

Integrated Accommodation Services plc
Annual report and financial statements
for the year ended 31 December 2011

THURSDAY



A13T0RX7

A01

01/03/2012

#196

COMPANIES HOUSE

Integrated Accommodation Services plc

Annual report and financial statements for the year ended 31 December 2011

Contents

	Page
Directors' report for the year ended 31 December 2011	1
Independent auditors' report to the members of Integrated Accommodation Services plc	4
Profit and loss account for the year ended 31 December 2011	6
Balance sheet as at 31 December 2011	7
Reconciliation of movements in shareholders' funds for the year ended 31 December 2011	8
Notes to the financial statements for the year ended 31 December 2011	9

Integrated Accommodation Services plc

Directors' report for the year ended 31 December 2011

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2011

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. Its registered number is 03824397. The agreement, under the Government Private Finance Initiative ('PFI'), provides 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 company achieved its first phase practical completion of building works and the certification of those works in June 2003, ahead of the original programme. The company continues to provide services to these facilities and it has completed the phased clearance of the older sites which were released back to the Secretary of State and sold. The company has retained, under a contract variation, the provision of services to some retained facilities. The operational performance of the company during the year has been good and performance deductions have been low.

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 within Commitments and Related party disclosures in notes 15 and 16 respectively to the accounts.

The profit for the year under review as set out in the profit and loss account on page 6 relates to activities undertaken in respect of the project.

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

Principal risks and uncertainties

The company is risk averse in its principal activities as detailed above, as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks (including subcontractor failure) and the measures taken to mitigate them are as detailed in the following sections.

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance and these are summarised below. The company also reviews the performance of the subcontractors on a monthly basis and takes action if the performance levels fall below the required standard.

Interest rate risk

The company manages its exposure to cash flow interest rate risk by using fixed interest rate financial liabilities. The contract debtor attracts interest at a fixed property specific rate. As the fixed rate liabilities are not recorded at fair value in the financial statements, fair value interest rate risk is not considered applicable.

Inflation risk

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to movements in inflation rates over the life of the contract.

Integrated Accommodation Services plc

Directors' report for the year ended 31 December 2011 (continued)

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. Surplus cash is invested with its bankers on short term deposits. The company is required to hold certain cash deposits in accordance with the Collateral Deed. This follows a standard requirement of this type of financing arrangement.

Credit risk

The company receives all of its revenue and contract debtor remuneration from a government body and therefore is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality and are regularly reviewed by the directors.

Key performance indicators ('KPIs')

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities including performance and availability. The board monitors these on a regular basis. For this reason, the company's Directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

Dividends and transfers to reserves

Dividends of £19.64 per ordinary share (2010: £3.80 per ordinary share) amounting to £1,080,040 (2010: £209,000) have been paid during the year (note 12). No final dividends are proposed for the year ended 31 December 2011 (2010: £nil). The amount transferred to reserves is set out in the profit and loss account on page 6.

Directors

The directors of the company during the year ended 31 December 2011, and to the date of signing of the financial statements were:

G Birley-Smith
C Elliott
F R Herzberg
B Ravi Kumar
J R Side
J D Stokoe

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 2011 was 30 days (2010: 30 days).

Donations

The company made no political or charitable donations in either the current or prior year.

Integrated Accommodation Services plc

Directors' report for the year ended 31 December 2011 (continued)

Statement of directors' responsibilities

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved, so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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.

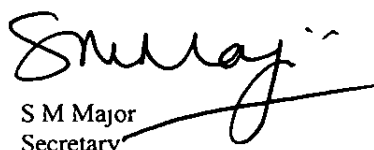
Contracts with controlling shareholders

The company has entered into material contracts with G4S Integrated Services (UK) Limited (formerly GSL UK Limited) and Carillion Construction Limited, with both companies being related to controlling shareholders. Details of these contracts are shown in note 15 and note 16 to the accounts.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as statutory auditors to the company will be proposed at the annual general meeting.

By Order of the Board,



S M Major
Secretary

24 February 2012

Independent auditors' report to the members of Integrated Accommodation Services plc

We have audited the financial statements of Integrated Accommodation Services plc for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

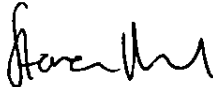
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Integrated Accommodation Services plc (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



Steven Kentish (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

24 February 2012

Integrated Accommodation Services plc

Profit and loss account for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover	1	56,316	49,093
Cost of sales		(51,142)	(44,320)
Gross profit		5,174	4,773
Administrative expenses		(606)	(626)
Operating profit	2	4,568	4,147
Interest receivable and similar income	3	30,634	30,871
Interest payable and similar charges	3	(28,722)	(29,347)
Profit on ordinary activities before taxation		6,480	5,671
Tax on profit on ordinary activities	4	(583)	(974)
Profit for the financial year	13	5,897	4,697

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom for both the current and prior year

There is no difference between the profit for the financial years as shown in the profit and loss account above and their historical cost equivalents

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

The notes on pages 9 to 23 form an integral part of the financial statements

Integrated Accommodation Services plc

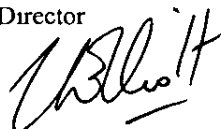
Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Current assets			
Debtors amounts falling due within one year	6	13,811	11,812
Debtors amounts falling due after more than one year	6	392,625	397,706
Cash at bank and in hand		36,845	36,274
		443,281	445,792
Creditors: amounts falling due within one year	7	(23,446)	(21,528)
Net current assets		419,835	424,264
Creditors' amounts falling due after more than one year	8	(373,211)	(383,040)
Provisions for liabilities and charges	9	(14,571)	(13,988)
Net assets		32,053	27,236
Capital and reserves			
Called up share capital	11	55	55
Profit and loss account	13	31,998	27,181
Total shareholder's funds		32,053	27,236

The financial statements on pages 6 to 23 were approved by the Board on 24 February 2012 and were signed on its behalf by



F R Herzberg
Director



C Elliott
Director

Company registered number 03824397

Integrated Accommodation Services plc

Reconciliation of movements in shareholders' funds for the year ended 31 December 2011

	2011	2010
	£'000	£'000
Profit for the financial year	5,897	4,697
Dividends (note 12)	(1,080)	(209)
Net addition to shareholders' funds	4,817	4,488
Opening shareholders' funds	27,236	22,748
Closing shareholders' funds	32,053	27,236

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

A summary of the company's principal accounting policies, which have been consistently applied, is set out below

Basis of preparation of accounts

The financial statements have been prepared under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and under the historical cost convention and applicable UK accounting standards. Narrative disclosures of values in the notes to the accounts are shown as round £'000.

Going concern

The directors have assessed future cash flows and are satisfied that the company can meet its financial obligations (including covenant compliance) as they fall due for the foreseeable future. Consequently, the company's accounts have been prepared on a going concern basis.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom. The company is engaged in only one class of business and operates solely within the UK.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 - Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and cost of sales.

Transactions amounting to £12.9m (2010: £19.1m) of revenue and the same value of cost of sales to which the company does not have access to all of the significant benefits or exposure to the significant risks are excluded from the profit and loss account in accordance with FRS 5 - Application Note G, as in the opinion of the Directors, the company is acting as an agent for these transactions. The company does not receive any commissions on these transactions from the customer.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Leased assets

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

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

Dividend policy

Dividend accounting and disclosure is in line with Financial Reporting Standard 21, 'Events after the balance sheet date', such that dividends are recognised when paid

Financial liabilities

The company accounts for and discloses its financial liabilities in accordance with Financial Reporting Standard 29, 'Financial instruments Disclosures' and Financial Reporting Standard 26, 'Financial instruments Recognition and Measurement'. Management has determined its financial liabilities as being borrowings, trade creditors and accruals. All of the items are classified as financial liabilities measured at amortised cost in accordance with FRS 29. They are recognised initially at fair value net of transaction costs and subsequently carried at amortised cost using the effective interest method.

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, based upon the effective interest rate calculated in measuring amortised cost.

Financial assets

The company accounts for and discloses its financial assets in accordance with Financial Reporting Standard 29, 'Financial instruments Disclosures' and Financial Reporting Standard 26, 'Financial instruments Recognition and Measurement'. Management has determined its financial assets as being cash, trade debtors, accrued income and contract debtors. All of the financial assets are classified as loans and receivables in accordance with FRS 29 and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Impairments for financial assets are recognised if there is evidence as a result of one or more events that occurred after the initial recognition of the asset which impacts upon estimated future cash flows or the financial assets.

Trade debtors

Amounts recoverable are recognised at fair value and subsequently carried at amortised cost using the effective interest method. As described in the business review, all revenue is received from a government body and there are currently no provisions for impairment.

Contract debtor

Amounts recoverable under long term Private Finance Initiative contracts are 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) are treated as a long-term contract debtor from the certification of the project facilities, with a proportion of the contractual net operating revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is 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 fair value disclosure of the contract debtor uses a discounted cashflow method as described in note 6.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

Cash and bank deposits

Bank deposits relate to short term deposits held for not more than three months in reserve accounts made with the company's bankers

Trade creditors

Trade creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method

Cash flow statement

At 31 December 2011, the company was a wholly owned subsidiary of Accommodation Services (Holdings) Limited, which prepares consolidated group financial statements including a group cash flow statement (see note 17) In accordance with Financial Reporting Standard 1 (revised 1996), no cash flow statement is therefore included in these accounts

2 Operating profit

The company had no employees during the year (2010 none) None of the directors received any emoluments paid directly from the company in either the current or previous year The following management recharges were made by the shareholders in respect of the services of Directors to the company, Carillion Private Finance (Secure) Limited £30,000 (2010 £25,000), G4S Joint Ventures Limited £60,000 (2010 £50,000), British Telecommunications Plc £30,000 (2010 £25,000) and Innisfree Limited £30,000 (2010 £25,000) The recharges paid by the company in 2011 and 2010 do not reflect the amounts personally received by the directors in either year

The audit fee in respect of the company for the year was £17,500 (2010 £17,000) In addition, the company bore £3,000 (2010 £3,000) in respect of the audit fee of its parent company during the year

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2010 £1) expiring after five years

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Net interest

	2011	2010
	£'000	£'000
Bank interest receivable	259	163
Imputed interest on contract debtor	30,375	30,708
Interest receivable and similar income	30,634	30,871
Interest payable on bonds	(24,798)	(25,407)
Interest payable on loan stock	(3,157)	(3,157)
Amortisation of issue costs	(767)	(783)
Interest payable and similar charges	(28,722)	(29,347)
Net interest receivable	1,912	1,524

Interest is imputed on the contract debtor using a property specific rate of 7.57% (2010: 7.57%)

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

4 Tax on profit on ordinary activities

	2011	2010
Analysis of charge in year	£'000	£'000
Current tax		
UK corporation tax on profits of the year	-	-
Adjustment in respect of prior periods	-	(96)
	-	(96)
Deferred tax		
Origination and reversal of timing differences	1,718	1,588
Change in tax rate	(1,135)	(518)
Total deferred tax charge (note 9)	583	1,070
Tax on profit on ordinary activities	583	974

The deferred tax charge for 2011 and 2010 relates entirely to timing differences

The tax assessed for the year is lower (2010 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2011 of 26.5% (2010 28%). As a consequence of a corporation tax rate change announced in the Finance Act 2011, deferred tax crystallising after 1 April 2011 will be recognised at the applicable rate of 25%.

The differences are explained below

	2011	2010
	£'000	£'000
Profit on ordinary activities before tax	6,480	5,671
Profit on ordinary activities multiplied by the standard rate in the UK of 26.5% (2010 28%)	1,718	1,588
Effects of remuneration of contract debtor less capital allowances and imputed interest for the year	(1,718)	(1,588)
Adjustment in respect of prior periods	-	(96)
Current tax credit for the year	-	(96)

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

4 Tax on profit on ordinary activities (continued)

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 life of the project agreement.

Further reductions to the UK corporation tax rate were announced in the 2011 budget. The changes, which are expected to be enacted separately each year, propose to reduce the full rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore, are not recognised in these financial statements. The company has estimated that the total benefit of these reductions on the amount of deferred tax crystallising after that date will result in a further reduction of its current deferred tax liability of approximately £1.16m.

5 Financial instruments by category

Financial risk management objectives covering interest rate risk, inflation risk, liquidity risk and credit risk are disclosed in the Directors' Report.

Reserves in the form of cash deposits are held in accordance with the Collateral Deed of £29,401,000 (2010 £28,354,000).

6 Debtors

	2011	2010
	£'000	£'000
Amounts falling due within one year		
Trade debtors	597	56
Prepayments and accrued income	8,133	7,258
Contract debtor	5,081	4,498
	13,811	11,812
Amounts falling due after more than one year		
Contract debtor	392,625	397,706

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Debtors (continued)

The fair values of debtors are as follows

	2011	2010
	£'000	£'000
Trade debtors	597	56
Accrued income	8,133	7,258
Contract debtor	519,357	500,103
	528,087	507,417

As described in the accounting policies, trade debtors are not considered to be impaired. Trade debtors include invoices amounting to £496,000 (2010 £54,000), where the company does not have access to all of the significant risks and benefits of the transactions. Accordingly, those transactions are excluded from the profit and loss account as explained in the accounting policies. The company bears no financial risk as a corresponding amount is included within trade creditors. As of 31 December 2011, trade debtors of £597,000 (2010 £54,000) were past their due date. These balances relate to customers where there is no history of default. The ageing of trade debtors is as follows: up to 3 months overdue £546,000 (2010 £37,000), 3-6 months overdue £18,000 (2010 £5,000) and over 6 months overdue £30,000 (2010 £12,000).

The fair value of the contract debtor is based on cash flows over the life of the contract discounted using a rate of 5.96% based on the weighted average rate of the borrowings at fair value (2010 6.52%). The fair value of trade debtors and accrued income equal their book values.

Trade debtors, accrued income, contract debtor and cash which are classified as 'loans and receivables' that are neither past due nor impaired are shown by their credit risk below.

	2011	2010
	£'000	£'000
Counterparties with external credit rating		
A (cash balances)	36,845	36,274
Counterparties with no external credit rating		
Trade debtors	-	-
Accrued income	8,133	7,258
Contract debtor	397,706	402,204
Total neither past due nor impaired	442,684	445,736

None of those financial assets that are neither past due nor impaired have had their terms renegotiated. The carrying amount of the company's financial assets are denominated in sterling for both financial years.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
6 48% Guaranteed Secured Bonds due 2029	10,127	9,413
Less issue costs	(706)	(725)
10 14% Mezzanine Secured Notes due 2028	449	406
Less issue costs	(19)	(19)
Trade creditors	804	178
VAT	1,445	1,255
Accruals and deferred income	11,346	11,020
	23,446	21,528

Information relating to the nature of the Guaranteed Secured Bonds and Mezzanine Secured Notes is contained in note 8

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Creditors: amounts falling due in more than one year

	2011	2010
	£'000	£'000
More than one year but less than two years		
6 48% Guaranteed Secured Bonds due 2029	12,229	10,127
Less issue costs	(684)	(706)
10 14% Mezzanine Secured Notes due 2028	497	449
Less issue costs	(18)	(19)
	12,024	9,851
More than two years but less than five years		
6 48% Guaranteed Secured Bonds due 2029	45,057	39,961
Less issue costs	(1,890)	(1,974)
10 14% Mezzanine Secured Notes due 2028	1,828	1,653
Less issue costs	(51)	(53)
	44,944	39,587
More than five years		
6 48% Guaranteed Secured Bonds due 2029	282,626	299,952
Less issue costs	(3,854)	(4,454)
10 14% Mezzanine Secured Notes due 2028	15,273	15,945
Less issue costs	(110)	(126)
14 00% Subordinated Loan Notes due 2028	22,548	22,548
Less issue costs	(240)	(263)
	316,243	333,602
	373,211	383,040

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Creditors: amounts falling due in more than one year (continued)

Guaranteed Secured Bonds due 2029 of £406,850,000 were issued in 2000. Interest is payable on these bonds at six-monthly intervals. Scheduled redemption by way of principal repayments commenced on 30 September 2006. These bonds are listed on the London Stock Exchange. As at 31 December 2011, £350,039,000 (2010 £359,453,000) remains outstanding.

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 commenced on 30 September 2006. These notes are unlisted. As at 31 December 2011, £18,047,000 (2010 £18,453,000) remains outstanding.

Subordinated Loan Notes due 2028 relate to £22,548,000 issued in 2005 to the shareholder. 14% interest is payable on these Subordinated Loan Notes at six monthly intervals commencing 1 January 2007. The company anticipates commencing redemption by way of principal repayment in June 2028. These notes are unlisted.

The Guaranteed Secured Bonds rank in seniority to the Mezzanine Secured Notes, which in turn rank in seniority to the Subordinated Loan Notes. The Guaranteed Secured Bonds and Mezzanine Secured Notes 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 subscribed for £22,548,000 of Subordinated Loan Notes due 2028 in the company. Accommodation Services (Holdings) Limited has in turn issued corresponding loan notes, which are held by its shareholders in proportion to their shareholdings.

Issue costs of £7,572,000 (2010 £8,339,000) have been offset against bond and other loan liabilities and are amortised over the term of the related borrowings in accordance with the provisions of Financial Reporting Standard 26, 'Financial instruments: Recognition and Measurement'.

9 Provisions for liabilities and charges

	2011	2010
	£'000	£'000
Provision for deferred tax		
Accelerated capital allowances	44,188	46,456
Other timing differences	6,364	7,685
Losses	(51,954)	(57,405)
Accelerated finance costs	15,973	17,252
Total provision for deferred tax	14,571	13,988
Provision at 1 January	13,988	12,918
Deferred tax charge in profit and loss account for the year (note 4)	583	1,070
Provision at 31 December	14,571	13,988

Unprovided deferred tax at 31 December 2011 totalled £nil (2010 £nil)

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Financial instruments

Funding and liquidity

The company funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 2011, 80.7 percent (2010: 81.9 percent) of the outstanding bonds were due for repayment in more than 5 years.

The company invests cash surplus to immediate needs with its bankers in term deposits with maturities arranged to meet its cash flow needs. Interest rates receivable are directly related to the corresponding monthly LIBOR.

The company is required to hold certain cash deposits in accordance with the Collateral Deed. This follows a standard requirement of this type of financing arrangement.

Short-term flexibility is obtained by maintaining current account balances with IAS's bankers.

	2011	2010
Financial assets	£'000	£'000
The group held the following categories of sterling financial assets		
Sterling monetary assets		
Cash at bank	7,444	7,920
Bank deposits	29,401	28,354
	36,845	36,274
Trade debtors	597	56
Accrued income	8,133	7,258
Contract debtor	397,706	402,204
Total financial assets	443,281	445,792

Bank deposits relate to short term deposits held for not more than three months in reserve accounts made with the company's bankers. Interest is payable periodically 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 mature at regular intervals to comply with the requirement to hold reserves and to pay building and finance costs.

Reserves held as cash deposits in accordance with the Collateral Deed amount to £29,401,000 (2010: £28,354,000).

Other than cash at bank, bank and cash deposits, trade debtors, accrued income and the contract debtor balance the company has no other financial assets.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Financial instruments (continued)

Financial liabilities

Maturity analysis of financial instruments held to finance IAS's operations

Bond liabilities	2011 Amount £'000	Weighted average interest rate	Weighted average period for which rate is fixed
Maturity of financial liabilities (before issue costs)			
In less than one year	10,576	7.09%	1
In more than one year but not less than two years	12,726	7.11%	1
In more than two years but not more than five years	46,885	7.15%	3
In more than five years	320,447	7.56%	13
Total	390,634	7.36%	18

Bond liabilities	2010 Amount £'000	Weighted average interest rate	Weighted average period for which rate is fixed
Maturity of financial liabilities (before issue costs)			
In less than one year	9,819	7.08%	1
In more than one year but not less than two years	10,576	7.09%	1
In more than two years but not more than five years	41,614	7.13%	3
In more than five years	338,445	7.51%	14
Total	400,454	7.34%	19

Trade creditors and accruals are repayable in less than one year for both 2011 and 2010

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Financial instruments (continued)

	2011		2010	
	Book value	Fair value	Book value	Fair value
Fair values of financial assets and liabilities	£'000	£'000	£'000	£'000
Primary financial instruments held or issued to finance the company's operations				
Financial assets	443,281	564,932	445,792	543,690
Financial liabilities	(390,634)	(471,669)	(400,454)	(456,370)

Full descriptions of the bonds are given in note 8 above. The basis of the fair values for financial assets is disclosed in note 6. The fair values for trade creditors, accruals and deferred income is equal to their book value of £13,608,000 (2010: £12,453,000) and these have been excluded from the analysis 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 listed prices available from the markets on which the instruments involved are traded. Although the secured notes are not currently traded on any markets, the fair value for 31 December 2011 and 31 December 2010 has been determined by a valuation performed by M&G Investments.

The subordinated loan stock is held by the company's parent undertaking has been valued at par. A range of fair values has been computed using discount rates between 12% and 16% which place the value between £27,266,000 and £21,391,000. As there is no market in which they may currently be traded, fair value at par represents the net present value of future anticipated payments, discounted at the coupon rate of 14%, on the assumption that they are held to maturity. The directors are of the opinion that this is a representative market discount rate given the restrictions imposed on the terms of the notes.

11 Called up share capital

	2011	2010
	£'000	£'000
Allotted, called up and fully paid:		
55,000 ordinary shares of £1 each	55	55

12 Dividends

	2011	2010
	£'000	£'000
Dividend of £19.64 per share (2010: £3.80) paid from distributable reserves	1,080	209

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Profit and loss account

	£'000
At 1 January 2011	27,181
Profit for the financial year	5,897
Dividends (note 12)	(1,080)
At 31 December 2011	31,998

14 Obligations under leases

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2010 £1) expiring after five years

15 Commitments and contingent liabilities

Under terms of a contract with Carillion Construction Limited, a company related to Carillion Private Finance (Secure) 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. Commitments remaining at the balance sheet date index at 31 December 2011 were £61,426,000 (2010 £60,430,000). Payments made in the year ended 31 December 2011 were £1,376,000 (2010 £632,000).

Through a variation order under the Project Agreement in 2011, the company made a planning application in respect of additional premises at the Benhall site. As a condition of obtaining that planning consent, the company entered into a conditional commitment to pay Gloucestershire County Council £145,000 as a transport contribution and Cheltenham Borough Council £122,000 as a public art contribution. Both become payable only when the construction work commences. The former agreement is secured by way of a second charge on the land.

There are currently no contracts in place or approvals to commence the construction work.

Under the terms of the Project Agreement, the company bears the cost for any lifecycle risks over the term of the contract, it has materially passed this risk to its supply chain. The company does retain the responsibility for the life cycle risk of the Cotswold stone cladding and the steelworks in the atrium, however it considers that the probability that these will become life expired and need to be replaced within the contract term is remote. On this basis no revenue is deferred at 31 December 2011.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Related party disclosures

Under the terms of an operating agreement with G4S Integrated Services (UK) Limited dated 22 June 2000, a company related to G4S Joint Ventures Limited (formerly GSL 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 2011 were £17,649,000 (2010 £17,662,000).

Administrative and technical services were provided by G4S Integrated Services (UK) Limited at a cost of £301,000 (2010 £288,000). G4S Integrated Services (UK) Limited also provided services to the company under short term contracts for miscellaneous works and fittings at a cost of £31,463,000 (2010 £25,326,000).

British Telecommunications plc, a company related to BT Holdings Limited, also provided administrative and technical services at a cost of £30,000 (2010 £34,000).

Carillion Private Finance (Secure) Limited, also provided administrative and technical services at a cost of £30,000 (2010 £39,000).

Innisfree Limited, a company related to Innisfree PFI Secondary Fund (through its nominee Innisfree Nominees Limited) also provided administrative and technical services at a cost of £30,000 (2010 £25,000).

At the year end there was £nil (2010 £nil) payable to Carillion Construction Limited, £605,000 (2010 £149,000) payable to G4S Integrated Services (UK) Limited, £10,000 (2010 £nil) payable to British Telecommunications plc and £nil (2010 £nil) payable to Carillion Private Finance (Secure) Limited.

As a wholly owned subsidiary of Accommodation Services (Holdings) Limited the company has taken advantage of the exemption under FRS 8 – Related party disclosures of the requirement to disclose transactions with it.

17 Parent undertakings

The company is a wholly owned subsidiary of Accommodation Services (Holdings) Limited, a company which prepares consolidated financial statements which are available from its registered office Birch Street, Wolverhampton, West Midlands, WV1 4HY, England. Forty percent of the share capital of Accommodation Services (Holdings) Limited is held by G4S Joint Ventures Limited, twenty percent each is held by Carillion Private Finance (Secure) Limited, BT Holdings Limited and Innisfree PFI Secondary Fund (through its nominee Innisfree Nominees Limited). All shareholders are companies incorporated in England and Wales.

Accommodation Services (Holdings) Limited does not consider that it has an ultimate controlling party.