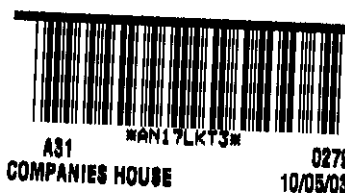


INTEGRATED ACCOMMODATION SERVICES PLC

REGISTERED NUMBER 3824397

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**



INTEGRATED ACCOMMODATION SERVICES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors submit their report and the audited financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is engaged under a 30-year project agreement with the Secretary of State for Foreign and Commonwealth Affairs, signed on 13 June 2000. The agreement, under the Government Private Finance Initiative, provided for the design, construction, financing, service and maintenance of new facilities, together with the service, maintenance and remediation of certain existing facilities for the Government Communications Headquarters in Cheltenham, England. The construction progress is ahead of the original programme. The company is currently forecasting it will achieve its first phase practical completion of building works and the certification of those works in June 2003.

The company has also entered into sub-contracts to allocate, under its direction, the provision of those services noted above. Details of the principal sub-contracts are shown in commitments in note 14 to the accounts.

The company has provided for the finance of the project with the issue of shares and bond issues totalling £429,515,000 during the year 2000.

The profit and loss account is set out on page 4.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividend is proposed (2001: £nil). The amount transferred to reserves is set out in the profit and loss account on page 4.

DIRECTORS

The directors of the company during the year ended 31 December 2002, and subsequently, were:

A D Banks (appointed 7 March 2003)
S R Brown
C Girling
D McLaughlin
R Robinson
J A Harrower (resigned 8 February 2003)

DIRECTORS' INTEREST IN SHARES

The directors have no interests in the share capital of the company according to the register maintained by the company under Section 325 of the Companies Act 1985.

CREDITOR PAYMENT POLICY

It is the company's policy to agree with its suppliers, terms of settlement which are appropriate to the markets in which they operate, and to abide by such terms where suppliers have met their obligations. The average creditor payment period at 31 December 2002 was 20 days. (31 December 2001: 5 days)

INTEGRATED ACCOMMODATION SERVICES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, with the exception of the adoption of new accounting standards in the year as explained on page 7 under note 1, "Accounting policies". They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

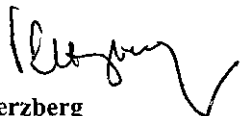
GOING CONCERN

The directors are of the opinion that the company has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

The company has entered into material contracts with Group 4 Falck Global Solutions UK Limited and Carillion Construction Limited, both companies respectively related to controlling shareholders. Details of these contracts are shown in the Notes to the Accounts (Note 14 Commitments and Note 15 Related Party Disclosures).

By Order of the Board



**F R Herzberg
SECRETARY
31 March 2003**

INTEGRATED ACCOMMODATION SERVICES PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTEGRATED ACCOMMODATION SERVICES PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
31 March 2003

INTEGRATED ACCOMMODATION SERVICES PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

| | <u>Notes</u> | <u>2002</u> £'000 | <u>2001</u> £'000 |
|--|--------------|----------------------|----------------------|
| TURNOVER | 1 | 17,438 | 17,121 |
| Operating costs | | (11,426) | (12,393) |
| Administrative expenses | | <u>(704)</u> | <u>(632)</u> |
| OPERATING PROFIT | 2 | 5,308 | 4,096 |
| NET INTEREST | 3 | - | - |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>5,308</u> | <u>4,096</u> |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES | 4 | (1,597) | (1,232) |
| RETAINED PROFIT FOR THE YEAR | 12 | <u>3,711</u> | <u>2,864</u> |

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

There is no difference between the profit for the year as shown in the profit and loss account above and its historical cost equivalent.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

The movements on reserves are shown in Note 12 to the financial statements.

INTEGRATED ACCOMMODATION SERVICES PLC

BALANCE SHEET AT 31 DECEMBER 2002

| | <u>Notes</u> | <u>2002</u> <u>£'000</u> | <u>2001</u> <u>£'000</u> |
|---|--------------|-----------------------------|-----------------------------|
| TANGIBLE FIXED ASSETS | 5 | <u>388,336</u> | <u>258,659</u> |
| CURRENT ASSETS | | | |
| Debtors (amounts falling due within one year) | 6 | 3,807 | 4,812 |
| Cash at bank and in hand | | <u>47,456</u> | <u>166,783</u> |
| | | 51,263 | 171,595 |
| CREDITORS (amounts falling due within one year) | 7 | <u>(15,071)</u> | <u>(13,126)</u> |
| NET CURRENT ASSETS | | 36,192 | 158,469 |
| | | — | — |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 424,528 | 417,128 |
| CREDITORS (amounts falling due in more than one year) | 8 | <u>(414,847)</u> | <u>(413,985)</u> |
| | | 9,681 | 3,143 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 9 | <u>(2,827)</u> | — |
| NET ASSETS | | 6,854 | 3,143 |
| CAPITAL AND RESERVES | | — | — |
| Called up share capital | 11 | 55 | 55 |
| Profit and loss account | 12 | <u>6,799</u> | <u>3,088</u> |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | <u>6,854</u> | <u>3,143</u> |

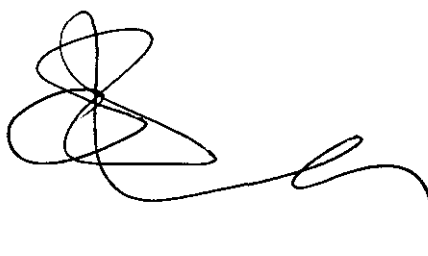
The financial statements on pages 4 to 15 were approved by the Board on 31 March 2003 and were signed on its behalf by:

C Girling



S R Brown

DIRECTORS



INTEGRATED ACCOMMODATION SERVICES PLC

RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2002

| | <u>2002</u> <u>£'000</u> | <u>2001</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Profit for the year | 3,711 | 2,864 |
| | <hr/> | <hr/> |
| Net increase in equity shareholders' funds | 3,711 | 2,864 |
| Opening equity shareholders' funds | 3,143 | 279 |
| | <hr/> | <hr/> |
| Closing equity shareholders' funds | 6,854 | 3,143 |
| | <hr/> | <hr/> |

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

1. ACCOUNTING POLICIES

A summary of the company's principal accounting policies is set out below, together with an explanation of any changes that have been made to previous policies due to the adoption of new accounting standards in the year.

The requirements of FRS 19 'Deferred tax' have been implemented in the current year. The adoption of this standard represents a change in accounting policy but no restatement of the prior period figures was required.

(1) Basis of preparation of accounts

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting and financial reporting standards. Narrative disclosures of values in the notes to the accounts are shown as round £'000.

(2) Turnover

Turnover represents the amount receivable, excluding value added tax, for goods and services supplied and fee income from contracts. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations for which the payment was received.

(3) Deferred taxation

Following the introduction of FRS 19, provision is made for deferred tax in so far as a liability or asset arose as a result of transactions that had occurred by the balance sheet date and gave rise to an obligation to pay more tax in the future or a right to pay less tax in the future. An asset is only recognised to the extent that the transfer of economic benefits in the future is certain. Deferred tax assets and liabilities recognised have not been discounted.

(4) Leased assets

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

(5) Tangible fixed assets

Assets in the course of construction are valued at the aggregate of directly attributable construction and other costs incurred and the capitalised finance costs which are directly attributable to the construction of tangible fixed assets. Finance costs are capitalised on a gross basis before the deduction of any tax relief.

No depreciation is charged on assets in the course of construction.

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

1. ACCOUNTING POLICIES (continued)

(5) Tangible fixed assets (continued)

Amounts recoverable under long term Private Finance Initiative contracts will be transferred to a contract debtor in accordance with the requirements of Financial Reporting Standard 5 Application Note F – Private Finance Initiative and Similar Contracts. The amounts receivable, (which may include the costs of construction of related assets) will be treated as a long-term contract debtor from the certification of the asset with a constant proportion of the net revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable will be allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the contract debtor is expected to be fully repaid.

The asset will be transferred to a contract debtor at the appropriate stage in the construction completion and decant programme, which is forecast to occur in 2003.

(6) Financial instruments

The company uses derivative financial instruments to hedge its exposure to fluctuations in interest rates. Financial instruments used to hedge interest rates are valued at cost. Receipts and payments on interest rate instruments are recognised in the profit and loss account over the economic life of the instrument or underlying position being hedged, within net interest. Gains or losses arising on hedging instruments, which do not qualify as hedges for accounting purposes, are taken to the profit and loss account as they arise.

Discounts, premia and related costs of debt issue are charged to the profit and loss account over the life of the instrument to which they relate.

(7) Cash flow statement

At 31 December 2002, the company was a wholly owned subsidiary of Accommodation Services (Holdings) Limited, which prepares consolidated group financial statements including a group cash flow statement. In accordance with Financial Reporting Standard 1 (revised), no cash flow statement is therefore included in these accounts.

2. OPERATING PROFIT

The company had no employees during the year other than the directors. No remuneration was paid to the directors in respect of their services to the company (2001: £nil).

The audit fee in respect of the company for the year was £10,000 (2001: £10,000). The auditors also received remuneration for other services in the year totalling £13,000 (2001: £3,000).

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

3. NET INTEREST

| | <u>2002</u> £'000 | <u>2001</u> £'000 |
|---|----------------------|----------------------|
| Interest payable and similar charges: | | |
| Interest payable on bonds | (28,655) | (28,682) |
| Amortisation of bond issue costs | <u>(862)</u> | <u>(814)</u> |
| | (29,517) | (29,496) |
| Interest receivable and similar income: | | |
| Bank interest receivable | <u>(5,300)</u> | <u>(15,616)</u> |
| | 24,217 | 13,880 |
| Interest capitalised on leasehold fixed assets (note 5) | <u>(24,217)</u> | <u>(13,880)</u> |
| Net interest | <u>-</u> | <u>-</u> |

Interest has been capitalised at the weighted average rate of 7.2% (2001: 6.9%).

4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | <u>2002</u> £'000 | <u>2001</u> £'000 |
|--|----------------------|----------------------|
| Analysis of charge in period | | |
| Current tax: | | |
| UK corporation tax on profits of the period | - | 1,232 |
| Over provision in respect of previous periods | <u>(1,230)</u> | <u>-</u> |
| Total current tax | (1,230) | 1,232 |
| Deferred tax | | |
| Origination and reversal of timing differences | <u>2,827</u> | <u>-</u> |
| Tax on profit on ordinary activities | <u>1,597</u> | <u>1,232</u> |

The tax for the period is higher (2001: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Factors affecting tax charge for period

| | | |
|---|----------------|--------------|
| Profit on ordinary activities before tax | 5,308 | 4,096 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%) | 1,592 | 1,229 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 5 | 3 |
| Timing differences in respect of capitalised interest | <u>(1,597)</u> | <u>-</u> |
| Current tax charge for the period | <u>-</u> | <u>1,232</u> |

Factors that may affect future tax charges

The company has incurred significant expenditure in the construction of the facility on which it has claimed tax relief through capital allowances and claims for interest and loan related expenditure during the construction period. It has used these claims to offset its current liabilities and retains tax losses to offset liabilities in future years.

As amounts are recovered to remunerate these costs they will be brought into current taxation in the year in which they are received. As a result of these claims there exist significant timing differences, which are expected to reverse over the period of the project agreement.

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

5. TANGIBLE FIXED ASSETS

| | <u>2002</u> £'000 |
|--|----------------------|
| <u>Long leasehold land and buildings</u> | |
| Cost at 1 January 2002 | 258,659 |
| Additions during year | 105,460 |
| Capitalised interest costs (note 3) | <u>24,217</u> |
| Cost at 31 December 2002 | <u>388,336</u> |

All assets are in the course of construction and accordingly no depreciation has been charged. Cumulative interest capitalised at 31 December 2002 totalled £42,689,000 (2001: £18,472,000). Upon completion of the assets in the course of construction and commencement of services under the contract, as described in note 1(5), they will be reclassified as a long term contract debtor in accordance with the principles of FRS 5 "Reporting the Substance of Transactions."

6. DEBTORS

| | <u>2002</u> £'000 | <u>2001</u> £'000 |
|--------------------------------------|----------------------|----------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 1,886 | 190 |
| Other debtors | 404 | 3,042 |
| Prepayments and accrued income | <u>1,517</u> | <u>4,812</u> |
| | <u>3,807</u> | <u>4,812</u> |

7. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

| | <u>2002</u> £'000 | <u>2001</u> £'000 |
|------------------------------|----------------------|----------------------|
| Trade creditors | 6,457 | 3,567 |
| Corporation tax | - | 1,230 |
| Accruals and deferred income | <u>8,614</u> | <u>8,329</u> |
| | <u>15,071</u> | <u>13,126</u> |

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

8. CREDITORS (AMOUNTS FALLING DUE IN MORE THAN ONE YEAR)

| | <u>2002</u> £'000 | <u>2001</u> £'000 |
|---|----------------------|----------------------|
| More than two years but less than five years: | | |
| 6.48% Guaranteed Secured Bonds due 2029 | 30,568 | 756 |
| 10.14% Mezzanine Secured Notes due 2028 | <u>3,156</u> | <u>405</u> |
| | 33,724 | 1,161 |
| More than five years: | | |
| 6.48% Guaranteed Secured Bonds due 2029 | 362,063 | 391,035 |
| 10.14% Mezzanine Secured Notes due 2028 | <u>19,060</u> | <u>21,789</u> |
| | 381,123 | 412,824 |
| | <u>414,847</u> | <u>413,985</u> |

Guaranteed Secured Bonds due 2029 relate to £406,850,000 issued in 2000. Interest is payable on these bonds at six monthly intervals. Scheduled redemption by way of principal repayments commences on 30 September 2005. These bonds are listed on the London Stock Exchange.

Mezzanine Secured Notes due 2028 relate to £22,610,000 issued in 2000. Interest is payable on these bonds at six monthly intervals. Scheduled redemption by way of principal repayments commences on 30 September 2005. These notes are unlisted.

The Guaranteed Secured Bonds rank in seniority to the Mezzanine Secured Notes. The bonds are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

The company's parent undertaking, Accommodation Services (Holdings) Limited, has committed to subscribe £22,548,000 of Subordinated Loan Notes due 2028 in the company. Accommodation Services (Holdings) Limited has in turn received corresponding commitments from its shareholders in proportion to their shareholdings.

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

9. PROVISION FOR LIABILITIES AND CHARGES

| | <u>2002</u> £'000 | <u>2001</u> £'000 |
|--|----------------------|----------------------|
| Provision for deferred taxation | | |
| Accelerated capital allowances and accelerated finance costs | <u>2,827</u> | <u>-</u> |
| Total provision for deferred tax | <u>2,827</u> | <u>-</u> |
| Provision at 1 January 2002 | - | - |
| Deferred tax charge in profit and loss account for the period (note 4) | <u>2,827</u> | <u>-</u> |
| Provision at 31 December 2002 | <u>2,827</u> | <u>-</u> |

10. FINANCIAL INSTRUMENTS

(1) Funding and Liquidity

The company funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 2002, 91.9 percent, (2001: 99.7 percent) of these bonds were due for repayment in more than 5 years.

Cash surplus to immediate needs is invested with a number of UK banks under contracts that provide access at monthly intervals. Interest rates receivable are directly related to the corresponding monthly LIBOR. Short-term flexibility is obtained by maintaining current account balances with the company's bankers.

(2) Interest Rate Risk

In order to manage the company's exposure to interest rate fluctuations on the cash invested with the banks, the company has entered into an interest rate swap to fix the rate of interest earned. At 31 December 2002, 87 percent, (2001: 71 percent) of the company's cash resources were invested at fixed rates after taking account of the interest rate swap.

(3) Interest Rate Risk Profile of Financial Assets and Financial Liabilities

The company has taken advantage of the exemption in FRS 13 "Derivatives and other financial instruments: disclosures" and has not included short term debtors and creditors.

| <u>Financial Assets:</u> | <u>2002</u> £'000 | <u>2001</u> £'000 |
|---|----------------------|----------------------|
| The company held the following categories of sterling financial assets: | | |
| <i>Sterling monetary assets:</i> | | |
| Cash at bank | 6,274 | 3,601 |
| Bank deposits | <u>41,182</u> | <u>163,182</u> |
| | <u>47,456</u> | <u>166,783</u> |

Bank deposits relate to a programme of deposits made with a number of banks. Interest is payable monthly at a rate linked to LIBOR. The bank deposits are secured under a fixed charge to the security trustee for the senior secured bond. Deposits may be withdrawn at one months' notice into an escrow account to pay building and finance costs.

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

10 FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments held to manage the interest rate profile of cash deposits:

Interest rate swaps at cost: £nil (2001: £nil)

The company has entered into swap arrangements with the Bank of America NA in order to fix the rate of interest receivable on this programme at 6.2455%. The notional amounts of this swap follow the balance on the programme assuming the projected utilisation of cash over the period of the construction of the facilities. The interest rate swap has a weighted average life of less than one year.

Other than cash at bank and interest rate swaps the company has no financial assets.

Financial Liabilities:

Primary financial instruments held to finance the company's operations:

| Long Term Bond Liabilities | Amount £'000 | Weighted Average Interest Rate | Weighted Average period for which rate is fixed |
|---|-----------------|-----------------------------------|---|
| Maturity of Financial Liabilities | | | |
| In more than two years but not more than five years | 33,724 | 6.67% | 5 years |
| In more than five years | 381,123 | 6.67% | 18 years |
| Total | 414,847 | 6.67% | 17 years |

(4) Fair Values of Financial Liabilities

| | 2002 | | 2001 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Book Value £000's | Fair Value £000's | Book Value £000's | Fair Value £000's |
| Primary financial instruments held or issued to finance the Company's operations: | | | | |
| Financial Assets | 47,456 | 47,456 | 166,783 | 166,783 |
| Long-Term Liabilities | (414,847) | (494,222) | (413,985) | (485,290) |
| Derivative financial instruments held to manage the interest rate profile | | | | |
| Interest rate swap | Nil | 280 | Nil | 1,478 |

Full descriptions of the bonds are given in Note 8 above.

Credit margins on long term bonds (both guaranteed and secured notes) vary in accordance with market demand and other factors. The fair value of the guaranteed secured bonds has been determined by reference to prices available from the market on which the instruments involved are traded. All other fair values have been estimated by discounting cash flows at current market rates.

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

11. CALLED UP SHARE CAPITAL

| | <u>2002</u> £'000 | <u>2001</u> £'000 |
|-------------------------------------|----------------------|----------------------|
| Authorised: | | |
| 100,000 ordinary shares of £1 each | 100 | 100 |
| Allotted, called up and fully paid: | | |
| 55,000 ordinary shares of £1 each | 55 | 55 |

12. PROFIT AND LOSS ACCOUNT

| | £'000 |
|------------------------------|--------------|
| At 1 January 2002 | 3,088 |
| Retained profit for the year | <u>3,711</u> |
| At 31 December 2002 | <u>6,799</u> |

13. OBLIGATIONS UNDER LEASES

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2001: £1) expiring after five years.

14. COMMITMENTS

Under the terms of a contract with Carillion Construction Limited dated 22 June 2000, a company related to Carillion Private Finance Limited, the company is committed to payments totalling £341,900,000 in respect of design and construction services to be provided in the period to August 2003. Payments are made as the design and construction work progresses. Payments made in the year ended 31 December 2002 were £103,766,000 (2001: £137,900,000).

Under terms of a contract with Carillion Construction Limited dated 22 June 2000, the company is committed to payments totalling £47,000,000 (indexed from 2000 prices) in respect of the capital replacement of life expired equipment over the contract term. No payments were made in the year ended 31 December 2002, (2001: £nil).

Under the terms of an operating agreement with Group 4 Falck Global Solutions UK Limited dated 22 June 2000, a company related to Group 4 Falck Joint Ventures Limited, the company is committed to the payment of fixed and variable fees based on services provided in the contract term which includes services provided during the period of construction. Payments made in the year to 31 December 2002 were £11,451,000 (2001: £13,600,000).

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001 (CONTINUED)

15. RELATED PARTY DISCLOSURES

In addition to contractual commitments set out in note 14, Carillion Construction Limited, a company related to Carillion Private Finance Limited, also provided administrative and technical services at a cost of £338,000 (2001: £280,000).

Similar services were provided by Group 4 Falck Global Solutions UK Limited at a cost of £50,000, (2001: £60,000) and Group 4 Falck Global Solutions Limited at a cost of £45,000 (2001: £60,000). Both companies are related to Group 4 Falck Joint Ventures Limited.

At the year end there was £59,000 (2001: £3,150,000) payable to Carillion Construction Limited and £10,000 (2001: £400,000) payable to Group 4 Falck Global Solutions UK Limited.

16. PARENT UNDERTAKINGS

The company is a wholly owned subsidiary of Accommodation Services (Holdings) Limited, a company which files consolidated financial statements in England. The share capital of Accommodation Services (Holdings) Limited is held forty percent by Carillion Private Finance Limited, forty percent by Group 4 Falck Joint Ventures Limited and twenty percent by BT Holdings Limited. All shareholders are companies incorporated in the United Kingdom.

