ISS Facility Services Limited

Directors' report and financial statements

Registered number 00890885

For the year ended 31 December 2012

Contents

Directors' report

The directors present their Directors' report and financial statements for the year ended 31 December 2012

Principal activities

The Company is a wholly owned subsidiary of ISS UK Limited and operates as part of the ISS Group's activities within the United Kingdom

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

Development and performance of the business of the Company

Turnover for the year was £580 2m *(2011 £560 9m)* and resulted in gross profit of £81 0m *(2011 £78 8m)* Turnover has increased by 3 4% due to continued organic growth Gross margin was 14 7% compared with 14% in 2011

The Company's profit before taxation was £23 2m *(2011 £24 3m)*

Future outlook

The external commercial environment is expected to remain very competitive in 2013 However, we remain confident that we will maintain our current level of performance in the future

Dividend

The directors do not recommend the payment of a dividend *(2011 £6,000,000, £60 per share)*

Principal risks and uncertainties

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

The key business risks and uncertainties affecting the Company are considered to relate to competition from both national and independent contractors, service performance and employee retention Further discussion of these risks and uncertainties, in the context of the UK Group as a whole, is provided on pages 47 to 53 & 117 to 123 of the annual report of ISS A/S which does not form part of this report, but can be obtained from the address in note 24

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

Directors' report *(continued)*

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs, other than those already given above, is not necessary for an understanding of the development, performance or position of the business

Directors

The directors who held office during the year and up to the date of this report were as follows

R I Sykes	(appointed 12 March 2013)
M E Brabin	
J P Hayes	
P A Jones	
D Paul	
A S Price	(resigned 1 June 2012)
P Leigh	(appointed 4 January 2012)
N Lloyd	(resigned 18 January 2013)
P Thompson	(appointed 14 December 2012)

All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Employees

The organisation and meeting structure, which continues to operate throughout the company down to individual profit centres, facilitates the free flow of information, company goals and financial performance The company also produces various information publications for employees and staff The policy of the company is to employ disabled persons on the same basis as other employees, with the provision that they are able to operate without risk to themselves or others within the conditions prevailing on individual sites Training, career development and promotion of a disabled person is identical to that of other employees so far as possible

Political and charitable contributions

The Company made no political contributions during the year *(2011 £nil)* Donations to UK charities amounted to £32,384 *(2011 £39,424)*

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

M Brabin
Director

ISS House
Genesis Business Park
Albert Drive
Woking
Surrey
GU21 5RW

28 June 2013

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

Independent auditors report to the members of ISS Facility Services Limited

We have audited the financial statements of ISS Facility Services Limited for the year ended 31 December 2012 set out on pages 7 to 29 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statement

Independent auditors report to the members of ISS Facility Services Limited *(continued)*

Matters on which we are required to report by exception

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

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

T.S. Rush

Timothy Rush (Senior Statutory Auditor)
28th June 2013

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

Profit and loss account

for the year ended 31 December 2012

	Notes	2012		2011	
		£'000	£'000	£'000	£'000
	2				
Turnover		**580,186**		560,847	
			580,186		560,847
Cost of sales			**(499,155)**		(482,101)
Gross profit			**81,031**		78,746
Administrative expenses			**(59,564)**		(55,000)
	2				
Operating Profit		**21,467**		23,746	
			21,467		23,746
Interest receivable and similar income	6		**1,839**		518
Other financial income	7		**78**		120
Interest payable and similar charges	8		**(215)**		(51)
Profit on ordinary activities before taxation	3		**23,169**		24,333
Tax on profit on ordinary activities	9		**(6,214)**		(6,610)
Profit for the financial year	19		**16,955**		17,723

There is no difference between the results on an historical cost basis and that shown in the profit and loss account

Notes on pages 10 to 29 form part of the financial statements

All activities relate to continuing operations

Company Registered Number 00890885

Balance sheet
At 31 December 2012

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed Assets					
Intangible Assets	11		732		767
Tangible Assets	12		10,346		9,894
			11,078		10,661
Current Assets					
Stocks	13	1,115		961	
Debtors	14	356,740		312,037	
Cash		8,328		4,996	
		366,183		317,994	
Creditors: amounts falling due within one year	15	(293,866)		(261,883)	
Net current assets			72,317		56,111
Total assets less current liabilities			83,395		66,772
Creditors: amounts falling after more than one year	16		(128)		(128)
Net assets excluding pension liabilities			83,267		66,644
Pension liabilities	23	(1,615)		(1,687)	
			(1,615)		(1,687)
Net assets including pension assets			81,652		64,957
Capital and Reserves					
Called up share capital	18		100		100
Profit and loss account	19		81,552		64,857
Shareholders' funds	20		81,652		64,957

Notes on pages 10 to 29 form part of the financial statements

These financial statements were approved by the board of directors on 28 June 2013 and were signed on its behalf by

M Brabin

M Brabin *(Director)*

Company Registered Number 00890885

Statement of total recognised gains and losses
for the year ended 31 December 2012

	2012 £'000	2011 £'000
Profit for the financial year	**16,955**	17,723
Actuarial loss recognised in the pension schemes	**(340)**	(302)
Deferred tax arising on the loss in the pension schemes	**80**	80
Total recognised gains and losses relating to the financial year	**16,695**	17,501

Notes on pages 10 to 29 form part of the financial statements

Company Registered Number 00890885

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules These accounts have been prepared on a going concern basis,

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of ISS UK Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of ISS A/S, within which this Company is included, can be obtained from the address given in note 23

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably Fair values are restricted to an amount that does not create, or increase, any negative goodwill

Intangible assets purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives

Fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	-	2% per annum
Leasehold improvements	-	life of lease
Office equipment	-	33% per annum
Vehicles	-	33% per annum
Machinery	-	33% per annum
Computer equipment	-	50% per annum

No depreciation is provided on freehold land

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Post-retirement benefits

The Company operates a number of defined contribution pension schemes The assets of the schemes are held separately from those of the Company in independently administered funds The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period

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

Pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surpluses/deficits are split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

Stocks

Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years Provision is made for any losses as soon as they are foreseen

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover is treated as wholly and entirely derived within the United Kingdom and is the aggregate amount of revenue from the provision of cleaning and other related services supplied to customers in the ordinary course of business Where the substance of the transaction is that the Company's obligations are performed gradually over time, revenue is recognised as contract activity progresses to reflect the Company's partial performance of its contractual obligations Where contracts are structured in such a way that the company acts in the role of an agent, passing costs straight on to customers, and bears minimal risk, turnover is accounted for net of any pass-through costs

2 Segmental analysis

	Turnover 2012 £'000	**Operating Profit / (Loss) 2012 £'000**	Turnover 2011 £'000	Operating Profit 2011 £'000
General Cleaning	**259,303**	**6,808**	265,539	10,379
Landscaping	**35,537**	**(661)**	36,664	1,710
Facilities management	**186,768**	**12,230**	157,984	9,200
Catering	**54,306**	**3,347**	50,785	3,090
Security	**44,272**	**(257)**	49,875	(633)
Continuing operations	**580,186**	**21,467**	560,847	23,746

After restructuring ISS Facility Services Ltd on the 1st of January 2011, Front of House is now included in Catering and Building Maintenance is now included in Facilities Management

	Net Assets 2012 £'000	Net Assets 2011 £'000
General Cleaning	**7,033**	4,860
Landscaping	**15,233**	15,894
Facilities management	**38,601**	26,511
Catering	**14,226**	10,876
Security	**6,559**	6,816
Continuing Operations	**81,652**	64,957

Notes *(continued)*

3 Notes to the profit and loss account

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	**4,166**	4,140
Amortisation and other amounts written off intangible fixed assets	**35**	38
Loss on disposal of fixed assets	**139**	70
Hire of plant and machinery - rentals payable under operating leases	**1,598**	1,336
Hire of other assets - operating leases	**6,793**	7,593
Management fees	**4,717**	6,779

Auditors' remuneration

	2012 £000	2011 £000
Audit of these financial statements	**378**	299

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the financial statements of the Company's parent, ISS UK Limited

Notes *(continued)*

4 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	**384**	370
Company contributions to money purchase pension schemes	**12**	10
	396	380

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £141,898 *(2011 £141,473)*, and Company pension contributions of £3,390 *(2011 £4,078)* were made to a money purchase scheme on their behalf

	Number of directors 2012	2011
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	**2**	3

All the directors are covered under qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions

5 Staff numbers and costs

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

	2012	2011
Management and administration	**2,782**	2,625
Operatives	**25,607**	23,801
Average number of employees	**28,389**	26,426

The aggregate payroll costs of these persons were as follows

	2012 £'000	2011 £'000
Wages and salaries	**306,483**	302,532
Social security costs	**22,121**	22,447
Other pension costs	**2,467**	2,673
Total	**331,071**	327,652

Notes *(continued)*

6 Interest receivable and similar income

	2012	2011
	£'000	£'000
Bank interest receivable	**1,839**	518

7 Other finance income

	2012	2011
	£'000	£'000
Expected return on pension scheme assets	**846**	919
Interest on pension scheme liabilities	**(768)**	(799)
	78	120

8 Interest payable and similar charges

	2012	2011
	£'000	£'000
On bank loans and overdrafts	**215**	51

Of the above amount nil *(2011 £30,000)* was payable to group undertakings

Notes *(continued)*

9 Taxation

Analysis of charge in period

	2012 £000	2011 £000
UK corporation tax		
Current tax on income for the period	**6,153**	6,824
Prior year adjustment	**(62)**	(287)
Total current tax charge	**6,091**	6,537
Deferred tax (see note 17)		
Origination/reversal of timing differences	**(302)**	(253)
Adjustments in respect of prior periods	**179**	176
Relating to change in rate of deferred tax	**246**	150
Total deferred tax charge	**123**	73
Tax on profit on ordinary activities	**6,214**	6,610

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2011 lower)* than the standard rate of corporation tax in the UK of 24 5% *(2011 26 5%)* The differences are explained below

	2012 £000	2011 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**23,169**	24,333
Current tax at 24 5% *(2011 26 5%)*	**5,676**	6,448
Effects of		
Expenses not deductible for tax purposes (primarily leased cars and entertainment)	**175**	123
Depreciation for the year in excess of capital allowances	**358**	244
Relating to pension liability	**(48)**	8
Other timing differences	**(8)**	1
Prior year adjustment	**(62)**	(287)
Total current tax charge (see above)	**6,091**	6,537

On 21 March 2013, it was announced that Corporation tax rates in the United Kingdom will reduce to 24% from April 2013 This legislation was substantially enacted on 26 March 2013

On 21 March 2013, a further 1% reduction from 24% to 23% was announced from 1 April 2013 and a subsequent reduction of 1% from 23% to 22% from 1 April 2014 On 3 July 2013, the legislation of the reduction in the UK corporation tax rate to 23% from 1 April 2013 was substantially enacted and hence has no impact on the deferred calculations within these statements

Notes *(continued)*

10 Dividends

The aggregate amount of dividends comprises

	2012 £000	2011 £000
No interim dividend paid in respect of current year *(2011 £60 per share)*	-	6,000

The aggregate amount of dividends proposed and recognised as liabilities as at the year end is £nil *(2011 £nil)*

11 Intangible fixed assets

	Goodwill £000
Cost	
At beginning and end of year	**3,322**
Amortisation	
At beginning of year	**2,555**
Charge in year	**35**
At end of year	**2,590**
Net book value	
At 31 December 2012	**732**
At 31 December 2011	767

The customer contracts have been valued on the basis of discounted cash flows and are amortised over the average remaining life of the contracts Goodwill represents the excess of the consideration paid over the value of the customer contracts valued and net assets acquired

Notes *(continued)*

12 Tangible fixed assets

	Land and Buildings	Leasehold Improvements	Office Equipment	Vehicles	Machinery	Total
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	645	2,569	8,813	1,590	40,237	53,854
Additions	-	44	18	-	4610	4672
Disposals	-	(188)	(23)	(6)	(3,060)	(3,277)
Transfers	-	-	-	-	149	149
At end of year	645	2,425	8,808	1,584	41,936	55,398
Depreciation						
At beginning of year	110	1,371	6,960	1,487	34,032	43,960
Charge for year	-	276	352	-	3,538	4,166
On disposal	-	(188)	(23)	(6)	(2,857)	(3,074)
At end of year	110	1,459	7,289	1,481	34,713	45,052
Net book value						
At 31 December 2012	**535**	**966**	**1,519**	**103**	**7,223**	**10,346**
At 31 December 2011	535	1,198	1,853	103	6,205	9,894

The directors are of the opinion that the market value of the non-depreciable freehold land exceeds the carrying value of £503,000 *(2011 £503,000)*

Depreciation has not been provided on buildings as the effect is not considered material to the financial statements

Notes *(continued)*

13 Stocks

	2012 £000	2011 £000
Raw materials and consumables	**1,100**	841
Contract work in progress	**15**	120
	1,115	961

14 Debtors

	2012 £000	2011 £000
Trade debtors (of which £4,768,000 *(2011 £956,000)* is due after more than one year)	**74,735**	69,292
Amounts owed by group undertakings (of which £956,000 *(2011 £956,000)* is due after more than one year)	**271,666**	235,023
Other debtors	**2,759**	1,303
Deferred tax asset (note 17)	**1,450**	1,398
Prepayments and accrued income	**6,130**	5,021
	356,740	312,037

Amounts owed to group undertakings include provisions of £100,000 *(2011 £100,000)* against amounts that are deemed unrecoverable

15 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Obligations under finance leases and hire purchase contracts (see note 16)	**14**	14
Trade creditors	**37,669**	29,982
Amounts owed to group undertakings	**193,599**	182,600
Corporation tax	**3,104**	2,520
Taxation and social security	**20,521**	20,378
Accruals and deferred income	**38,959**	26,389
	293,866	261,883

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Obligations under finance leases and hire purchase contracts	-	-
Amounts owed to group undertakings	**128**	128
	128	128

The maturity of obligations under finance leases and hire purchase contracts is as follows

	2012 £000	2011 £000
Within one year	**14**	14
In the second to fifth years	-	-
	14	14

Notes *(continued)*

17 Deferred tax

	2012 £000	2011 £000
At start of the year	**1,967**	1,960
Adjustment in relation to prior years	**(179)**	(177)
Deferred tax charge in the profit and loss account	**302**	251
Deferred tax charge relating to rate change	**(245)**	(107)
Deferred tax charge to the statement of total recognised gains and losses for the year	**80**	80
Deferred tax adjustment on pensions	**-**	(40)
At the end of the year	**1,925**	1,967

The elements of deferred taxation are as follows

	2012 £000	2011 £000
Relating to timing differences due to accelerated capital allowances (note 12)	**1,256**	1,204
Relating to other timing differences (note 12)	**194**	194
Offset against pension liability (note 23)	**475**	609
Deferred tax adjustment on pensions	**-**	(40)
	1,925	1,967

18 Called up share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	**100**	100

19 Profit and loss account

	2012 £000
At beginning of year	**64,857**
Profit for the year	**16,955**
Actuarial (losses)/ gains recognised in the pension schemes	**(340)**
Deferred tax arising on gains in the pension schemes	**80**
At end of year	**81,552**

Notes *(continued)*

20 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	**16,955**	17,723
Dividends on shares	-	(6,000)
Retained profit	**16,955**	11,723
Other recognised gains and losses relating to the year (net)	**(260)**	(222)
Net addition to shareholders' funds	**16,695**	11,501
Opening shareholders' funds	**64,957**	53,456
Closing shareholders' funds	**81,652**	64,957

21 Contingent liabilities

The Company's bankers have issued performance bonds totalling £324,530 *(2011 £1,253,529)* against default of the Company's performance in the ordinary course of business The bonds are indemnified by ISS Facility Services Limited and ISS Support Services Limited

22 Commitments

(a) Pursuant to a Senior Facilities Agreement entered into in 2009 by the Company's then ultimate parent company ISS Holding A/S, the Company acceded in 2009 as an Additional Obligor As a result all the assets of the Company are subject to a fixed and floating charge

(b) The Company participates in a cash pooling arrangement with other members of the ISS UK Group operated by the group's bankers in the UK

(c) The Company has a multi-option facility for £24,000,000 with the group's banks

(d) During 2009, ISS World Services A/S, a subsidiary of ISS A/S launched a receivables-backed securitisation programme as part of a refinancing of the €850 million Euro Monetary Terms Notes (EMTN's) maturing in September 2011 Under this programme certain trade receivables are provided as security for the securitisation debt ISS Facility Services Limited is participating in the securitisation programme and £16,526,831 of trade receivables have been provided as security for securitisation debt raised as at 31 December 2012 The trade receivables continue to be held within trade receivables as all the risks and rewards remain with the Company For further details on the securitisation programme please refer to the financial statements of ISS A/S (Note 24)

Notes *(continued)*

23 Commitments *(continued)*

(e) Annual commitments under non-cancellable operating leases are as follows

2012	Land and buildings £000	Other £000	Vehicles £000	Total £000
Operating leases which expire				
Within one year	148	93	750	991
In the second to fifth years inclusive	891	770	3,206	4,867
Over five years	1,280	150	78	1,508
	2,319	1,013	4,034	7,366

2011	Land and buildings £000	Other £000	Vehicles £000	Total £000
Operating leases which expire				
Within one year	119	69	666	854
In the second to fifth years inclusive	556	66	3,115	3,737
Over five years	1,489	-	-	1,489
	2,164	135	3,781	6,080

23 Pension schemes

i) Defined benefit schemes.

The Company operates five defined benefit pension schemes The disclosures have been aggregated in accordance with the provisions set out within section 92 of Financial Reporting Standard 17

The major assumptions used by the actuary in this valuation at the balance sheet date were

	2012	2011
Rate of increase in salaries	3 0%	3 0%
Expected return on scheme assets at the end of the year	5.95%	3 3% - 7 6%pa
Discount rate	4 4%	4 8%
Price inflation	3.0% pa	3 6% pa
Pension increases	2.3%-3 0%	2 1% - 3 0%
Mortality	SAPS with Heavy Projections	SAPS with Heavy Projections

Notes *(contınued)*

23 Pensıon schemes *(contınued)*

The assumed lıfe expectancy on retırement at age 65 ıs

	2012	2011
Retırıng today		
- Males	**85 9**	85 8
- Females	**89 5**	89 4
Retırıng ın 20 years		
- Males	**87.7**	88 1
- Females	**91.6**	90 9

The assumptıons used by the actuary are the best estımates chosen from a range of possıble actuarıal assumptıons, whıch, due to the tımescale covered, may not necessarıly be borne out ın practıce

Reconcılıatıon of faır value of scheme assets:

	2012 £000	2011 £000
Faır value of scheme assets at begınnıng of year	**14,252**	13,497
Expected return on scheme assets	**846**	919
Actuarıal gaın/(loss) on scheme assets	**159**	(249)
Contrıbutıons by the company	**637**	341
Contrıbutıons by members	**70**	87
Benefits paıd	**(652)**	(343)
Faır value of scheme assets at end of year	**15,312**	14,252

Reconciliation of the present value of the defined benefit oblıgatıon:

	2012 £000	2011 £000
Present value of defined benefit oblıgatıon at begınnıng of year	**16,196**	15,109
Servıce cost (employer cost)	**181**	492
Interest cost	**768**	799
Members contrıbutıons	**70**	87
Actuarıal loss on scheme lıabılıtıes	**815**	52
Benefits paıd	**(653)**	(343)
Present value of defined benefit oblıgatıon at end of year	**17,377**	16,196

Notes *(continued)*

23 Pension schemes *(continued)*

Analysis of the defined benefit obligation:

	2012 £000	2011 £000
Present value of unfunded defined benefit obligation at end of year	**2,065**	1,944
Present value of funded defined benefit obligation at end of year	**15,312**	14,252
	17,377	16,196

Amounts to be recognised in the balance sheet:

	2012 £000	2011 £000
Present value of funded obligation	**17,377**	16,196
Fair value of scheme assets	**(15,312)**	(14,252)
Deficit in the scheme	**2,065**	1,944
Unrecognised asset	**-**	317
Less deferred tax asset	**(450)**	(569)
Net liability in balance sheet	**1,615**	1,692

Amounts to be recognised in the profit and loss account:

	2012 £000	2011 £000
Current service cost	**181**	492
Interest on obligation	**768**	(799)
Expected return on scheme assets	**(846)**	919
Total expense to be recognised in the profit and loss account	**103**	612

Notes *(continued)*

23 Pension schemes *(continued)*

Total amount recognised in the statement of total recognised gains and losses:

	2012 £000	2011 £000
Actuarial loss recognised in statement of total recognised gains and losses	(340)	(302)

Cumulative amount recognised in the statement of total recognised gains and losses:

	2012 £000	2011 £000
Cumulative loss recognised in statement of total recognised gains and losses	(3,343)	(3,003)

Scheme assets at year end:

	2012		2011	
		£000		£000
Equities	62%	9,544	61%	8,667
Corporate bonds	2%	250	0%	-
Gilts	34%	5,131	38%	5,378
Property	3%	387	1%	207
Total scheme assets		15,312		14,252

Expected return on assets:

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class The expected return on equities takes into account inflation, the dividend yield, economic growth and investment expenses The return on gilts and bonds is the current market yield on long term gilts and bonds The expected return on property has been set equal to the expected return on equities The expected return on other assets is the current interest rate set by the Bank of England

Actual return on scheme assets:

	2012	2011
Actual return on scheme assets	1,005	694

Notes *(continued)*

23 Pension schemes *(continued)*

History of assets, liabilities and actuarial gains and losses.

	2012 **£000**	2011 £000	2010 £000	2009 £000	2008 £000
Present value of defined benefit obligation	**(17,378)**	(16,196)	(15,109)	(13,456)	(10,244)
Fair value of assets	**15,312**	14,252	13,497	11,634	9,699
(Deficit) / surplus	**(2,066)**	(1,944)	(1,822)	(545)	1,122
Experience (loss) / gain on scheme liabilities					
Amount (£000)	-	(1,218)	(13)	(45)	(738)
Percentage of the present value of the scheme liabilities	**0%**	8%	0%	0%	7%
Difference between the expected and actual return on scheme assets					
Amount (£000)	**159**	(225)	(48)	603	(2,993)
Percentage of the present value of the scheme assets	**1%**	-2%	0%	5%	-31%

Estimated contributions:

The employer's best estimate of contributions to be paid to the scheme by the company next year is £582,000 (*2011 £720,000*)

a) ***Railway Pension Scheme***

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

The latest full actuarial valuation was carried out at 31 December 2011 and was updated for Financial Reporting Standard 17 purposes to 31 December 2012 by a qualified independent actuary

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

The 'ISS Support Services Pension and Assurance Scheme' was transferred to ISS Facility Services Limited, along with the trade and assets of ISS Support Services Limited, on 1 April 2004 The scheme provides benefits based on final pensionable pay

The latest full actuarial valuation was carried out at 31 December 2011 and was updated for Financial Reporting Standard 17 purposes to 31 December 2012 by a qualified independent actuary

Notes *(continued)*

23 Pension schemes *(continued)*

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

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

The latest full actuarial valuation was carried out at 6 April 2009 and was updated for Financial Reporting Standard 17 purposes to 31 December 2012 by a qualified independent actuary

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

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

The latest full actuarial valuation was carried out at 6 April 2009 and was updated for Financial Reporting Standard 17 purposes to 31 December 2012 by a qualified independent actuary

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

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

The latest full actuarial valuation was carried out at 6 April 2008 and was updated for Financial Reporting Standard 17 purposes to 31 December 2012 by a qualified independent actuary

f) *ISS Transferred Pension Scheme*

A small number of the members of this pension scheme were transferred to ISS Facility Services Limited, along with the trade and assets of ISS Support Services Limited, on 1 April 2003

This scheme is being administered by the principal employer, ISS Mediclean Limited, and full Financial Reporting Standard 17 disclosures can be found in the accounts of this company

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

ISS Mediclean Limited
ISS House
Genesis Business Park
Albert Drive
Woking
GU21 5RW

ii) Defined contribution Schemes

The Company operates several defined contribution schemes with each member having their own personal pension fund

The total pension charge for the year was £1,609,000 *(2011 £1,560,800)*

Contributions outstanding at the end of the financial year were £134,000 *(2011 £130,067)*

Notes *(continued)*

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

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

The Company's ultimate parent company is FS Invest S a r l , a company incorporated in Luxembourg

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

ISS A/S
Bredgade 30
DK-1260 Copenhagen K
Denmark