

Integrated Accommodation Services plc  
Annual report and financial statements  
for the year ended 31 December 2013

THURSDAY



A28

\*A333ZFHI\*

06/03/2014

#53

COMPANIES HOUSE

# **Integrated Accommodation Services plc**

## **Annual report and financial statements for the year ended 31 December 2013**

### **Contents**

|  | <b>Page</b> |
|--|-------------|
| Strategic report for the year ended 31 December 2013                                 | 1           |
| Directors' report for the year ended 31 December 2013                                | 3           |
| Independent Auditors' Report to the Members of Integrated Accommodation Services plc | 5           |
| Profit and loss account for the year ended 31 December 2013                          | 7           |
| Balance sheet as at 31 December 2013   | 8           |
| Notes to the financial statements for the year ended 31 December 2013                | 9           |

# **Integrated Accommodation Services plc**

## **Strategic report for the year ended 31 December 2013**

The directors present their strategic report on the company for the year ended 31 December 2013

### **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 financial review as set out in the profit and loss account on page 7 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. The directors have reviewed the project against expectations and are satisfied that it is in line with its business plan.

### **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.

#### **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.

#### **Price 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**

## **Strategic report for the year ended 31 December 2013 (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.

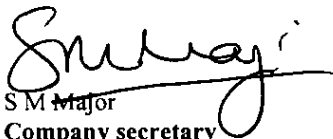
### **Credit risk**

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 monitor these on a regular basis. Given the straightforward nature of the business, the company's directors are of the opinion that further analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The business success is linked to the delivery of the project which has already been highlighted and discussed.

By Order of the Board,

  
S M Major  
Company secretary  
28 February 2014

# **Integrated Accommodation Services plc**

## **Directors' report for the year ended 31 December 2013**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013

### **Dividends and transfers to reserves**

Dividends of £81.65 per ordinary share (2012: £nil per ordinary share) amounting to £4,490,704 (2012: £nil) have been paid during the year (note 11). No final dividends are proposed for the year ended 31 December 2013 (2012: £nil). The amount transferred to reserves is set out in the profit and loss account on page 7.

### **Directors**

The directors of the company during the year ended 31 December 2013, 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  
B C J Dean

### **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.

### **Future developments**

The directors continue to develop the business in line with the contract and there are no issues expected.

### **Corporate Governance**

The board are appointed by the shareholders and meet quarterly to review the financial and operational performance of the company. The company is a special purpose company specifically established to engage in a PFI project as noted in its principal activities in the Strategic Report. The company's business is confined to that project and its activities are clearly defined and restricted by the complex contracts which it has entered into. The board has an experienced operational management and financial team who monitor the company's and its subcontractors' compliance with those contracts. The project director leads that team and regularly reports to the board of directors the company's performance against the budgets it sets and the key performance criteria stipulated under the detailed terms of the PFI contract.

### **Share Capital Structure**

The company has a single class of ordinary shares, all of which rank equally. The company appoints directors nominated by the shareholders of the holding company. The voting rights of those directors rank in proportion to the shareholdings in its holding company.

### **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 in the Strategic Report. 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.

### **Contracts with controlling shareholders**

The company has entered into material contracts with G4S Integrated Services (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.

# **Integrated Accommodation Services plc**

## **Directors' report for the year ended 31 December 2013 (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report, the Strategic 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 accounting 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,
- 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 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.

The directors do not have or maintain a company website.

### **Director's confirmation**

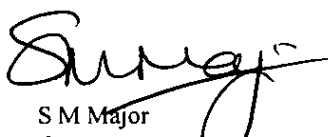
Each of the directors, whose names are listed in Directors' Report confirm that, to the best of their knowledge

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company, and
- the strategic report on page 1 includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces

### **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.

By Order of the Board,

  
S M Major  
Company secretary  
28 February 2014

# ***Independent Auditors' Report to the Members of Integrated Accommodation Services plc***

## **Report on the financial statements**

---

### **Our opinion**

In our opinion

- The financial statements, defined below, give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

### **What we have audited**

---

The financial statements, which are prepared by Integrated Accommodation Services plc, comprise

- the balance sheet as at 31 December 2013,
- the profit and loss account for the year then ended,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

### **What an audit of financial statements involves**

---

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates they have made assumptions and considered future events

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 Annual Report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

## **Opinion on other matter prescribed by the Companies Act 2006**

---

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

## **Other matters on which we are required to report by exception**

---

### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

### **Directors' remuneration**

---

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility

# *Independent Auditors' Report to the Members of Integrated Accommodation Services plc*

---

## **Responsibilities for the financial statements and the audit**

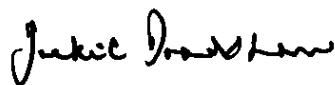
---

### **Our responsibilities and those of the directors**

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 ISAs (UK & 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 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.



---

Jackie Bradshaw (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

28 February 2014



## Integrated Accommodation Services plc

### Profit and loss account for the year ended 31 December 2013

|   | Note | 2013<br>£'000 | 2012<br>£'000 |
|---|------|---------------|---------------|
| Turnover                                      | 1    | 55,166        | 62,603        |
| Cost of sales                                 |      | (48,614)      | (56,096)      |
| Gross profit                                  |      | 6,552         | 6,507         |
| Administrative expenses                       |      | (632)         | (604)         |
| Operating profit                              | 2    | 5,920         | 5,903         |
| Interest receivable and similar income        | 3    | 28,944        | 29,475        |
| Interest payable and similar charges          | 3    | (27,245)      | (28,102)      |
| Profit on ordinary activities before taxation |      | 7,619         | 7,276         |
| Tax on profit on ordinary activities          | 4    | 444           | (508)         |
| Profit for the financial year                 | 12   | 8,063         | 6,768         |

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

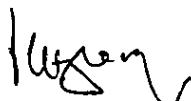
The notes on pages 9 to 24 form an integral part of the financial statements

# Integrated Accommodation Services plc


## Balance sheet as at 31 December 2013

|  | Note     | 2013<br>£'000    | 2012<br>£'000    |
|--|----------|------------------|------------------|
| <b>Current assets</b>  |          |                  |                  |
| Debtors amounts falling due within one year                    | 5        | 16,832           | 15,833           |
| Debtors amounts falling due after more than one year           | 5        | 378,069          | 385,967          |
| Cash at bank and in hand                                       |          | 36,699           | 39,567           |
|  |          | <b>431,600</b>   | <b>441,367</b>   |
| <b>Creditors: amounts falling due within one year</b>          | <b>6</b> | <b>(26,215)</b>  | <b>(26,257)</b>  |
| <b>Net current assets</b>                                      |          | <b>405,385</b>   | <b>415,110</b>   |
| <b>Total assets less current liabilities</b>                   |          | <b>405,385</b>   | <b>415,110</b>   |
| <b>Creditors: amounts falling due after more than one year</b> | <b>7</b> | <b>(348,357)</b> | <b>(361,210)</b> |
| <b>Provisions for liabilities</b>                              | <b>8</b> | <b>(14,635)</b>  | <b>(15,079)</b>  |
| <b>Net assets</b>  |          | <b>42,393</b>    | <b>38,821</b>    |
| <b>Capital and reserves</b>                                    |          |                  |                  |
| Called up share capital  | 10       | 55               | 55               |
| Profit and loss account  | 12       | 42,338           | 38,766           |
| <b>Total shareholder's funds</b>                               |          | <b>42,393</b>    | <b>38,821</b>    |

The financial statements on pages 7 to 24 were approved by the Board on 28 February 2014 and were signed on its behalf by



F R Herzberg  
Director



C Elliott  
Director

Company registered number 03824397

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2013**

### **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 under the terms of the project agreement. 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 £11.6m (2012: £14.2m) 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.

#### **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.

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2013 (continued)**

### **1 Accounting policies (continued)**

#### **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 5.

#### **Cash and bank deposits**

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

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2013 (continued)**

### **1 Accounting policies (continued)**

#### **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 2013, 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 (2012 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, Carillon Private Finance (Secure) Limited £30,000 (2012 £30,000), G4S Joint Ventures Limited £60,000 (2012 £60,000), British Telecommunications plc £30,000 (2012 £30,000) and Innisfree Limited £30,000 (2012 £30,000) The recharges paid by the company in 2013 and 2012 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 £20,310 (2012 £19,750) In addition, the company bore £3,000 (2012 £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 (2012 £1) expiring after five years The charge for both the years ended 31 December 2013 and 31 December 2012 was £1

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 3 Net interest

|   | 2013            | 2012            |
|---|-----------------|-----------------|
|   | £'000           | £'000           |
| Bank interest receivable                      | 186             | 303             |
| Imputed interest on contract debtor           | 28,758          | 29,172          |
| <b>Interest receivable and similar income</b> | <b>28,944</b>   | <b>29,475</b>   |
| Interest payable on bonds                     | (23,371)        | (24,189)        |
| Interest payable on loan stock                | (3,157)         | (3,165)         |
| Amortisation of issue costs                   | (717)           | (748)           |
| <b>Interest payable and similar charges</b>   | <b>(27,245)</b> | <b>(28,102)</b> |
| <b>Net interest receivable</b>                | <b>1,699</b>    | <b>1,373</b>    |

Interest is imputed on the contract debtor using a property specific rate of 7.57% (2012: 7.57%)

## Integrated Accommodation Services plc

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 4 Tax on profit on ordinary activities

|  | 2013    | 2012    |
|--|---------|---------|
| Analysis of charge in year                           | £'000   | £'000   |
| <b>Current tax</b>                                   |         |         |
| UK corporation tax on profits of the year            | -       | -       |
| <b>Total current tax charge</b>                      | -       | -       |
| <b>Deferred tax</b>                                  |         |         |
| Origination and reversal of timing differences       | 1,772   | 1,783   |
| Impact of change in tax rate                         | (2,216) | (1,275) |
| <b>Total deferred tax (credit) / charge (note 8)</b> | (444)   | 508     |
| <b>Tax on profit on ordinary activities</b>          | (444)   | 508     |

The deferred tax charge for 2013 and 2012 relates entirely to timing differences

The tax assessed for the year is lower (2012 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2013 of 23.25% (2012 24.5%). As a consequence of corporation tax rate changes announced in the Finance Act 2013, deferred tax crystallising after 1 April 2014 will be recognised at the applicable rate of 21% and after 1 April 2015 will be recognised at the applicable rate of 20%. All deferred tax is expected to crystallise after 1 April 2015.

The differences are explained below

|  | 2013    | 2012    |
|--|---------|---------|
|  | £'000   | £'000   |
| Profit on ordinary activities before tax   | 7,619   | 7,276   |
| Profit on ordinary activities multiplied by the standard rate in the UK of 23.25% (2012 24.5%)       | 1,772   | 1,783   |
| Effects of remuneration of contract debtor less capital allowances and imputed interest for the year | (1,772) | (1,783) |
| <b>Current tax credit for the year</b>   | -       | -       |

## **Integrated Accommodation Services plc**

### **Notes to the financial statements for the year ended 31 December 2013 (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.

#### **5 Debtors**

|   | <b>2013</b>    | <b>2012</b>  |
|---|----------------|--------------|
|   | <b>£'000</b>   | <b>£'000</b> |
| <hr/>   |                |              |
| <b>Amounts falling due within one year</b>          |                |              |
| Trade debtors                                       | <b>575</b>     | 615          |
| Prepayments and accrued income                      | <b>8,292</b>   | 8,629        |
| Contract debtor                                     | <b>7,965</b>   | 6,589        |
|   | <b>16,832</b>  | 15,833       |
| <hr/>   |                |              |
| <b>Amounts falling due after more than one year</b> |                |              |
| Contract debtor                                     | <b>378,069</b> | 385,967      |
| <hr/>   |                |              |



# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 5 Debtors (continued)

The fair values of debtors are as follows

|                                | 2013    | 2012    |
|--------------------------------|---------|---------|
|                                | £'000   | £'000   |
| Trade debtors                  | 575     | 615     |
| Prepayments and accrued income | 8,292   | 8,629   |
| Contract debtor                | 503,957 | 530,879 |
|                                | 512,824 | 540,123 |

As described in the accounting policies, trade debtors are not considered to be impaired. Trade debtors include invoices amounting to £575,000 (2012 £615,000), 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 2013, trade debtors of £87,000 (2012 £43,000) 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 £81,000 (2012 £33,000), 3-6 months overdue £6,000 (2012 £5,000) and over 6 months overdue £Nil (2012 £5,000).

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 return on the borrowings when measured at fair value (2012 5.48%). The fair values of trade debtors, prepayments and accrued income equal their book values.

Trade debtors, prepayments and 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.

|   | 2013           | 2012           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>Counterparties with external credit rating</b>   |                |                |
| Cash and term deposit accounts at bank  | 36,699         | 39,567         |
| The company's bankers are rated "A" with Standard and Poor's and A2 with Moodys Investor Services |                |                |
| <b>Counterparties with no external credit rating</b>  |                |                |
| Trade debtors   | -              | -              |
| Prepayments and accrued income  | 8,292          | 8,629          |
| Contract debtor   | 386,034        | 392,556        |
| <b>Total neither past due nor impaired</b>  | <b>431,025</b> | <b>440,752</b> |

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 is denominated in sterling for both financial years.

## **Integrated Accommodation Services plc**

### **Notes to the financial statements for the year ended 31 December 2013 (continued)**

#### **6 Creditors: amounts falling due within one year**

|   | <b>2013</b>   | <b>2012</b>   |
|---|---------------|---------------|
|   | <b>£'000</b>  | <b>£'000</b>  |
| 6 48% Guaranteed Secured Bonds due 2029 | <b>12,996</b> | <b>12,229</b> |
| Less issue costs                        | <b>(659)</b>  | <b>(684)</b>  |
| 10 14% Mezzanine Secured Notes due 2028 | <b>549</b>    | <b>497</b>    |
| Less issue costs                        | <b>(18)</b>   | <b>(18)</b>   |
| Trade creditors                         | <b>610</b>    | <b>1,100</b>  |
| VAT                                     | <b>1,475</b>  | <b>1,400</b>  |
| Accruals and deferred income            | <b>11,262</b> | <b>11,733</b> |
|   | <b>26,215</b> | <b>26,257</b> |

Information relating to the nature of the Guaranteed Secured Bonds and Mezzanine Secured Notes is contained in note 7

## Integrated Accommodation Services plc

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 7 Creditors: amounts falling due in more than one year

|   | 2013           | 2012           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>More than one year but less than two years</b>   |                |                |
| 6 48% Guaranteed Secured Bonds due 2029             | 14,735         | 12,996         |
| Less issue costs                                    | (631)          | (659)          |
| 10 14% Mezzanine Secured Notes due 2028             | 607            | 549            |
| Less issue costs                                    | (17)           | (18)           |
|   | <b>14,694</b>  | <b>12,868</b>  |
| <b>More than two years but less than five years</b> |                |                |
| 6 48% Guaranteed Secured Bonds due 2029             | 53,256         | 49,507         |
| Less issue costs                                    | (1,691)        | (1,795)        |
| 10 14% Mezzanine Secured Notes due 2028             | 2,234          | 2,021          |
| Less issue costs                                    | (47)           | (49)           |
|   | <b>53,752</b>  | <b>49,684</b>  |
| <b>More than five years</b>                         |                |                |
| 6 48% Guaranteed Secured Bonds due 2029             | 246,696        | 265,180        |
| Less issue costs                                    | (2,762)        | (3,290)        |
| 10 14% Mezzanine Secured Notes due 2028             | 13,710         | 14,531         |
| Less issue costs                                    | (79)           | (94)           |
| 14 00% Subordinated Loan Notes due 2028             | 22,548         | 22,548         |
| Less issue costs                                    | (202)          | (217)          |
|   | <b>279,911</b> | <b>298,658</b> |
|   | <b>348,357</b> | <b>361,210</b> |

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 7 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 2013, £327,683,000 (2012 £339,912,000) 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 2013, £17,100,000 (2012 £17,598,000) 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 £6,106,000 (2012 £6,824,000) have been offset against bond and other loan liabilities and are being amortised over the term of the related borrowings in accordance with the provisions of Financial Reporting Standard 26, 'Financial instruments: Recognition and Measurement'.

### 8 Provisions for liabilities

|   | 2013          | 2012          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| <b>Provision for deferred tax</b>   |               |               |
| Accelerated capital allowances  | 36,595        | 41,429        |
| Other timing differences  | 3,353         | 5,014         |
| Losses  | (38,092)      | (46,059)      |
| Accelerated finance costs   | 12,779        | 14,695        |
| <b>Total provision for deferred tax</b>   | <b>14,635</b> | <b>15,079</b> |
| Provision at 1 January  | 15,079        | 14,571        |
| Deferred tax (credit) / charge in profit and loss account for the year (note 4) | (444)         | 508           |
| <b>Provision at 31 December</b>   | <b>14,635</b> | <b>15,079</b> |

Unprovided deferred tax at 31 December 2013 totalled £nil (2012 £nil)

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 9 Financial instruments

#### Funding and liquidity

The company funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 2013, 77.5 percent (2012: 78.0 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 reserves 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.

|  | 2013           | 2012           |
|--|----------------|----------------|
| Financial assets   | £'000          | £'000          |
| The company held the following categories of sterling financial assets |                |                |
| <b>Sterling monetary assets</b>  |                |                |
| Cash at bank   | 952            | 3,982          |
| Bank deposits  | 35,747         | 35,585         |
|  | <b>36,699</b>  | <b>39,567</b>  |
| Trade debtors  | 575            | 615            |
| Prepayments and accrued income   | 8,292          | 8,629          |
| Contract debtor  | 386,034        | 392,556        |
| <b>Total financial assets</b>  | <b>431,600</b> | <b>441,367</b> |

Bank deposits relate to short term deposits held for not more than three months in separate term accounts 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 operating and finance costs.

Reserves in the form of separate cash and term bank accounts held in accordance with the Collateral Deed amount to £35,747,000 (2012: £35,585,000).

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 2013 (continued)

### 9 Financial instruments (continued)

#### Financial liabilities

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

| Bond liabilities  | 2013<br>Amount<br>£'000 | Weighted<br>average<br>interest rate | Weighted average<br>period for which<br>rate is fixed |
|---|-------------------------|--------------------------------------|---|
| <b>Maturity of financial liabilities (before issue costs)</b> |                         |                                      |   |
| In less than one year   | 13,545                  | 7.13%                                | 1   |
| In more than one year but not less than two years             | 15,342                  | 7.15%                                | 1   |
| In more than two years but not more than five years           | 55,490                  | 7.21%                                | 4   |
| In more than five years                                       | 282,954                 | 7.68%                                | 11  |
| <b>Total</b>  | <b>367,331</b>          | <b>7.43%</b>                         | <b>9</b>  |

| Bond liabilities  | 2012<br>Amount<br>£'000 | Weighted<br>average<br>interest rate | Weighted average<br>period for which<br>rate is fixed |
|---|-------------------------|--------------------------------------|---|
| <b>Maturity of financial liabilities (before issue costs)</b> |                         |                                      |   |
| In less than one year   | 12,726                  | 7.11%                                | 1   |
| In more than one year but not less than two years             | 13,545                  | 7.13%                                | 1   |
| In more than two years but not more than five years           | 51,528                  | 7.18%                                | 4   |
| In more than five years                                       | 302,259                 | 7.62%                                | 11  |
| <b>Total</b>  | <b>380,058</b>          | <b>7.39%</b>                         | <b>10</b>   |

Trade creditors and accruals are repayable in less than one year for both 2013 and 2012

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 9 Financial instruments (continued)

All financial instruments valued at fair value are valued with reference to levels one, two and three of the fair value hierarchy as set out below

#### Fair value hierarchy

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

|  | Level 1   | Level 2 | Level 3  | Total     |
|--|-----------|---------|----------|-----------|
|  | £'000     | £'000   | £'000    | £'000     |
| 2013 Financial assets (excluding cash at bank) | -         | -       | 512,824  | 512,824   |
| 2012 Financial assets (excluding cash at bank) | -         | -       | 540,123  | 540,123   |
| 2013 Financial liabilities                     | (415,791) | -       | (22,548) | (438,339) |
| 2012 Financial liabilities                     | (458,837) | -       | (22,548) | (481,385) |

|   | 2013       |            | 2012       |            |
|---|------------|------------|------------|------------|
|   | Book value | Fair value | Book value | Fair value |
| Fair values of financial assets and liabilities   | £'000      | £'000      | £'000      | £'000      |
| <b>Primary financial instruments held or issued to finance the company's operations</b> |            |            |            |            |
| Financial assets (including cash at bank)   | 431,600    | 549,523    | 441,367    | 579,690    |
| Financial liabilities   | (367,331)  | (438,339)  | (380,058)  | (481,385)  |

Full descriptions of the bonds are given in note 7 above. The basis of the fair values for financial assets is disclosed in note 5. The fair values for trade creditors, accruals and deferred income are equal to their book values of £13,347,000 (2012: £14,233,000) 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 2013 and 31 December 2012 has been determined by a valuation performed by M&G Investments.

## Integrated Accommodation Services plc

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 9 Financial instruments (continued)

The subordinated loan stock 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 £27,140,000 and £21,454,000. 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.

#### 10 Called up share capital

|  | 2013  | 2012  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>Allotted, called up and fully paid</b>        |       |       |
| 55,000 (2012: 55,000) ordinary shares of £1 each | 55    | 55    |

#### 11 Dividends

|  | 2013  | 2012  |
|--|-------|-------|
|  | £'000 | £'000 |
| Dividend of £81.65 per share (2012: £nil) paid from distributable reserves | 4,491 | -     |

#### 12 Profit and loss account

|                               | £'000         |
|-------------------------------|---------------|
| At 1 January 2013             | 38,766        |
| Profit for the financial year | 8,063         |
| Dividends (note 11)           | (4,491)       |
| <b>At 31 December 2013</b>    | <b>42,338</b> |



## Integrated Accommodation Services plc

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 13 Reconciliation of movements in shareholders' funds

|  | 2013          | 2012          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Profit for the financial year              | 8,063         | 6,768         |
| Dividends (note 11)                        | (4,491)       | -             |
| <b>Net addition to shareholders' funds</b> | <b>3,572</b>  | <b>6,768</b>  |
| Opening shareholders' funds                | 38,821        | 32,053        |
| <b>Closing shareholders' funds</b>         | <b>42,393</b> | <b>38,821</b> |

#### 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 (2012 £1) expiring after five years

#### 15 Commitments and contingent liabilities

Under the 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 £47,007,000 (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 indexed at 31 December 2013 were £62,251,000 (2012 £62,235,000). Payments made in the year ended 31 December 2013 were £1,841,000 (2012 £2,250,000).

Under the terms of an operating agreement with G4S Integrated Services (UK) Limited dated 22 June 2000, 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 2013 were £18,836,000 (2012 £17,780,000). G4S Integrated Services (UK) Limited also provided services to the company under short term contractual variations to the operating contract for miscellaneous works and fittings at a cost of £27,481,000 (2012 £33,808,000).

Under the terms of a management services agreement dated 22 June 2000, administrative and technical services were provided by G4S Integrated Services (UK) Limited at a cost of £331,000 (2012 £374,000).

Through a variation order under the Project Agreement in 2009, 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 2013 or at 31 December 2012.

## **Integrated Accommodation Services plc**

### **Notes to the financial statements for the year ended 31 December 2013 (continued)**

#### **16 Related party disclosures**

British Telecommunications plc, a company related to BT Holdings Limited, also provided administrative and technical services at a cost of £30,000 (2012 £30,000)

Carillion Construction Ltd, a company related to Carillion Private Finance (Secure) Limited, provided technical services under the capital replacement contract at a cost of £2,112,000 (2012 £2,470,000)

Carillion Insurance Ltd, a company related to Carillion Private Finance (Secure) Limited, provided administrative and technical services at a cost of £nil (2012 £3,000)

Carillion Private Finance (Secure) Limited provided administrative and technical services at a cost of £30,000 (2012 £30,000)

G4S Joint Ventures Limited provided administrative and technical services at a cost of £60,000 (2012 £60,000)

Innisfree Limited, a company related to Innisfree PFI Secondary Fund (through its nominee Innisfree Nominees Limited), provided administrative and technical services at a cost of £30,000 (2012 £30,000)

At the year end there was £nil (2012 £nil) payable to British Telecommunications plc, £9,000 (2012 £222,000) payable to Carillion Construction Limited, £nil (2012 £nil) payable to Carillion Private Finance (Secure) Limited and £nil (2012 £nil) payable to G4S Joint Ventures 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.