(sales) price		**21,896**		**24,071**	**(320)**
Cash and cash equivalents in acquired/divested companies		(2,332)		(2,588)	79
Net purchase/(sales) price		**19,564**		**21,483**	**(241)**
Changes in deferred payments		-		(129)	(26)
Changes in prepayments regarding acquisitions in the coming year		-		(107)	-
Acquisition costs paid, net of tax		139		208	-
Net payments regarding acquisition/ divestment of businesses		**19,703**		**21,455**	**(267)**

The amount of the acquiree's profit or loss since the acquisition date included in the income statement for the period is not disclosed. Such disclosure is impracticable, because acquired companies are typically merged with (or activities transferred to) existing companies shortly after completion of the acquisition.

[1)] For the acquisition of ISS A/S the following intangibles are subsumed into goodwill; i) assembled workforce, ii) technical expertise and technological know how, iii) training expertise and training and recruitment programs, iv) strategic know how and synergies through acquisition and cross selling strategy and v) platform for growth. As ISS is a service company that acquires businesses in order to apply the ISS model and generate value by restructuring and refining the acquired business, the main impact from acquisitions derives from synergies, the value of human resources and the creation of platforms for growth.

[2)] Acquisition costs, net of tax amounting to DKK 218 million related mainly to the acquisitions of ISS A/S, EastPoint Group in Hong Kong and Proser in Turkey.

Continues

March 11 – December 31. Amounts in DKK millions

10. Acquisition and divestment of businesses (continued)	2005
Pro forma revenue [1]	
Revenue recognized in the income statement	31,741
Adjustment, assuming all acquisitions in the year were included as of January 1 [2]	16,601
Revenue for the Group assuming all acquisitions in the year were included as of January 1 [2]	48,342
Adjustment, assuming all divestments signed in the year were carried out as of January 1 [2]	(612)
Revenue for the Group assuming all acquisitions and divestments in the year were carried out as of January 1 [2]	**47,730**
Pro forma operating profit before other items [1]	
Operating profit before other items recognized in the income statement	1,932
Adjustment, assuming all acquisitions in the year were included as of January 1 [2]	845
Operating profit before other items for the Group assuming all acquisitions in the year were included as of January 1 [2]	2,777
Adjustment, assuming all divestments signed in the year were carried out as of January 1 [2]	(67)
Operating profit before other items for the Group assuming all acquisitions and divestments in the year were carried out as of January 1 [2]	**2,710**

[1] The adjustment for revenue and operating profit before other items assuming all acquisitions and divestments were included as of January, 1 is based on estimates of local ISS management in the respective jurisdictions in which such acquisitions and divestments occurred at the times of such acquisitions and divestments or actual results where available. Synergies from acquisitions are not included for periods in which such acquisitions were not controlled by the Group. These adjustments and the computation of total revenue and operating profit before other items calculated on a pro forma basis based on such adjustments are presented for informational purposes only and have not been audited. This information does not represent the results the Group would have achieved had the divestments and acquisitions during the year occurred on January 1. In addition, the information should not be used as the basis for or prediction of any annualized calculation.

[2] For practical purposes adjustment has been made as of January 1 and not March 11.

During 2005, the Group made 66 acquisitions

Company	Country	Income statement consolidated from	Percentage interest	Annual revenue [1]	Number of employees [1]
ISS A/S	Denmark	May	100%	45,000	287,000
PSS	Portugal	May	Activities	28	407
Oulun Puhelin	Finland	May	Activities	5	5
Kirwan Landscaping Services	Australia	May	Activities	75	316
Happy Verde	Spain	May	100%	7	22
ABC Healthcare Services	Australia	June	Activities	3	5
Profilstädarna i Sverige AB	Sweden	June	100%	83	390
Teleservice	Norway	June	Activities	10	40
Rubio & Kuschel Ltda.	Chile	June	100%	14	617
Manchester Property Care Ltd.	New Zealand	June	100%	80	900
Nature Environnement SA	France	June	100%	59	89
KASA Limpiezas S.A.	Spain	June	100%	200	2,005
Sethap SAS	France	June	100%	5	9
Stael SAS	France	June	100%	11	13
Restauration Régionale S.A.	Belgium	July	100%	48	106
Solvognen	Denmark	July	Activities	13	28
Jarrett Hygiene Service	Australia	July	Activities	1	2
WBZ Gartengestaltung GmbH	Austria	July	100%	5	6
Megama Cleaning and Holdings Services	Israel	July	Activities	17	700
Notter Group	Switzerland	July	100%	78	69
NEGH SAS	France	July	100%	166	1,786
Subtotal				**45,908**	**294,515**

[1] Unaudited approximate figures based on information available at the time of acquisition.

Continues

March 11 – December 31. Amounts in DKK millions

10. Acquisition and divestment of businesses (continued)

Company	Country	Income statement consolidated from	Percentage interest	Annual revenue [1)]	Number of employees [1)]
Top Service spol. s.r.o.	Slovakia	July	100%	4	215
Interfoon Call Centers B.V.	Netherlands	July	100%	36	193
Woko (F&B) Pte Ltd.	Singapore	July	100%	48	325
Brunner GmbH	Austria	July	100%	34	171
Thomas Cowan	Hong Kong	August	70%	2	5
Biosan	Brazil	August	100%	1	16
BBC Installationsservice	Denmark	August	Activities	46	71
Cleantec Hospitality Services Pte Ltd	India	August	100%	21	2,005
Inhouse (Proffice)	Sweden	August	Activities	67	185
Net y Bien S.I.	Spain	August	100%	72	983
Green Science Co. Ltd.	Thailand	August	Activities	1	9
Kai Thor Catering A/S	Denmark	September	100%	19	19
Holmdrup Kloakservice	Denmark	September	Activities	10	15
Anlægsgartneriet Hedelund	Denmark	September	Activities	13	25
Kartharoteckniki S.A.	Greece	September	100%	55	400
Mina Vara / ESS Puhatus	Estonia	September	51%	82	1,500
Loboal Conseils SARL	France	September	100%	31	208
JWN Data A/S and Media Service A/S	Denmark	October	100%	36	46
SVIP Oy	Finland	October	100%	9	23
PHM	France	October	Activities	1	2
Mestarit Yhtiö Oy	Finland	October	100%	7	6
Raypath-Clean a.s.	Slovakia	October	100%	9	308
Peter Borgesen	Norway	October	Activities	6	10
Cynogarde SAS	France	October	100%	18	89
Sodepo Empresa de Trabalho Temporário, SA	Portugal	October	100%	37	480
Van Kerkhoven BVBA	Belgium	October	100%	14	13
Irvak & LGT AG	Switzerland	October	100%	10	34
Niaga Suria Group	Malaysia	October	Activities	6	110
Desipraga Soiedade de Desinfeccâo e Desinfestacâo, Lda.	Portugal	October	100%	6	21
Quimicoll	Spain	October	Activities	3	10
U.S. Security Ltd.	Ireland	November	100%	23	200
Helco, Hellfritz AG	Switzerland	November	100%	15	200
Nieow Economisch Onderhoudsbedrijf NV	Belgium	November	100%	69	371
Estera Oy	Finland	November	100%	76	89
Complete FM	Ireland	November	Activities	8	10
Miva Bohemia s.r.o.	Czech Republic	November	100%	54	1,937
Segula Outsourcing SAS	France	November	100%	38	137
Miljöbyggarna i Borås AB	Sweden	November	100%	31	34
Personalhuset AS	Norway	November	90%	143	55
EastPoint Group Ltd.	Hong Kong	November	100%	233	3,394
Markbolaget i Uppsala AB	Sweden	December	100%	15	14
Cityplant	Denmark	December	Activities	0	0
Nihon Leasekin	Hong Kong	December	Activities	3	19
Hidroplant	Spain	December	100%	10	38
Aker Kværner Industrielt Vedlikehold AS	Norway	December	100%	239	435
Total				**47,569**	**308,945**

[1)] Unaudited approximate figures based on information available at the time of acquisition.

Continues

March 11 – December 31. Amounts in DKK millions

10. Acquisition and divestment of businesses (continued)

During 2005, the Group divested the following 14 companies/activities

Company/activity	Country	Month of disposal		Annual revenue [1]
Sand & Vattanbläst (Tyringe)	Sweden	May		10
Strålskyddsverksamhet activities outside Sweden (Damage Control)	Sweden	May		13
Health Care	Sweden	June	[2]	619
Aquagest	France	July		100
Special Service Unit	Finland	July		7
Damage Control activities in Vienna	Germany	July		13
Bussan ISS Holding Co. Ltd (incl. ISS Nesco Ltd.)	Japan	September	[2]	78
Print and Copy Services	Finland	September		5
Håndværkerservice	Denmark	September		22
Skadeservice (Damage Control)	Sweden	October		131
Restoration Engineering (Damage Control)	Israel	November		8
Mobile Catering	Sweden	November		24
Leisure Business Segment	Sweden	November		17
ÖHS (Damage Control)	Sweden	December		23
Total				**1,070**

[1] Unaudited approximate figures based on information available at the time of divestment.
[2] See note 34, Discontinued operations.

	Total acquisitions	
Acquisitions and divestments in 2006 [1]	Net book value before takeover	Fair value at takeover
Goodwill	-	-
Customer contract portfolios and related customer relationships	-	22
Other non-current assets	9	9
Trade receivables	13	13
Other current assets	12	12
Pensions, deferred tax liabilities and minorities	(1)	(6)
Short-term debt	(5)	(5)
Other current liabilities	(16)	(17)
Net identifiable assets	**12**	**28**
Goodwill		60
Purchase price		**88**
Cash and cash equivalents in acquired companies		(8)
Net purchase price		**80**

[1] In accordance with usual procedures for purchase price allocation, opening balances for acquisitions subsequent to January 31, 2006 are not yet available.

Continues

March 11 – December 31. Amounts in DKK millions

10. Acquisition and divestment of businesses (continued)

From January 1, 2006 to March 31, 2006, the Group made 34 acquisitions [1)]

Company	Country	Income statement consolidated from	Percentage interest	Annual revenue [2)]	Number of employees [2)]
Ejendomsforeningen Danmark	Denmark	January	Activities	0	0
ASM	Portugal	January	Activities	5	17
Sinon International srl	Romania	January	100%	10	365
Sistems Horticulture	Australia	January	Activities	12	35
Insinööritoimisto Frenta Oy	Finland	January	100%	3	4
PH-Palvelut Oy	Finland	January	Activities	3	6
Vaktmestersentralen AS	Norway	January	100%	12	28
Matpartner	Norway	January	Activities	21	20
Aquaris	Norway	January	Activities	5	4
Planteservice	Norway	January	Activities	6	11
Planterike	Norway	January	Activities	2	4
Raise Contact Center	Denmark	January	Activities	17	248
Terrakultur Stockholm AB and Codeum Finans AB	Sweden	January	100%	26	65
Agro Top Services SARL	France	January	100%	7	15
Pegasus Security Holdings Limited	United Kingdom	January	100%	427	1,581
MPA Securitas Limited	Thailand	January	100%	50	3,500
National Services Company B.V.	Netherlands	January	100%	20	86
Cleaning Plus	New Zealand	February	Activities	34	370
Hygeco SAS	France	February	100%	12	14
Charlestown SA	France	February	100%	159	323
Fruktbilen i Stockholm AB	Sweden	February	100%	6	10
Mats & Gun Wahlin AB	Sweden	February	100%	1	2
Optimal Group	Czech Republic	February	100%	74	415
Janco Pest Management	Australia	February	Activities	1	2
Bluebell Hospitality	India	February	Activities	2	90
Grundell	Finland	February	100%	21	80
B&S Virityspalvelu	Finland	February	Activities	8	16
Tempo Services Ltd. [3)]	Australia	February	100%	2,900	21,000
Coffee-team	Norway	March	Activities	6	4
EW Service Group	Switzerland	March	Activities	4	30
OS Verktakar	Iceland	March	Activities	2	12
Mandresa AB	Sweden	March	100%	43	29
JB Security Ltd.	Ireland	March	100%	14	54
Merusa	Spain	March	100%	57	239
Total				**3,970**	**28,679**

[1)] Includes all acquisitions made prior to March 31, 2006 regardless of consolidation date.
[2)] Unaudited approximate figures based on information available at the time of acquisition.
[3)] The acquisition comprises the remaining 51% shares in Tempo Services Ltd., not already owned by ISS.

March 11 – December 31. Amounts in DKK millions

11. Investments in non-current assets	2005
Purchase of intangible assets[1] and property, plant and equipment	(463)
Proceeds on sales of intangible assets and property, plant and equipment	91
Investments in intangible assets and property, plant and equipment, net	**(372)**
Sale of securities, net	678
Sale of other financial assets, net	34
Sale of financial assets, net	**712**

[1] Excluding goodwill, brands and customer contract portfolios and related customer relationships.

12. Financial payments, net	2005
Acquisition of ISS A/S May 9, 2005	(10,206)
Foreign exchange and other adjustments	(84)
Additions from acquired and divested companies, net	225
Fair value adjustment related to swap	(133)
Recognition of financial lease	(162)
Market price adjustment of bond loans	(127)
Movement related to joint taxation contribution	(81)
Long-term and short-term debt at December 31, 2005	24,685
Financial payments, net	**14,117**

March 11 – December 31. Amounts in DKK millions

13. Intangible assets

	2005				
	Goodwill	Brands [1]	Customer contracts [2]	Software and other intangible assets	Total
Acquisition of ISS A/S May 9, 2005	22,035	1,657	7,983	447	32,122
Foreign exchange adjustments	53	10	3	-	66
Additions [3]	1,479	-	-	38	1,517
Additions from acquired companies, net	-	-	646	12	658
Disposals	(572)	-	-	(39)	(611)
Transfer from Property, plant and equipment	-	-	-	3	3
Cost at December 31, 2005	**22,995**	**1,667**	**8,632**	**461**	**33,755**
Impairment, write-down and amortization at acquisition of ISS A/S May 9, 2005	-	-	-	(278)	(278)
Foreign exchange adjustments	-	-	-	0	0
Amortization	-	(3)	(754)	(53)	(810)
Amortization from acquired companies, net	-	-	0	(9)	(9)
Write-down	-	-	-	(24)	(24)
Disposals	-	-	-	39	39
Transfer from Property, plant and equipment	-	-	-	(1)	(1)
Impairment, write-down and amortization at December 31, 2005	**-**	**(3)**	**(754)**	**(326)**	**(1,083)**
Carrying amount at December 31, 2005	**22,995**	**1,664**	**7,878**	**135**	**32,672**

[1] The carrying amount of the ISS brand amounted to DKK 1,640 million as at December 31, 2005. The ISS brand is considered to have an indefinite useful life since there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows. Factors that played a significant role in determining that the ISS brand has an indefinte useful life are: i) the ISS brand has existed for decades, ii) the Group's strategy is based on the ISS brand, iii) all acquired brands are converted to or co-branded with the ISS brand and iv) the ISS brand is used in the business to business and public segments with low maintenance cost attached.

[2] Includes customer contract portfolios and related customer relationships.

[3] Additions to goodwill included goodwill of DKK 24 million relating to associates now fully owned.

14. Impairment tests

The Group's intangibles[1] primarily relate to the purchase price allocation following the take-over of ISS A/S as at May 9, 2005. A minor part of the Group’s intangibles relate to acquisitions carried out after the take-over of ISS A/S as at May 9, 2005. The intangibles resulting from the purchase price allocation are allocated to countries in which the Group operates. Companies acquired after the take over comprise a diverse portfolio of service types, customer segments, geographical regions, contract sizes and management skills.

Impairment tests are carried out per country as this represents the lowest level of cash generating units (CGU) to which the carrying amount of intangibles can be allocated and monitored with any reasonable certainty. This level of allocation and monitoring of intangibles is in accordance with the monitoring for internal management purposes and should be seen in the light of the Group's strategy to integrate acquired companies as quickly as possible in order to benefit from synergies.

Acquired companies are typically merged with (or activities transferred to) existing Group companies shortly after the completion of the acquisition. Furthermore, synergies and other effects resulting from cooperation with existing Group companies in their geographical or business area normally influence the financial performance of an acquired company. Consequently, after a short period of time, it is generally not possible to track and measure the value of intangibles of the individual acquired companies (or activities) with any reasonable certainty.

[1] In this context intangibles cover the value of goodwill, brands and customer contract portfolios and related customer relationships resulting from the acquisition of companies.

Continues

March 11 – December 31. Amounts in DKK millions

14. Impairment tests (continued)

As a company based in Europe, the Group assumes the long-term Group equity risk premium to be 3%. When performing impairment tests for individual CGU's, the risk premium applied may be higher than the Group's. When doing acquisitions the Group typically applies a hurdle rate, which is significantly higher than the calculated cost of capital.

The carrying amount of intangibles and the key assumptions[1)] used in the impairment testing for each CGU representing more than 5% of the carrying amount of intangibles are presented below[2)].

	Carrying amount				Applied expected long-term rate		Applied rate
	Goodwill	Brands	Customer contracts [3)]	Total intangibles [4)]	Growth	Margin	Discount rate, net of tax
France	4,883	320	1,290	6,493	3.0%	6.6%	7.4%
United Kingdom	2,494	216	993	3,703	3.0%	6.4%	7.8%
Finland	2,493	120	960	3,573	3.0%	8.9%	7.8%
Norway	1,892	135	826	2,853	3.0%	7.2%	8.3%
Denmark	1,770	131	544	2,445	3.0%	7.0%	8.0%
Netherlands	1,819	122	379	2,320	3.0%	7.0%	7.9%
Belgium	1,304	86	390	1,780	3.0%	6.5%	6.9%
Germany [5)]	822	63	60	945	3.0%	5.8%	7.9%
Other	5,518	471	2,436	8,425			
Total carrying amount at December 31, 2005	**22,995**	**1,664**	**7,878**	**32,537**			

[1)] The key assumptions applied in the impairment tests are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.

[2)] Intangibles in Germany do not represent more than 5% of the carrying amount of intangibles for the Group.

[3)] Includes customer contract portfolios and related customer relationships.

[4)] In this context intangibles cover the value of goodwill, brands and customer contract portfolios and related customer relationships resulting from the acquisition of companies.

[5)] For impairment test purposes the growth in Germany is expected to be 1.6% on average over the next five years while the margin is expected to be 4.6% on average over the next eight years.

Estimates used to measure recoverable amount

The recoverable amount of each CGU is determined on the basis of its value-in-use. The value-in-use is established using certain key assumptions as described below. The key assumptions are revenue growth, operating margin and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. The operating margin is based on past performance and expectations for future market developments. The assumptions applied in the short- to medium-term are based on management's expectations regarding developments in growth and operating margin. The terminal growth rates do not exceed the expected long-term average growth rate including inflation for the business in which the CGU's operate.

Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flow is reflected in the discount rate.

In determining the country specific discount rates, which are calculated net of tax, a target ratio of 75/25 between the market value of debt and enterprise value is used. A country specific risk premium has been added to the discount rates to reflect the specific risk associated with each CGU.

Continues

March 11 – December 31. Amounts in DKK millions

14. Impairment tests (continued)

Sensitivity analysis
A sensitivity analysis on the key assumptions in the impairment testing is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption can change, all other things being equal, before the unit's recoverable amount equals its carrying amount.

	Growth		Margin		Discount rate, net of tax	
	Applied expected long-term rate	Allowed decrease	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
France	3.0%	0.6%	6.6%	0.7%	7.4%	0.6%
United Kingdom	3.0%	1.4%	6.4%	1.4%	7.8%	1.4%
Finland	3.0%	0.8%	8.9%	1.2%	7.8%	0.8%
Norway	3.0%	1.3%	7.2%	1.4%	8.3%	1.3%
Denmark	3.0%	1.3%	7.0%	1.4%	8.0%	1.3%
Netherlands	3.0%	2.2%	7.0%	2.1%	7.9%	2.1%
Belgium	3.0%	1.1%	6.5%	1.4%	6.9%	1.1%
Germany [1)]	3.0%	0.0%	5.8%	0.0%	7.9%	0.0%

[1)] For impairment test purposes the growth in Germany is expected to be 1.6% on average over the next five years while the margin is expected to be 4.6% on average over the next eight years.

15. Property, plant and equipment

	2005		
	Land and buildings	Plant and equipment	Total
Acquisition of ISS A/S May 9, 2005	303	4,796	5,099
Foreign exchange adjustments	2	29	31
Additions	15	410	425
Other additions [1)]	63	87	150
Additions from acquired companies, net	(3)	167	164
Disposals	(23)	(369)	(392)
Transfers [2)]	-	(3)	(3)
Cost at December 31, 2005	**357**	**5,117**	**5,474**
Depreciation at acquisition of ISS A/S May 9, 2005	(59)	(3,221)	(3,280)
Foreign exchange adjustments	(1)	(21)	(22)
Depreciation	(11)	(387)	(398)
Depreciation from acquired companies, net	(0)	(126)	(126)
Disposals	6	301	307
Transfers	-	1	1
Depreciation at December 31, 2005	**(65)**	**(3,453)**	**(3,518)**
Carrying amount at December 31, 2005	**292**	**1,664**	**1,956**

Land and buildings with a carrying amount of DKK 18 million were provided as collateral for mortgage debt of DKK 5 million. Plant and equipment with a carrying amount of DKK 6 million was provided as collateral for long-term and short-term debt of DKK 0 million. The carrying amount of the Group's Land and buildings under finance leases was DKK 63 million. The carrying amount of the Group's Plant and equipment under finance leases was DKK 164 million.

[1)] Additions to Land and buildings include DKK 63 million of Financial leases, and additions to Plant and equipment include DKK 87 million of Financial leases.
[2)] DKK 3 million was transferred to Intangible assets.

March 11 – December 31. Amounts in DKK millions

16. Associates	2005
Investments in associates	
Acquisition of ISS A/S May 9, 2005	145
Foreign exchange adjustments	0
Additions	6
Additions from acquired companies, net	(7)
Disposals [1]	(27)
Cost at December 31, 2005	**117**
Acquisition of ISS A/S May 9, 2005	4
Foreign exchange adjustments	-
Net profit for the period	13
Dividends received	-
Disposals [1]	(2)
Revaluation at December 31, 2005	**15**
Carrying amount at December 31, 2005	**132**
Receivable from associate	**179**

							The Group's share		
	Country	Revenue	Operating profit	Net profit	Assets	Liabilities	Owner-ship %	Equity	Net profit
Pacific Service Solutions Pty Ltd. [2]	Australia	2,174	103	22	1,598	1,435	49	78	11
Grødegaard AS [3]	Norway	38	-	(4)	-	-	48	-	(2)
Aircon AS	Norway	105	10	6	49	29	40	7	3
Other associates		109	3	2	67	42		13	1
		2,426	**116**	**26**	**1,714**	**1,506**		**98**	**13**
Goodwill at December 31, 2005								34	-
Total carrying amount at December 31, 2005								**132**	**13**

[1] Including transfers related to associates now fully owned.

[2] Including Tempo Services Ltd., Australia. The amounts recognized in the consolidated financial statements for the Group are based on reported interim balances prepared in accordance with IFRS. Pacific Service Solutions Pty Ltd. has entered into a syndicated facility agreement implying that dividend payments can only be made under detailed restrictions until all senior debt has been settled. The remaining 51% shareholding was acquired February, 2006.

[3] The remaining 52% shareholding was acquired at July 1, 2005.

March 11 – December 31. Amounts in DKK millions

17. Deferred tax

	2005	
	Deferred tax assets	Deferred tax liabilities
Tax losses carried forward	247	-
Goodwill	151	149
Brands	-	505
Customer contracts [1]	-	2,342
Property, plant and equipment	51	159
Provisions	513	-
Bonds	-	363
Losses in foreign subsidiaries under Danish joint taxation	-	68
Other	14	93
Set-off within legal tax units and jurisdictions	(377)	(377)
Deferred tax	**599**	**3,302**

The recognition of deferred tax assets regarding tax losses carried forward is supported by the expected future profitability in the foreseeable future.

A deferred tax liability associated with investments in subsidiaries, joint ventures and associates has not been recognized, because the Group is able to control the timing of the reversal of the temporary differences and does not expect the temporary differences to reverse in the foreseeable future.

Unrecognized tax assets

The Group has unrecognized deferred tax assets in the following countries:

	2005		
	Total	Recognized	Unrecognized
Germany (tax losses carried forward)	324	164	160
Brazil (tax losses carried forward)	24	6	18
Belgium (tax losses carried forward)	23	15	8
Argentina (tax losses carried forward)	2	-	2
Israel (tax losses carried forward)	3	1	2
Unrecognized at acquisition of ISS A/S at May 9, 2005			**190**
Denmark (tax losses carried forward) recognized during the period	284	52	232
Total unrecognized tax assets at December 31, 2005			**422**

The unrecognized tax losses can be carried forward indefinitely in the individual countries. Deferred tax assets relating to tax losses carried forward are only recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

[1] Includes customer contract portfolios and related customer relationships.

March 11 – December 31. Amounts in DKK millions

18. Other financial assets	2005
Investments in Public Finance Initiatives (PFI)	48
Costs related to Public Private Partnerships (PPP)/PFI contracts	58
Regulatory long-term loans	39
Other	89
Other financial assets	**234**

19. Inventories	2005
Raw materials and supplies	131
Work in progress	52
Finished goods	117
Inventories	**300**
Inventories expensed	**2,556**

20. Trade receivables and contract work in progress	2005
Trade receivables [1]	**7,564**
Reserve for bad debt included in trade receivables	(202)
Debtor days [2]	47
Contract work in progress	
Contract expenses	164
Recognized profits	23
Contract work in progress, gross	**187**
Advances and prepayments	(34)
Contract work in progress, net	**153**

[1] The carrying amount of trade receivables approximates their fair values.
[2] Debtor days are calculated by dividing trade receivables with daily revenue including VAT.

21. Other receivables	2005
Receivable from affiliates [1]	106
Receivable from associate [2]	179
Interest rate swaps [3]	27
Prepayments	327
Other	205
Other receivables [4]	**844**

[1] Effective interest rate regarding receivable from affiliates was 8.5%.
[2] Effective interest rate regarding receivable from associate was 15.0%.
[3] The marked-to-market value of interest rate swaps.
[4] The carrying amount of other receivables approximates their fair values.

22. Securities, cash and cash equivalents

	2005		
	Carrying amount	Average effective rate (%)	Average duration (years)
Bonds[1]	55	3.1	1.6
Other	4	-	-
Securities	**59**		
Cash and cash equivalents	**1,804**	2.0	

[1] Listed Danish mortgage bonds.

23. Share capital

	2005
Share capital (in DKK millions)	
Foundation, March 11, 2005	1
Capital increase, May 10, 2005	99
Share capital at December 31, 2005	**100**
Number of shares (in thousands of shares)	
Foundation, March 11, 2005	1,000
Issued during the period	99,000
Number of shares at December 31, 2005 - fully paid	**100,000**

24. Long-term debt

	2005
Medium term notes due 2010 [1]	5,836
Medium term notes due 2014 [1]	2,929
Interest rate swaps [1]	138
Senior facilities [2]	
Term facility A	1,891
Term facility B	2,401
Acquisition facility A [2]	1,304
Debt to affiliate [3]	992
Other long-term debt	208
Long-term debt	**15,699**
Fair value of long-term debt	15,731

[1] ISS Global A/S, an indirectly wholly owned subsidiary of FS Funding A/S, listed a Euro Medium Term Note program in September 2003 and subsequently launched its inaugural issue. The EUR 850 million notes maturing on September 18, 2010, have an annual coupon of 4.75%. In December 2004, ISS Global A/S issued EUR 500 million of notes maturing on December 8, 2014, with an annual coupon of 4.50%. The Group swapped one-third of the fixed interest rates of the EUR 500 million notes into floating rates. The weighted average effective interest rate was 4.49% taking the effect of interest rate hedges into account.

[2] The senior facilities and acquisition facility are subject to customary undertakings, covenants (including financial covenants) and other restrictions. As of December 31, 2005 the term facility A and term facility B had a floating interest rate of 4.21% and 6.61% respectively. The acquisition facility A had a floating interest rate of 4.67%.

[3] Effective interest rate regarding debt to affiliate was 13.9%.

Continues

March 11 – December 31. Amounts in DKK millions

24. Long-term debt (continued)

Long-term debt is payable as follows:

	2005
1-5 years	5,607
After 5 years	10,092
Total	**15,699**

The Group's total long-term loans and borrowings at December 31 are denominated in the following original currencies:

	2005
DKK	8.6%
EUR	69.0%
GBP	9.7%
NOK	6.1%
SEK	4.7%
USD-related	0.0%
Others	1.9%
	100.0%

The Group has no subordinated debt and no debt convertible into equity.

Finance lease obligations are payable as follows:

	2005		
	Minimum lease payments	Interest	Principal
Within 1 year	110	(12)	98
1-5 years	92	(12)	80
After 5 years [1]	84	(18)	66
	286	**(42)**	**244**

[1] Financial lease obligations after 5 years related to buildings.

25. Pensions and similar obligations

The Group contributes to defined contribution plans as well as defined benefit plans. The majority of the pension plans are funded through payments of annual premiums to independent insurance companies responsible for the pension obligation towards the employees (defined contribution plans). In these plans the Group has no legal or constructive obligation to pay further contributions irrespective of the funding by these insurance companies. Pension costs related to such plans are recorded as expenses when incurred.

In some countries, most significantly, the Netherlands, Sweden, Switzerland, France, Norway and the United Kingdom, the Group has pension schemes where the actuarially determined pension obligations are recorded in the consolidated balance sheet (defined benefit plans). The defined benefit plans are primarily based on years of service and benefits are generally determined on the basis of salary and rank. The majority of the obligations are funded, but in some countries, mainly Sweden and France, the obligation is unfunded.

In certain countries, the Group participates in multiemployer pension schemes. The funds are currently not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans.

In Norway the majority of the defined benefit plans were settled in 2005 and converted into a defined contribution plan. The settlement has resulted in a settlement gain of DKK 58 million which amount has been recognized in the income statement.

Continues

March 11 – December 31. Amounts in DKK millions

25. Pensions and similar obligations (continued)

Actuarial calculations and valuations are performed annually for all major defined benefit plans. The actuarial assumptions vary from country to country due to local conditions. The range of actuarial assumptions used is as follows:

	2005
Discount rates at December 31, 2005 [1)]	2.7-5.0%
Expected return on plan assets at December 31, 2005	3.0-6.5%
Future salary increases	2.0-4.0%
Future pension increases	0.3-2.8%

The amounts recognized in the income statement are as follows:

Current service costs	64
Interest on obligation	66
Expected return on plan assets	(52)
Recognized past service costs, net	0
Gains on curtailments and settlements, net	(57)
Recognized in the income statement as staff costs	**21**
Actual return on plan assets	**67**

The amounts recognized in the balance sheet are as follows:

Present value of funded obligations	1,827
Fair value of plan assets	(1,441)
Funded obligations, net	386
Present value of unfunded obligations	413
Unrecognized past service costs	2
Net liability	**801**

Changes in the net liability recognized in the balance sheet are as follows:

Acquisition of ISS A/S May 9, 2005 - net liability	808
Additions from acquired companies, net	22
Net expenses recognized in the income statement	21
Contributions	(169)
Actuarial losses recognized through equity, net	119
Net liability for defined benefit plans at December 31, 2005	**801**
Other pensions and obligations	32
Pensions and similar obligations at December 31, 2005	**833**

[1)] Based on high quality corporate bonds.

Continues

March 11 – December 31. Amounts in DKK millions

25. Pensions and similar obligations (continued)	2005
Accumulated net actuarial (gains)/losses in the statement of total recognized income and expense	
Actuarial losses recognized, net	**119**
Changes in present value of obligations (funded and unfunded)	
Acquisition of ISS A/S May 9, 2005	2,542
Additions from acquired companies	28
Interest on obligation	66
Current service costs	64
Recognized past service costs	0
Benefits paid	(85)
Employee contributions	26
Actuarial (gains)/losses	134
Liabilities extinguished on settlements and curtailments	(535)
Closing present value of obligations at December 31, 2005	**2,240**
Changes in fair value of plan assets are as follows:	
Acquisition of ISS A/S May 9, 2005	1,734
Additions from acquired companies	6
Expected return on plan assets	52
Benefits paid	(55)
Contributions	167
Actuarial gains/(losses)	15
Assets distributed on settlements	(478)
Fair value of plan assets at December 31, 2005	**1,441**
The major categories of plan assets as a percentage of total plan assets are as follows:	
Bonds	53%
Equities	33%
Property	6%
Cash	5%
Other	3%
	100%

The Group expects to contribute DKK 98 million to its defined benefit plans in 2006.

March 11 – December 31. Amounts in DKK millions

26. Other provisions

2005	Labor-related items	Self-insurance	Acquisitions	Other	Total
Acquisition of ISS A/S May 9, 2005	80	64	100	448	692
Foreign exchange adjustments	1	0	0	2	3
Transfer	2	-	-	(2)	-
Additions from acquired companies, net	15	-	-	15	30
Provisions included in goodwill during the period [1]	-	-	67	-	67
Provisions made during the period (included in the income statement)	24	23	41	213	301
Other provisions made [2]	2	-	-	13	15
Provisions not used (reversed against the income statement)	(9)	(2)	-	(17)	(28)
Provisions not used (reversed against goodwill)	-	-	(7)	-	(7)
Provisions used during the period	(19)	(9)	(142)	(184)	(354)
Carrying amount at December 31, 2005	**96**	**76**	**59**	**488**	**719**
Expected maturity					
Within 1 year	72	43	57	308	480
1-5 years	22	33	2	154	211
After 5 years	2	-	-	26	28
Carrying amount at December 31, 2005	**96**	**76**	**59**	**488**	**719**

Provisions are not discounted because the effect of time value of money is not material.

Labor-related items: The provision mainly related to obligations in Belgium, Brazil, France, the Netherlands, Spain and Turkey.

Self-insurance: In the United Kingdom and Ireland, the Group carries an insurance provision on employers' liability. The Group is self-insured up to an annual limit of DKK 34 million for employers' liability. The Group has taken out a group third party liability insurance program. The Group captive insurance company Global Insurance A/S carries part of the risk on the third party liability program with a maximum annual limit of DKK 38 million.

Acquisitions: The provision includes obligations incurred in the normal course of acquisitions mainly related to transaction costs, redundancy payments and termination of rental of properties.

Other: The provision comprises various obligations incurred in the normal course of business e.g. provision for dismantling costs, operational issues, closure of contracts and legal cases.

[1] Includes only transaction costs related to acquisitions, as integration costs are included in the income statement.
[2] Other provisions made consisted of provisions transferred from Other liabilities.

27. Short-term debt

	2005
Senior facilities, term facility B	1,212
Subordinated bridge facility	6,654
Other short-term debt [1]	1,120
Short-term debt [2]	**8,986**

[1] Hereof debt to affiliate DKK 81 million. Effective interest rate regarding debt to affiliate was 8.5%.
[2] The weighted average effective interest rate regarding short-term debt was 5.72% for the senior facilities, term facility B, 12.04% for the subordinated bridge facility and a weighted average of 5.28% for other short-term debt.

28. Other liabilities	2005
Accrued wages and holiday allowances	3,169
Tax withholdings, VAT etc.	2,540
Prepayments from customers	357
Other payables and accrued expenses	2,044
Other liabilities	**8,110**

29. Contingent liabilities

Senior Facility Agreement
On November 7, 2005, FS Funding announced that it had finalized the financing arrangements relating to its acquisition of ISS A/S. FS Funding was the original borrower and guarantor under the senior facilities and the subordinated bridge facility, which were entered into on March 28, 2005, (subsequently amended and restated) and used for financing the acquisition of ISS A/S. FS Funding has executed a share pledge over its shares in ISS A/S as security for the senior facilities and the subordinated bridge facility. On July 26, 2005, ISS Global A/S, a 100% owned subsidiary of ISS A/S, acceded to the senior facilities agreement and thereby obtained a right to make future borrowings under the senior facilities.

ISS A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Belgium, Denmark, Finland, France, The Netherlands, Norway, Spain, Sweden and the United Kingdom have provided guarantees for ISS Global A/S' borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, intra-group receivables and intellectual property rights of ISS A/S and these subsidiaries. In addition, the shares in the material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Germany, Hong Kong, Ireland, Portugal, Singapore and Switzerland have been pledged. Neither ISS A/S nor any of its direct or indirect subsidiaries have guaranteed or granted any security for FS Funding's borrowing used for financing the acquisition of ISS A/S.

Operating leases
Operating leases consist of leases and rentals of properties, vehicles (primarily cars) and other equipment. The total expense under operating leases in the income statement amounted to DKK 986 million. Assuming the current car fleet etc. is maintained, the future minimum lease payments under operating leases are:

	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 years	Total lease payment
At December 31, 2005	1,044	755	516	326	208	308	3,157

Additional future lease payments of DKK 26 million existed regarding associates at December 31, 2005 (Pacific Service Solutions).

Commitment vehicle leases
The Group has entered into a global car fleet lease framework agreement for three years, including an option for extension for a further three-year term. The framework agreement contains an option for the Group to terminate the underlying agreement for an entire country or the entire commitment with four weeks notice, to the end of a quarter subject to payment of a termination amount. The majority of the underlying agreements have a duration of 3-5 years. The disclosed contingent liablity includes the Group's total leasing commitment assuming no early termination of any agreement.

Guarantee commitments
Indemnity and guarantee commitments at December 31, 2005 amounted to DKK 122 million.

Performance guarantees
The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 1,062 million of which DKK 861 million were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry.

Continues

29. Contingent liabilities (continued)

Outsourcing of IT
The Group has an IT-outsourcing agreement with Computer Sciences Corporation (CSC) running until 2015. The Group's contractual obligation related to the agreement at December 31, 2005 amounted to approximately DKK 430 million. The Group and CSC are currently in discussions on implications of certain aspects of the outsourcing agreement. These discussions include various claims of each party and can lead to change of scope of the contract.

Divestments
The Group makes provisions for claims from purchasers or other parties in connection with divestments. Management believes that provisions made at December 31, 2005 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

In February 2005, ISS sold its Health Care operations to a newly formed joint venture entity, now named Aleris Holding AB ("Aleris"), owned by EQT III Limited, ISS and Aleris's management. In June 2005, ISS sold its interest in Aleris to EQT III Limited.

Following the sale of the Health Care operations, Aleris has claimed that the purchase price should be reduced by DKK 35 million. The Group disputes the claim.

Legal proceedings
The Group is party to certain legal proceedings. Management believes that these proceedings (which are to a large extent labor cases incidental to its business) will not have a material impact on the Group's financial position.

Other contingent liabilities
The Brazilian tax authorities have filed two claims and raised certain other inquiries against ISS Brazil relating to corporate income tax for the year 1995 on realization of inflationary gain, federal taxes related to 1999 and other federal taxes and social security costs amounting to DKK 60 million. These claims and inquiries are unlikely to be resolved in the short to medium term and the outcome is uncertain.

30. Derivatives

The Group's financial risk management is based on policies approved by the Board of Directors, specifying guidelines and risk limits for the Group's financial transactions and positions. The Group may use derivatives to hedge financial risks. Hedging of financial risks is managed at corporate level.

Currency risk can be classified in three categories: economic, transaction and translation.

In practical terms, the economic currency risk is somewhat limited for the Group, as the Group and its competitors generally have similar cost structures. However, currency movements may have an adverse effect on the general economic situation of countries in which the Group operates and the Group may be impacted by such events.

The service industry is characterized by a relatively low level of transaction risk, since the services are produced and delivered in the same local currency with minimal exposure from imported components. The Group's transaction risk primarily relates to the payment of royalties and service fees to the Group, which are made in the local currencies of the paying companies. Thus, a currency risk exists in relation to the translation of these payments into Danish kroner.

The main currency exposure relates to the risk involved in translating the income statements of foreign subsidiaries into Danish kroner based on average exchange rates for the year and in relation to the risk of translating the equity in foreign subsidiaries into Danish kroner based on year-end exchange rates.

The Group may choose to hedge the currency exposure on foreign investments by funding such investments in local currencies or entering into hedging transactions.

The currencies in which the Group's revenue was denominated increased by 1.2% on average relative to Danish kroner, increasing the Group's revenue by DKK 367 million. Currency movements led to an increase of operating profit of DKK 23 million. The effect of the translation of investments in foreign subsidiaries and the effect of hedge transactions, net of tax, increased equity by DKK 102 million.

Interest rate risk is measured by the duration of the net debt. The duration reflects the effect of a simultaneous increase or decrease in the general level of interest rates for the currencies included in the debt portfolio. As at December 31, 2005, the duration of net debt was approximately 2.2 years. Thus, all other things being equal, an increase/(decrease) of one percentage point in the relevant interest rates would reduce/(increase) the market value of net debt by approximately DKK 544 million. Based on the net debt and taking into account the effect of hedging instruments as at December 31, 2005, a general decrease/(increase) of one percentage point in relevant interest rates would reduce/(increase) the annual net interest expense by approximately DKK 134 million, all other things being equal.

The Group's loan portfolio primarily consists of bonds issued under the EMTN-program and bank loans. A part of the interest payments on the corporate bonds have been swapped from fixed into floating rates (see note 24, Long-term debt). To manage the duration of the net debt, the Group applies derivatives, such as interest rate swaps, futures and options. The deferred gain or loss on the interest rate instruments will in accordance with the matching principle be charged to the income statement as a financial item at the time when the hedged interest expense is recognized in the income statement.

Credit risk represents the risk of the accounting loss that would be recognized if counterparties failed to perform as contracted. Losses on bad debt relating to individual customers or counterparties have historically been relatively low. The Group performs ongoing credit evaluations of the financial condition of the Group's counterparties in order to reduce the credit risk exposure.

Continues

March 11 – December 31. Amounts in DKK millions

30. Derivatives (continued)

Contractual values and unrealized gains and losses are specified below for financial instruments used to hedge the foreign exchange risk and the interest rate risk:

Financial instruments	Contractual value	Unrealized gain/(loss) on revaluation to fair value	Included in the income statement for 2005	Taken directly on equity on December 31, 2005	Maturity
Forward foreign currency, purchases					
CHF	124	0	0	-	2006
EUR	5,670	(0)	(0)	-	2006
GBP	454	1	1	-	2006
NOK	445	3	3	-	2006
SEK	289	1	1	-	2006
Others	31	0	0	-	2006
	7,013	**5**	**5**	**-**	
Forward foreign currency, sales					
AUD	578	(8)	(3)	(5)	2006
CHF	209	(0)	-	(0)	2006
EUR	4,939	0	0	0	2006
GBP	521	0	(0)	-	2006
HKD	214	(2)	(2)	-	2006
NOK	224	(1)	-	(1)	2006
SGD	12	(0)	(0)	-	2006
USD-related	221	(2)	-	(2)	2006
Others	99	(0)	(0)	0	2006
	7,017	**(13)**	**(5)**	**(8)**	
Interest rate instruments					
Interest rate swap - 2014 (EUR), receiver [1)]	1,243	30	(11)	-	2014
Total financial instruments		**22**	**(11)**	**(8)**	

	Millions			
Hedging of net investments in foreign subsidiaries at December 31, 2005	Net investments in foreign subsidiaries, DKK	Hedging, DKK	Net investments with translation risk, DKK	Net investments with translation risk, local currency
AUD	245	(369)	(124)	(27)
CHF	250	(209)	41	9
EUR	4,651	(2,611)	2,040	273
GBP	465	(467)	(2)	(0)
NOK	384	(224)	160	171
SEK	27	-	27	34
USD-related	378	(221)	157	-
Others	765	(70)	695	-
	7,165	**(4,171)**	**2,994**	

[1)] The swap converts one-third of the fixed interest rate on the EUR 500 million bond loan into a floating rate. The expense of DKK 11 million off-sets a similar income in the income statement related to the bond loan. Of the DKK 30 million unrealized gain, DKK 27 million represents the positive marked-to-market value of the interest rate swap.

31. Related party transactions

The sole shareholder of FS Funding A/S, FS Equity A/S, has controlling influence in FS Funding. The ultimate controlling company of FS Funding is FS Invest Sarl (Luxembourg) which is 55% owned by funds advised by EQT. Related parties to the Group with a significant, but not controlling influence are:

Members of the Board of Directors and the Executive Management
Apart from remuneration as described in note 3, Staff costs and note 4, Share-based payments, there were no significant transactions with members of the Board of Directors or the Managing Director during the period. For a description of business relationships see below.

Joint ventures and associates
Transactions with joint ventures and associates are limited to transactions related to shared service agreements. There were no significant transactions with joint ventures and associates during the period. All transactions are made on market terms. The significant joint ventures and associates are specified in note 33, Subsidiaries, joint ventures and associates.

Sale of Health Care operations
In February 2005, ISS acquired the remaining 51% stake in CarePartner and subsequently sold its Health Care operations to a newly formed joint venture entity, now named Aleris Holding AB ("Aleris"), owned by EQT III Limited, ISS and Aleris's management. In June 2005, ISS sold its interest in Aleris to EQT III Limited. A contingent liabilitiy exists related to this sale, see note 29, Contingent liabilities.

In addition to the above and except for intra-group transactions, which were eliminated in the consolidated accounts, there were no material transactions with related parties and major shareholders during the period.

FS Funding A/S's Board of Director's and Managing Director's external directorships and external executive positions

	Board Member	Executive Position
Board of Directors		
Leif Östling	Scania AB, AB SKF, Svenskt Näringsliv (Confederation of Swedish Enterprise) and Teknikföretagen (The Association of Swedish Engineering Industries).	President and CEO of Scania AB.
Ole Andersen	Contex Holding A/S, Aleris AB and Brandtex Group A/S.	Head of the Copenhagen office of EQT Partners.
Jørgen Lindegaard	Telenor ASA, Efsen Engineering A/S.	President and CEO of SAS Group.
Sanjay Patel	Ahlsell AB and R.L. Winston Rod Company. Advisor to International Asset Transactions, SmartAnalyst and the India Real Estate Opportunities Fund.	Co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs.
Christoph Sander	-	-
Richard Sharp	Goldman Sachs International and Cognis GmbH & Co. KG.	Head of the Principal Investment Area of Goldman Sachs in Europe.
Peter Korsholm (alternate)	Contex Holding A/S (deputy director) and Brandtex Group A/S.	Partner at EQT Partners.
Steven Sher (alternate)	Ahlsell AB and Rhiag Group Ltd.	Vice-President in Europe for the Principal Investment Area of Goldman Sachs.
Managing Director		
Steen Parsholt	Aon Denmark A/S, Bakmann Holding A/S, Company Watch Ltd. and Cura Management A/S.	-

Continues

March 11 – December 31. Amounts in DKK millions

31. Related party transactions (continued)

Affiliates
The Group had the following transactions with affiliates. All transactions were made on market terms.
• The Group paid interest to affiliates, see note 7, Net finance costs.
• The Group paid/received joint taxation contribution equal to 28% of taxable income to/from FS Equity A/S (the ultimate parent company in Denmark), see note 8, Taxes.

Apart from the above there were no other material transactions with related parties and shareholder during the year.

32. Interests in joint ventures

As of December 31, 2005, the Group had interests in 6 joint ventures. The significant joint ventures are specified in note 33, Subsidiaries, joint ventures and associates. In 2005, the Group's interest in a joint venture in Japan was divested. The net profit for the period and the balance sheet items of the Group's interests in the 6 joint ventures are included in the Group's consolidated income statement and balance sheet with the following amounts:

	2005
Revenue	120
Operating profit before other items	4
Profit/(loss) before impairment/amortization of intangibles	4
Net profit/(loss) for the period	**3**
Intangible assets [1)]	0
Property, plant and equipment	4
Deferred tax assets	0
Financial assets	0
Current assets	62
Total assets	**66**
Equity	33
Long-term liabilities	1
Current liabilities	32
Total equity and liabilities	**66**
The Group's part of contingent liabilities (operating leases) in joint ventures	**35**

[1)] Excluding goodwill arising from the acquisition of the joint ventures.

33. Subsidiaries, joint ventures and associates

FS Funding A/S

ISS A/S

ISS Global A/S

ISS Global A/S

Argentina

Facility Services S.R.L.	100%	
ISS Argentina S.A.	100%	
Servicios Integrales de Mantenimiento S.A.	100%	
Solkin S.A.	100%	

Australia

ISS Facility Services Pty Ltd.	100%	
ISS Fumigation Pty Ltd.	100%	
ISS Holdings Pty Ltd.	100%	
ISS Hygiene Service Pty Ltd.	100%	
ISS Management Pty Ltd.	100%	
Pacific Invest December 2004 Pty Ltd.	100%	
Pacific Service Solutions Pty Ltd.	49%	**
Partnership Catering Services Pty Ltd.	49%	**
Prestige Property Services Pty Ltd.	49%	**
Prestige Property Services Hunter Region Pty Ltd.	49%	**
Prestige Protection Services Pty Ltd.	49%	**
Tempo Facility Services Pty Ltd.	49%	**
Tempo Franchise Business Systems Pty Ltd.	49%	**
Tempo Health Support Services Pty Ltd.	49%	**
Tempo Security Pty Ltd.	49%	**
Tempo Services Ltd.	49%	**

Austria

Coolit Klima- und Kältetechnik GmbH	100%	
ISS Airest Bodenabfertigungsdienste GmbH	51%	
ISS Alpha Beteiligungsverwaltung GmbH	100%	
ISS Austria Holding GmbH	100%	
ISS Beta Beteiligungsverwaltung GmbH	100%	
ISS Facility Services GmbH	100%	
Steinbauer GmbH	100%	
WBZ Gartengestaltung GmbH	100%	

Belgium and Luxembourg

ISS Building Services N.V.	100%	
ISS Facility Services S.A. (Luxembourg)	100%	
ISS Food N.V.	100%	
ISS Hygiene Services N.V.	100%	
ISS Industrial Services N.V.	100%	
ISS N.V.	100%	
ISS Office Support N.V.	100%	
Party & Dinner N.V.	100%	
Restauration Régionale S.A.	100%	
Van Kerkhoven BVBA	100%	
Vending Industries N.V.	100%	

Brazil

ISS Biosystem Saneamento Ambiental Ltda.	100%	
ISS Servisystem do Brasil Ltda.	100%	

Brunei

ISS Thomas Cowan Sdn. Bhd.	50%	
Multi-Clean Enterprise Sdn. Bhd.	50%	

Chile

ISS Chile S.A.	100%	
ISS Facility Services S.A.	100%	

China and Hong Kong

EastPoint Group Ltd.	100%	
ISS China Holdings Ltd.	100%	
ISS China Holdings I Ltd.	100%	
ISS EastPoint Facility Services Ltd.	100%	
ISS Environmental Services (HK) Ltd.	100%	
ISS ESGO Beijing Xin Sha Building Services Co. Ltd.	50%	**
ISS Greater China Ltd.	100%	
ISS Hongrun Facility Services (Shanghai) Ltd.	60%	
ISS Mediclean (HK) Ltd.	100%	
ISS Nihon Leaskin Co. Ltd.	100%	
ISS Thomas Cowan Co. Ltd.	70%	
LAWN Environmental Protection Ltd.	100%	
Roboclean (HK) Co. Ltd	100%	

Croatia

ISS Usluzne Djelatnosti d.o.o.	100%	

The Czech Republic

ISS Automotive Services s.r.o.	100%	
ISS Facility Services s.r.o.	100%	
Maintec s.r.o.	50%	*
Miva Bohemia s.r.o.	100%	

Denmark

Albertslund Kloakservice ApS	100%	
Global Insurance A/S	100%	
House of Coffee A/S	100%	
ISS Facility Services A/S	100%	
ISS Finans A/S	100%	
ISS Funding A/S	100%	
ISS Grønland A/S	100%	
ISS Holding France A/S	100%	
ISS Management A/S	100%	

Continues

33. Subsidiaries, joint ventures and associates (continued)

ISS Venture A/S	100%
JWN Data A/S	100%
Kai Thor Catering A/S	100%
Media Service A/S	100%
P/f ISS Føroyar	55%
Slotsholmen Teknik A/S	50%

Estonia

ISS Haldus Ou	51%
ISS Holding Ou	100%

Finland

Estera Oy	100%
ISS Palvelut Oy	100%
ISS Proko Oy	100%
ISS Security Oy	100%
ISS Tekniset Palvelut Oy	100%
ISS Teollisuus Palvelut Oy	100%
ISS Vahinkosaneeraus Oy	100%
Suomen Laatutakuu Palvelut Oy	100%

France

Agro Top Services Sarl	100%
Allobo SAS	100%
Aquaplant SAS	100%
Assainic SNC	100%
Atrya Securité SAS	100%
Axoma SAS	100%
Berthier Sarl	100%
Brio SAS	100%
BSE SAS	100%
Chloroville SAS	100%
Cogepar SAS	100%
CPMS SA	100%
Cynogarde SAS	100%
Europrop SAS	100%
FCF Sarl	100%
Force Protection Sarl	100%
FSI SA	100%
Gabriel Recyclage Sarl	100%
GIE ISS Services	100%
Groupe F2E SAS	100%
Ifopro Sarl	100%
ISS Abilis France SAS	100%
ISS Bati Services SASU	100%
ISS Energie SAS	100%
ISS Environnement SAS	100%
ISS Espaces Verts SAS	100%
ISS Holding Paris SA	100%
ISS Hygiène SASU	100%
ISS Hygiene Services SAS	100%
ISS Logistique et Production SAS	100%
ISS Multiservices SAS	100%
ISS Sécurité SAS	100%
ISS Surete Securite Sarl	100%
Jardem SAS	100%
LMCB SAS	100%
Loboal conseil SAS	100%
L´Impeccable SAS	100%
Nature Environnement SA	100%
NEGH SAS	100%
Paysages de France SAS	100%
Poirel Parcs & Jardins SAS	100%
Profolia SAS	100%
Provense Sarl	100%
Qualitec SAS	100%
Sede Coppex SASU	100%
Sede Holding SAS	100%
Sede Mortis SASU	100%
Segula Outsourcing SAS	100%
Sethap SAS	100%
SNC Channel SAS	100%
Sol Verts Paysage SAS	100%
Stael SAS	100%
Verts Paysages & Aménagement SAS	100%
ViaPark SAS	100%

Germany

ISS Damage Control Deutschland GmbH	100%
ISS Facility Services GmbH	100%
ISS HWD GmbH	100%
ISS HWS GmbH & Co. KG	100%
ISS Personaldienstleistungen GmbH i.L.	100%
ISS Personalservice GmbH	100%
ISS Wäscheservice GmbH & Co. KG	100%
Klaus Harren GmbH	100%
NOBIS Facility Services GmbH	100%
NOBIS Security GmbH	100%
Vatro Trocknungs- und Sanierungstechnik GmbH & Co	86%
Vatro Verwaltungs GmbH	86%

Greece

ISS Facility Services S.A.	100%
ISS Human Resources S.A.	100%
Katharotechniki S.A.	100%

Hungary

ISS Servisystem Kft.	100%

Iceland

ISS Island ehf.	100%

India

Cleantec Hospitality Services Pte Ltd.	100%
ISS Facility Services India Pte Ltd.	100%

Indonesia

Pt. ISS Servisystem	100%

Continues

33. Subsidiaries, joint ventures and associates (continued)

Ireland

Contract Cleaners Ltd.	100%
Corporate Personnel Services Ltd.	100%
Grangemore Landscapes Ltd.	100%
Grangemore Plants Ltd.	100%
ISS Ireland Ltd.	100%
ISS Hygiene Services Ltd.	100%
U.S. Security Ltd.	100%

Israel

ISS-Ashmoret Ltd.	90%
ISS-Israel Manpower Services Ltd.	90%
M.A.S.H. Machatz Agencies Ltd.	90%

Italy

Insecto Srl	100%
ISS Facility Services Srl	100%
ISS Hygiene Services Srl	100%

Malaysia

ISS Facility Services Sdn. Bhd.	30%
ISS Hygiene Services Sdn. Bhd.	100%

The Netherlands

De Loge Schoonmaakdiensten B.V.	100%
Het Groene Team B.V.	100%
Huib van den Hoven Plantsoenwerken B.V.	100%
Interfoon Call Centers B.V.	100%
ISS Arbo Plus B.V.	100%
ISS Catering Services B.V.	100%
ISS Damage Services B.V.	100%
ISS Food Hygiene B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Hospital Services B.V.	100%
ISS Hygiene Services B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Landscaping Services B.V.	100%
ISS Nederland B.V.	100%
ISS Reception Services B.V.	100%
Verhulst Beplantingswerken B.V.	100%

New Zealand

Basecare Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%
ISS Management Services Ltd.	100%
Tempo Building Services Ltd. (New Zealand)	49% **

Norway

Aircon Miljø og Renholdssystemer AS	40% **
Aker Kværner Industrielt Vedlikehold AS	100%
ForvaltningsCompagniet AS	100%
Hero Mottak og Kompetanse AS	50% *
ISS Facility Services AS	100%
ISS Lufthavnservice AS	15%
ISS Skaaret AS	100%
ISS Vaktmester Kompaniet AS	100%
NSB Trafikservice AS	45% *
Personalhuset AS	90%
PSP Procuro Servicepartner AS	100%
Raufoss Beredskap AS	51%
Serveringspartner AS	100%
Vaktmestersentralen AS	100%
Varig Gruppen AS	70%
Eiendomsinvestor AS	49% **

Poland

ISS Facility Services Sp. Z.o.o.	100%

Portugal

Desipraga Soiedade de Desinfecção e Desinfestacão, Lda.	100%
ISS Facility Services Gestão e Manutenção de Edificios, Lda.	100%
ISS Servisystem Serviços de Limpeza, Lda.	100%
ISS Portugal Serviços de Gestão, Lda.	100%
Sodepo Empresa de Trabalho Temporário, SA	100%

Romania

3D Romania S.A.	100%
ISS Facility Services S.R.L.	100%

Russia

Facility Services RUS LLC	100%

Singapore

CDCS-eks Catering Services Pte Ltd.	100%
Gourmet Wok Pte Ltd.	100%
ISS Bakery Pte Ltd.	100%
ISS-CDCS Catering Pte Ltd.	100%
ISS Facility Services Pte Ltd.	100%
ISS Hygiene Services Pte. Ltd.	100%
ISS Sanitation Services Pte Ltd.	100%
Serve 1st Services Pte Ltd.	100%
Woko (F&B) Pte Ltd.	100%

Slovakia

ISS Automotive Services s.r.o.	100%
ISS Facility Services s.r.o.	100%
ISS Security s.r.o.	100%

Slovenia

ISS Servisystem d.o.o.	100%

Spain

Gelim S.A.	100%
Integrated Service Solutions S.L.	100%
ISS Facility Services S.A.	100%
ISS Higiene Ambiental 3D S.A.	100%
ISS Logística, Producción y Mantenimiento S.L.	100%
ISS Salud y Servicios Sociosanitarios S.A.	100%
ISS Serv. Auxiliares y Complem. de Oficinas S.A.	100%
ISS Soluciones de Jardinería S.A.	100%

Continues

33. Subsidiaries, joint ventures and associates (continued)

Sri Lanka

ISS Abans Environmental Services (PT) Ltd.	50% *

Sweden

Codeum Finans AB	100%
GK Rengörarna AB	100%
ISS Ekonomiförvaltning AB	100%
ISS Facility Services AB	100%
ISS Invita AB	100%
ISS Mark och Miljö AB	100%
ISS Markbolaget i Uppsala AB	100%
ISS Miljöbyggarna i Borås AB	100%
ISS Teleoffice AB	100%
ISS TraffiCare AB	100%
Lemonia AB	100%
Terrakultur Stockholm AB	100%
Terrakultur Växtservice AB	100%

Switzerland

AMH Airport Multiservice Holding AG	100%
Erwin Jakober AG	100%
Helco Hellfritz AG	100%
Irvak & LGT AG	100%
ISS Holding AG	100%
ISS Aviation AG Dietikon	100%
ISS Aviation SA	100%
ISS Bernasconi SA	100%
ISS Facility Services AG	100%
ISS Facility Services AG (Liechtenstein)	100%
ISS Gartenbau AG	100%
ISS Pest Control AG	100%
Jakober AG	100%
Jakober Transporte und Kanalreinigungs AG	100%
Notter Kanaldicht AG	100%
Notter Kanalservice AG	100%

Thailand

ISS Facility Services Co., Ltd.	100%
Sara Service Co., Ltd.	100%

Turkey

ISS Tesis Yönetim Hizmetleri A.S.	70%
Proser Koruma ve Güvenlik Hizmetleri A.S.	70%

The United Kingdom

ISS Damage Control Ltd.	100%
ISS Damage Control (Scotland) Ltd.	76%
ISS Facility Services Ltd.	100%
ISS Finance and Investment (Bishop Auckland) Ltd.	100%
ISS Finance and Investment Ltd.	100%
ISS Food Hygiene Ltd.	100%
ISS Mediclean Ltd.	100%
ISS UK Holdings Ltd.	100%
ISS UK Ltd.	100%
Mitchell & Struthers (Contracts) Ltd.	100%
Mitchell & Struthers Ltd.	100%
RCO Group Ltd.	100%
RCO Support Services Ltd.	100%
Spectrum Franchising Ltd.	100%
Spectrum Holdings Ltd.	100%
Standby Pest Control (Holdings) Ltd.	100%
Standby Pest Control Ltd.	100%
Superclean Support Services (Holdings) Ltd.	100%
Superclean Support Services Plc.	100%

Uruguay

ISS de Uruguay S.A.	100%
Samilar S.A.	100%

Undertakings of immaterial interests are left out.
* Joint venture
** Associate

34. Discontinued operations

In February 2005, ISS sold its Health Care operations to a newly formed joint venture entity, now named Aleris Holding AB ("Aleris"), owned by EQT III Limited, ISS and Aleris's management. In June 2005, ISS sold its interest in Aleris to EQT III Limited. A contingent liabilitiy exists related to this sale, see note 29, Contingent liabilities.

In September 2005, the Group sold its activities in Japan to Mitsui & Co.,Ltd. The sale consisted of a sale of the 50% share in Bussan ISS Holding Co. Ltd., which is a holding company owning all shares of ISS Nesco Ltd.

During 2005 the discontinued operations had a cash inflow from operating activities of DKK 18 million, a cash outflow from investing activities of DKK 1 million and a cash outflow from financing activities of DKK 17 million.

The discontinued operations resulted in proceeds of DKK 206 million and a decrease in net assets of DKK 248 million.

35. Subsequent events

The Group has made a number of acquisitions subsequent to December 31, 2005, see note 10, Acquisition and divestment of businesses. Most significantly on February 13, 2006, ISS announced the acquisition of the remaining 51% of the shares in Tempo Services Ltd. which were previously owned by investors managed by DB Capital Partners. Net purchase price amounted to DKK 1,079 million.

Apart from the above and the events described in this Annual Report, the Group is not aware of events subsequent to December 31, 2005, which are expected to have a material impact on the Group's financial position.

Parent Company Financial Statements

INCOME STATEMENT OF THE PARENT COMPANY

March 11 – December 31. Amounts in DKK millions

Note		2005
3	Other operating expenses	(10)
	Operating profit/(loss) before other items	**(10)**
4	Other income and expenses, net	(22)
	Operating profit/(loss)	**(32)**
9	Income from subsidiary	403
5	Net finance costs	(1,163)
	Profit/(loss) before tax	**(792)**
6	Income taxes	103
	Net profit/(loss) for the period	**(689)**
	Attributable to:	
	Retained earnings	(689)
	Net profit/(loss) for the period	**(689)**

CASH FLOW STATEMENT FOR THE PARENT COMPANY

March 11 – December 31. Amounts in DKK millions

	2005	Note
Operating profit before other items	(10)	
Changes in working capital	17	
Interest paid, net	(1,094)	
Income taxes received	124	6
Payments related to other income and expenses, net	(22)	
Cash flow from operating activities	**(985)**	
Acquisition of subsidiary	(22,035)	7
Dividends received from subsidiary	6,993	9
Cash flow from investing activities	**(15,042)**	
Financial payments, net	7,811	8
Payments from affiliates, net	1,033	
Proceeds from issuance of share capital	7,693	
Cash flow from financing activities	**16,537**	
Total cash flow	**510**	
Cash and cash equivalents at March 11, 2005 (foundation)	1	
Total cash flow	510	
Cash and cash equivalents at December 31, 2005	**511**	10

BALANCE SHEET OF THE PARENT COMPANY

At December 31. Amounts in DKK millions

Note		2005
	Assets	
9	Investment in subsidiary	15,460
6	Deferred tax assets	52
	Total non-current assets	**15,512**
	Other receivables	10
10	Cash and cash equivalents	511
	Total current assets	**521**
	Total assets	**16,033**
	Equity and liabilities	
11	**Total equity**	**7,005**
10	Debt to affiliates	992
	Total long-term liabilities	**992**
12	Short-term debt	7,866
10	Debt to affiliates	115
	Trade payables	24
	Other liabilities	31
	Total current liabilities	**8,036**
	Total liabilities	**9,028**
	Total equity and liabilities	**16,033**

STATEMENT OF TOTAL RECOGNIZED INCOME AND EXPENSE AND CHANGES IN EQUITY OF THE PARENT COMPANY

At December 31. Amounts in DKK millions

2005	Share capital	Retained earnings	Total equity
Total recognized income and expense			
Net profit/(loss) for the period	-	(689)	(689)
Total recognized income and expense for the period	**-**	**(689)**	**(689)**
Equity at March 11, 2005 (foundation)	1	-	1
Changes in equity			
Total recognized income and expense for the period	-	(689)	(689)
Share issue	99	7,594	7,693
Total changes in equity	99	**6,905**	**7,004**
Equity at December 31, 2005	**100**	**6,905**	**7,005**

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Significant accounting policies

STATEMENT OF COMPLIANCE
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU being effective for the period ended December 31, 2005 and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

BASIS OF PREPARATION
The financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities at fair value through the income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. FS Funding A/S believes the following are the areas involving critical accounting estimates and judgements used in the preparation of the financial statements:

- the impairment testing of cost of investing in subsidiaries
- the assessment of ongoing litigations and the valuation of contingent liabilities and
- the valuation of tax assets.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

GENERAL
Foreign currency Transactions in foreign currency are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Realized and unrealized exchange gains and losses are included in the income statement under Net finance costs.

INCOME STATEMENT
Other operating expenses include expenses related to the operation of service equipment and other non-current assets, external assistance as well as other selling, distribution and administrative expenses, including expenses related to marketing, transportation, operating leases, subcontractors, audit, legal assistance, losses and loss provisions on receivables etc.

Other income and expenses, net comprise of income and expenses, both recurring and non-recurring, that FS Funding A/S does not consider to be part of normal ordinary operations.

Income from subsidiary comprise dividends declared in the year and gains and losses from divestment of subsidiaries. If dividends declared exceed the accumulated profit since takeover, the dividend is not recognized in the income statement but instead recognized as a write-down in the cost of the investment.

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses.

Income taxes consist of income tax and changes in deferred tax. Deferred tax is recognized based on the balance sheet liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. Furthermore, a deferred tax liability is recognized for expected re-taxation of tax-deductible losses realized in foreign subsidiaries previously included under Danish joint taxation.

Where the tax base can be calculated using different tax regulations, deferred tax is measured based on the planned use of the asset or the unwinding of the liability, as applicable.

Deferred tax is computed based on the tax rate expected to apply when the temporary differences are balanced out. No deferred tax provisions are made for undistributed profits of subsidiaries and goodwill not deductible for tax purposes. Deferred tax assets, including the tax value of losses carried forward, are recognized at the value at which they are expected to be applied either by eliminating tax on future earnings or by setting off deferred tax liabilities within the same legal tax unit and jurisdiction.

Continues

1. Significant accounting policies (continued)

The recognized income tax is allocated to Income taxes and Equity, as applicable.

FS Funding A/S is jointly taxed with all Danish resident affiliates. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are included in the Danish tax on account scheme. Additions, deductions and allowances are recognized under Net finance costs.

CASH FLOW STATEMENT
The cash flow statement shows FS Funding A/S's cash flows for the period stemming from operating, investing and financing activities, the change in cash position during the period as well as FS Funding A/S's cash position at the beginning and the end of the period.

The cash flow statement is prepared using the indirect method based on Operating profit before other items.

Cash flow from operating activities comprises Operating profit before other items adjusted for non-cash items, changes in working capital and payments regarding interest, income taxes and other income and expenses.

Cash flow from investing activities comprises investments in or sale of subsidiaries and cash flow from purchase and sale of non-current assets.

Cash flow from financing activities comprises proceeds from and repayment of loans, dividends and proceeds from share issues.

Cash and cash equivalents comprise cash and marketable securities, with maturity of less than three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

BALANCE SHEET
Financial assets Investments in subsidiaries are recognized at cost. Investments are written down to the recoverable amount if this is exceeded by the cost. Cost is written down to the extent that the dividends declared exceeds the accumulated profit since take-over.

Receivables are measured at amortized cost less a provision for doubtful debts based on an individual assessment. Provisions and realized losses during the year are recognized under Other operating expenses.

Dividends are recognized in the period in which they are declared.

March 11 – December 31. Amounts in DKK millions

2. Staff costs

FS Funding A/S did not remunerate its Board of Directors or its Managing Director in 2005. FS Funding A/S did not have any other employees.

3. Fees to auditors	2005
KPMG	
Audit fees [1]	4
Tax and VAT advisory services	1
Other services [2]	4
Total fees to auditors	**9**

[1] Audit fees comprised statutory audit of the Annual Report.
[2] Other services mainly comprised work related to the acquisition of ISS A/S (see note 4, Other income and expenses, net).

4. Other income and expenses, net	2005
Costs relating to the change of ownership of ISS A/S	(22)
Other income and expenses, net	**(22)**

5. Net finance costs	2005
Interest income etc.	5
Financial income	**5**
Interest expenses etc.	(596)
Interest expenses to affiliates	(71)
Amortization of financing fees	(338)
Foreign exchange loss	(163)
Financial expenses	**(1,168)**
Net finance costs	**(1,163)**

March 11 – December 31. Amounts in DKK millions

6. Taxes

2005	Income taxes	Tax payables/ (receivables)	Deferred tax liabilities/ (assets)
Balance at March 11, 2005	-	-	-
Tax on profit/(loss) before tax	103	(51)	(52)
Subtotal	**103**	**(51)**	**(52)**
Reclassification of joint taxation contribution	-	(73)	-
Tax received	-	124	-
Taxes at December 31, 2005	**103**	**-**	**(52)**

Deferred tax assets	2005		
	Total	Recognized	Unrecog-nized
FS Funding A/S (tax losses carried forward)	284	52	232

The recognition of deferred tax assets regarding tax losses carried forward is supported by expected future profitability in the foreseeable future. The unrecognized tax losses can be carried forward indefinitely.

A deferred tax liability associated with investment in subsidiary has not been recognized, because FS Funding A/S is able to control the timing of the reversal of the temporary differences and does not expect the temporary differences to reverse in the foreseeable future.

7. Acquisition of subsidiary

On March 29, 2005, FS Funding A/S commenced a voluntary public tender offer for all outstanding ordinary shares of ISS A/S. On May 3, 2005, the voluntary public tender offer expired and, on May 9, 2005, FS Funding A/S announced that it had received tenders representing 91.55% of ISS A/S' outstanding shares. The provisions of the Danish Securities Act require that any acquirer of a majority interest in a Danish listed company shall institute a mandatory public tender offer for the shares that it has not already acquired, in this case during the voluntary public tender offer period. Accordingly, FS Funding A/S commenced a mandatory public tender offer for the remaining ISS A/S shares, which expired on June 10, 2005. Upon expiration of this mandatory public tender offer FS Funding A/S held 98.30% of ISS A/S’ shares. On July 26, 2005, the remaining outstanding shares of ISS A/S were acquired by FS Funding A/S through a compulsory acquisition procedure regulated by the Danish Companies Act.

	2005
Acquisition of outstanding ISS A/S shares	(21,896)
Additional purchase of shares in settlement of warrant holders	(171)
Proceeds of shares sold to ISS A/S as part of warrant settlement	171
Acquisition costs to advisors etc. at an amount of DKK 154 million, of which is paid at December 31	(139)
Acquisition of subsidiary	**(22,035)**

March 11 – December 31. Amounts in DKK millions

8. Financial payments, net	2005
Short-term debt at March 11, 2005	-
Foreign exchange and other adjustments	(139)
Financing fees	84
Short-term debt at December 31, 2005	7,866
Financial payments, net	**7,811**

9. Investment in subsidiary	2005
Cost at March 11, 2005	-
Additions	22,050
Disposals	-
Cost at December 31, 2005	**22,050**
Revaluation at March 11, 2005	-
Dividends received in excess of accumulated profits	(6,590)
Disposals	-
Revaluation at December 31, 2005	**(6,590)**
Carrying amount at December 31, 2005	**15,460**
Income from subsidiary	
Received dividends	6,993
Hereof in excess of accumulated profits	(6,590)
Income from subsidiary	**403**

Subsidiary	Share %
ISS A/S, Copenhagen, Denmark	100

10. Financial assets and liabilities	2005	
	Carrying amount	Effective interest rate (%)
Cash and cash equivalents	511	2.4
Debt to affiliate, long-term	992	13.9
Debt to affiliates, current	115	8.5

11. Share capital	2005
Share capital (in DKK millions)	
Foundation, March 11, 2005	1
Capital increase, May 10, 2005	99
Share capital at December 31, 2005	**100**
Number of shares (in thousands of shares)	
Foundation, March 11, 2005	1,000
Issued during the period	99,000
Number of shares at December 31, 2005 - fully paid	**100,000**

12. Short-term debt	2005
Bank loans (term loan B) [1) 2)]	1,212
Bank loans (High Yield bridge) [1) 3)]	6,654
Short-term debt	**7,866**

[1)] Net of financing costs.
[2)] Effective interest rate regarding bank loans (term loan B) was 5.7%.
[3)] Effective interest rate regarding bank loans (High Yield bridge) was 12.0%.

13. Contingent liabilities, pledges etc.

Senior Facility Agreement
On November 7, 2005, FS Funding announced that it had finalized the financing arrangements relating to its acquisition of ISS A/S. FS Funding was the original borrower and guarantor under the senior facilities and the subordinated bridge facility, which were entered into on March 28, 2005, (subsequently amended and restated) and used for financing the acquisition of ISS A/S. FS Funding has executed a share pledge over its shares in ISS A/S as security for the senior facilities and the subordinated bridge facility. On July 26, 2005, ISS Global A/S, a 100% owned subsidiary of ISS A/S, acceded to the senior facilities agreement and thereby obtained a right to make future borrowings under the senior facilities.

ISS A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Belgium, Denmark, Finland, France, The Netherlands, Norway, Spain, Sweden and the United Kingdom have provided guarantees for ISS Global A/S' borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, intra-group receivables and intellectual property rights of ISS A/S and these subsidiaries. In addition, the shares in the material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Germany, Hong Kong, Ireland, Portugal, Singapore and Switzerland have been pledged. Neither ISS A/S nor any of its direct or indirect subsidiaries have guaranteed or granted any security for FS Funding's borrowing used for financing the acquisition of ISS A/S.

VAT
FS Funding A/S and certain Danish affiliates are jointly registered for VAT and are jointly liable for the payment hereof.

14. Related party transactions

The sole shareholder of FS Funding A/S, FS Equity A/S, has controlling influence in FS Funding. The ultimate controlling company of FS Funding is FS Invest Sarl (Luxembourg) which is 55% owned by funds advised by EQT. Related parties to FS Funding A/S with a significant, but not controlling influence are:

Members of the Board of Directors and the Executive Management
There were no significant transactions with members of the Board of Directors or the Managing Director during the year. For a description of business relationships see below.

FS Funding A/S's Board of Directors' and Managing Director's external directorships and external executive positions

	Board Member	Executive Position
Board of Directors		
Leif Östling	Scania AB, AB SKF, Svenskt Näringsliv (Confederation of Swedish Enterprise) and Teknikföretagen (The Association of Swedish Engineering Industries).	President and CEO of Scania AB.
Ole Andersen	Contex Holding A/S, Aleris AB and Brandtex Group A/S.	Head of the Copenhagen office of EQT Partners.
Jørgen Lindegaard	Telenor ASA, Efsen Engineering A/S.	President and CEO of SAS Group.
Sanjay Patel	Ahlsell AB and R.L. Winston Rod Company. Advisor to International Asset Transactions, SmartAnalyst and the India Real Estate Opportunities Fund.	Co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs.
Christoph Sander	-	-
Richard Sharp	Goldman Sachs International and Cognis GmbH & Co. KG.	Head of the Principal Investment Area of Goldman Sachs in Europe.
Peter Korsholm (alternate)	Contex Holding A/S (deputy director) and Brandtex Group A/S.	Partner at EQT Partners.
Steven Sher (alternate)	Ahlsell AB and Rhiag Group Ltd.	Vice-President in Europe for the Principal Investment Area of Goldman Sachs.
Managing Director		
Steen Parsholt	Aon Denmark A/S, Bakmann Holding A/S, Company Watch Ltd. and Cura Management A/S.	-

Affiliates
FS Funding A/S had the following transactions with affiliated companies. All transactions were made on market terms.
• FS Funding A/S received/paid interest from/to FS Equity A/S and other affiliates, see note 5, Net finance costs.
• FS Funding A/S received/paid joint taxation contributíon equal to 28% of taxable income from/to FS Equity A/S (the ultimate parent company in Denmark), see note 6, Taxes.
• FS Funding A/S received dividends from ISS A/S, see note 9, Investments in subsidiary.

Apart from the above there were no other material transactions with related parties and shareholder during the year.

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