

Integrated Accommodation Services plc  
Annual report and financial statements  
for the year ended 31 December 2009

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# **Integrated Accommodation Services plc**

## **Annual report and financial statements for the year ended 31 December 2009**

### **Contents page**

	<b>Page</b>
Directors' report for the year ended 31 December 2009	1
Independent auditors' report to the members of Integrated Accommodation Services plc	4
Profit and loss account for the year ended 31 December 2009	5
Balance sheet as at 31 December 2009	6
Reconciliation of movements in total shareholders' funds for the year ended 31 December 2009	7
Notes to the financial statements for the year ended 31 December 2009	8

# **Integrated Accommodation Services plc**

## **Directors' report for the year ended 31 December 2009**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2009

### **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 3824397. The agreement, under the Government Private Finance Initiative, 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 new 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 certain retained facilities. The operational performance of the company during the year has been good and performance deductions have been low.

On 4 December 2009, twenty percent of the share capital of the immediate parent undertaking, Accommodation Services (Holdings) Limited, was sold by Carillion Private Finance (Secure) Limited to Innisfree PFI Secondary Fund (through its nominee Innisfree Nominees Limited).

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 in note 15 to the accounts.

The profit for the year under review as set out in the profit and loss account on page 5 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, 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 2009 (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. 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 £8.85 per ordinary share (2008: £33.95 per ordinary share) amounting to £487,000 (2008: £1,867,000) have been paid during the year. No final dividends are proposed for the year ended 31 December 2009 (2008: £nil). The dividends and amount transferred to reserves are set out in the movement on the profit and loss account in note 13.

### **Directors**

The directors of the company during the year ended 31 December 2009, and to the date of signing of the financial statements were:

G Birley-Smith	(appointed 14 December 2009)
P A Cottam	(resigned 14 December 2009)
C Elliott	
F R Herzberg	
M R Quartermaine	(resigned 23 September 2009)
B Ravi Kumar	(appointed 14 December 2009)
R W Robinson	(resigned 30 June 2009)
J R Side	(appointed 30 October 2009)
J D Stokoe	(appointed 23 September 2009)

### **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 2009 was 30 days (2008: 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 2009 (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 elected to prepare 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, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 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 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.

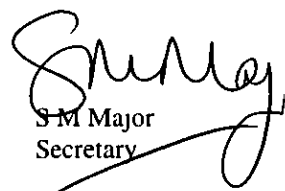
### **Contracts with controlling shareholders**

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 respectively 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

22 February 2010

# **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 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Total 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 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 Sections 495 and 496 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.

## **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 2009 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.

## **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

22 February 2010

## Integrated Accommodation Services plc

### Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover	1	48,530	49,732
Cost of sales		(43,888)	(45,426)
Gross profit		4,642	4,306
Administrative expenses		(641)	(674)
Operating profit	2	4,001	3,632
Interest receivable and similar income	3	31,024	32,443
Interest payable and similar charges	3	(29,811)	(30,110)
Profit on ordinary activities before taxation		5,214	5,965
Tax on profit on ordinary activities	4	(1,461)	(1,687)
Profit for the financial year	13	3,753	4,278

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 8 to 22 form an integral part of the financial statements


# Integrated Accommodation Services plc

## Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
<b>Current assets</b>			
Debtors amounts falling due within one year	6	12,347	8,445
Debtors amounts falling due after more than one year	6	402,204	406,451
Cash at bank and in hand		32,948	31,513
		<b>447,499</b>	<b>446,409</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(19,742)</b>	<b>(17,002)</b>
<b>Net current assets</b>		<b>427,757</b>	<b>429,407</b>
<b>Creditors: amounts falling due after more than one year</b>	8	<b>(392,091)</b>	<b>(398,468)</b>
<b>Provisions for liabilities and charges</b>	9	<b>(12,918)</b>	<b>(11,457)</b>
<b>Net assets</b>		<b>22,748</b>	<b>19,482</b>
<b>Capital and reserves</b>			
Called up share capital	11	55	55
Profit and loss account	13	22,693	19,427
<b>Total shareholder's funds</b>		<b>22,748</b>	<b>19,482</b>

The financial statements on pages 5 to 22 were approved by the Board on 22 February 2010 and were signed on its behalf by

  
Director C. ELLIOTT

  
Director F. HERZBERG



## **Integrated Accommodation Services plc**

### **Reconciliation of movements in total shareholders' funds for the year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>3,753</b>	4,278
Dividends (note 12)	<b>(487)</b>	(1,867)
<b>Net addition to total shareholders' funds</b>	<b>3,266</b>	2,411
Opening total shareholders' funds	<b>19,482</b>	17,071
<b>Closing total shareholders' funds</b>	<b>22,748</b>	19,482

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2009**

### **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 are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. Narrative disclosures of values in the notes to the accounts are shown as round £'000

#### **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 £13.5m (2008: £15.4m) 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 2009 (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.

#### **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 the contract debtor. 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.

#### **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 cash flow method as described in note 6.

#### **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.

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

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

#### **Borrowings**

Fixed rate borrowings are initially stated at the amount of the consideration received net of transaction costs incurred. Subsequently, the fixed loan amounts are held at amortised cost.

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.

#### **Cash flow statement**

At 31 December 2009, the company was a wholly owned subsidiary of Accommodation Services (Holdings) Limited, which prepares consolidated group financial statements including a group cash flow statement. In accordance with Financial Reporting Standard 1 (revised 1996), no cash flow statement is therefore included in these accounts.

### **2 Operating profit**

The company had no employees during the year (2008: none). No remuneration was paid to the directors in respect of their services to the company (2008: £nil). The following management recharges were made by the shareholders in respect of the services of Directors to the company, Carillion Private Finance (Secure) Limited £50,000 (2008: £50,000), G4S Joint Ventures Limited £50,000 (2008: £50,000) and British Telecommunications plc £25,000 (2008: £25,000).

The audit fee in respect of the company for the year was £13,000 (2008: £13,000). In addition, the company bore £3,000 (2008: £3,000) in respect of the audit fee of its parent company during the year. The auditors also received remuneration in the year for services relating to taxation totalling £nil (2008: £2,000).

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2008: £1) expiring after five years.

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 3 Net interest

	2009	2008
	£'000	£'000
Bank interest receivable	145	1,495
Imputed interest on contract debtor	30,879	30,948
<b>Interest receivable and similar income</b>	<b>31,024</b>	<b>32,443</b>
Interest payable on bonds	(25,858)	(26,140)
Interest payable on loan stock	(3,157)	(3,165)
Amortisation of issue costs	(796)	(805)
<b>Interest payable and similar charges</b>	<b>(29,811)</b>	<b>(30,110)</b>
<b>Net interest receivable</b>	<b>1,213</b>	<b>2,333</b>

Interest is imputed on the contract debtor using a property specific rate of 7.57% (2008: 7.57%)

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 4 Taxation on profit on ordinary activities

	2009	2008
	£'000	£'000
<b>Analysis of charge in year</b>		
<b>Current tax</b>		
UK corporation tax on profits of the year	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,461	1,687
<b>Tax on profit on ordinary activities</b>	<b>1,461</b>	<b>1,687</b>

The deferred tax charge for 2009 and 2008 relates entirely to timing differences

The tax assessed for the year is lower (2008 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2009 of 28% (2008 28.5%)

The differences are explained below

	2009	2008
	£'000	£'000
Profit on ordinary activities before tax	5,214	5,965
Profit on ordinary activities multiplied by the standard rate in the UK of 28% (2008 28.5%)	1,460	1,700
Effects of remuneration of contract debtor less capital allowances and imputed interest for the year	(1,461)	(1,716)
Expenses not deductible for tax purposes	1	16
<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 4 Taxation 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 year. 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 Financial instruments by category

All financial assets of the company are categorised as cash, trade debtors, accrued income and contract debtors at both 31 December 2008 and 31 December 2009. All financial liabilities of the company are categorised as borrowings, trade creditors and accruals at both 31 December 2008 and 31 December 2009.

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 £25,676,000 (2008 £24,620,000).

### 6 Debtors

	2009	2008
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade debtors	1,313	181
Prepayments and accrued income	6,786	6,696
Contract debtor	4,248	1,568
	12,347	8,445
<b>Amounts falling due after more than one year</b>		
Contract debtor	402,204	406,451

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 6 Debtors (continued)

The fair values of debtors are as follows

	2009	2008
	£'000	£'000
Trade debtors	1,313	181
Accrued income	6,786	6,696
Contract debtor	470,483	466,563
	<b>478,582</b>	<b>473,440</b>

As described in the accounting policies, trade debtors are not considered to be impaired. Trade debtors include invoices amounting to £1,289,000 (2008 £166,000), 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 2009, trade debtors of £1,304,000 (£181,000) 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 £1,192,000 (2008 £66,000), 3-6 months overdue £81,000 (2008 £3,000) and over 6 months overdue £31,000 (2008 £112,000).

The fair value of the contract debtor is based on cash flows over the life of the contract discounted using a rate of 7.15% based on the weighted average rate of the borrowings at fair value (2008 7.10%). The fair value of trade debtors 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.

	2009	2008
	£'000	£'000
<b>Counterparties with external credit rating</b>		
A rating - cash balances	32,948	31,513
<b>Counterparties with no external credit rating</b>		
Trade debtors	9	15
Accrued income	6,786	6,696
Contract debtors	406,452	408,019
<b>Total neither past due nor impaired</b>	<b>446,195</b>	<b>446,243</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 are denominated in sterling for both financial years.



# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
6 48% Guaranteed Secured Bonds due 2029	<b>6,794</b>	5,438
Less issue costs	<b>(741)</b>	(752)
10 14% Mezzanine Secured Notes due 2028	<b>367</b>	332
Less issue costs	<b>(19)</b>	(20)
Trade creditors	<b>1,644</b>	238
VAT	<b>921</b>	821
Accruals and deferred income	<b>10,776</b>	10,945
	<b>19,742</b>	17,002

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 2009 (continued)

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

	2009	2008
	£'000	£'000
<b>More than one year but less than two years</b>		
6 48% Guaranteed Secured Bonds due 2029	9,413	6,794
Less issue costs	(725)	(741)
10 14% Mezzanine Secured Notes due 2028	406	367
Less issue costs	(19)	(19)
	<b>9,075</b>	<b>6,401</b>
<b>More than two years but less than five years</b>		
6 48% Guaranteed Secured Bonds due 2029	35,352	31,769
Less issue costs	(2,049)	(2,115)
10 14% Mezzanine Secured Notes due 2028	1,495	1,352
Less issue costs	(55)	(56)
	<b>34,743</b>	<b>30,950</b>
<b>More than five years</b>		
6 48% Guaranteed Secured Bonds due 2029	314,687	327,683
Less issue costs	(5,085)	(5,744)
10 14% Mezzanine Secured Notes due 2028	16,552	17,101
Less issue costs	(143)	(161)
14 00% Subordinated Loan Notes due 2028	22,548	22,548
Less issue costs	(286)	(310)
	<b>348,273</b>	<b>361,117</b>
	<b>392,091</b>	<b>398,468</b>

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2009 (continued)

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

Guaranteed Secured Bonds due 2029 relate to £406,850,000 issued in 2000. Interest is payable on these bonds at six-monthly intervals. Scheduled redemption by way of principal repayments commenced on 30 September 2006. These bonds are listed on the London Stock Exchange. As at 31 December 2009, £366,246,000 (2008 £371,684,000) 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 2009, £18,820,000 (2008 £19,152,000) 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 commencing 1 January 2007. The company anticipates commencing redemption by way of principal repayment in 2029. 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 to its shareholders in proportion to their shareholdings.

Issue costs of £9,122,000 (2008 £9,918,000) 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: Measurement'.

### 9 Provisions for liabilities and charges

	2009	2008
	£'000	£'000
<b>Provision for deferred tax</b>		
Accelerated capital allowances	10,138	8,673
Accelerated finance costs	2,780	2,784
<b>Total provision for deferred tax</b>	<b>12,918</b>	<b>11,457</b>
Provision at 1 January	11,457	9,770
Deferred tax charge in profit and loss account for the year (note 4)	1,461	1,687
<b>Provision at 31 December</b>	<b>12,918</b>	<b>11,457</b>

Unprovided deferred tax at 31 December 2009 totalled £nil (2008 £nil)

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 10 Financial instruments

#### Borrowings

The company funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 2009, 85.9 percent (2008: 88.2 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.

	2009	2008
Financial assets	£'000	£'000
<b>The group held the following categories of sterling financial assets</b>		
<b>Sterling monetary assets</b>		
Cash at bank	7,272	6,893
Bank deposits	25,676	24,620
	<b>32,948</b>	<b>31,513</b>
Trade debtors	1,313	181
Accrued income	6,786	6,696
Contract debtor	406,452	408,019
Total financial assets	<b>447,499</b>	<b>446,409</b>

Bank deposits relate to short term deposits held for not more than three months in reserve accounts made with IAS'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 £25,676,000 (2008: £24,620,000).

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 2009 (continued)

### 10 Financial instruments (continued)

#### Financial liabilities

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

Bond liabilities	2009 Amount £'000	Weighted average interest rate	Weighted average period for which rate is fixed
<b>Maturity of financial liabilities (before issue costs)</b>			
In less than one year	7,161	7.07%	1
In more than one year but not less than two years	9,819	7.08%	1
In more than two years but not more than five years	36,847	7.11%	3
In more than five years	353,787	7.46%	15
<b>Total</b>	<b>407,614</b>	<b>7.31%</b>	<b>20</b>

Bond liabilities	2008 Amount £'000	Weighted average interest rate	Weighted average period for which rate is fixed
<b>Maturity of financial liabilities (before issue costs)</b>			
In less than one year	5,769	7.06%	1
In more than one year but not less than two years	7,161	7.07%	1
In more than two years but not more than five years	33,121	7.09%	3
In more than five years	367,333	7.46%	16
<b>Total</b>	<b>413,384</b>	<b>7.29%</b>	<b>21</b>

Trade creditors and accruals are repayable in less than one year for both 2009 and 2008

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 10 Borrowings (continued)

	2009		2008	
	Book value	Fair value	Book value	Fair value
<b>Fair values of financial assets and liabilities</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Primary financial instruments held or issued to finance the group's operations</b>				
Financial assets	447,499	511,530	446,409	504,953
Financial liabilities	(407,614)	(426,449)	(413,384)	(434,639)

Full descriptions of the bonds are given in note 8 above. The basis of the fair values for financial assets are disclosed in note 6. The fair values for trade creditors, accruals and deferred income is equal to their book value. Credit margins on long term bonds (both guaranteed and secured notes) vary in accordance with market demand and other factors. The fair values of the guaranteed secured bonds and secured notes have been determined by reference to prices available from the market on which the instruments involved are traded. The subordinated loan stock has been valued at par as, in the directors' opinion, the coupon rate of 14% represents a market rate of interest.

### 11 Called up share capital

	2009	2008
	£'000	£'000
<b>Authorised</b>		
100,000 ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid:</b>		
55,000 ordinary shares of £1 each	55	55

### 12 Dividends

	2009	2008
	£'000	£'000
Dividend of £8.85 per share (2008: £33.95) paid from distributable reserves	487	1,867

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 13 Profit and loss account

	£'000
At 1 January 2009	19,427
Profit for the financial year	3,753
Dividends (note 12)	(487)
At 31 December 2009	22,693

### 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 (2008 £1) expiring after five years

### 15 Commitments

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 2009 were £58,462,000 (2008 £57,632,000). Payments made in the year ended 31 December 2009 were £437,000 (2008 £662,000).

Through a variation order under the Project Agreement in 2009, Integrated Accommodation Services plc made a planning application in respect of additional premises at the Benhall site. As a condition of obtaining that planning consent, Integrated Accommodation Services plc 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.

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2009 (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 2009 were £20,124,000 (2008 £20,342,000).

Administrative and technical services were provided by G4S Integrated Services (UK) Limited at a cost of £75,000 (2008 £75,000). G4S Integrated Services (UK) Limited also provided services to the group under short term contracts for miscellaneous works and fittings at a cost of £21,699,000 (2008 £23,778,000).

British Telecommunications plc, a company related to BT Holdings Limited, also provided administrative and technical services at a cost of £26,000 (2008 £26,000).

Carillion Private Finance (Secure) Limited, also provided administrative and technical services at a cost of £743,000 (2008 £50,000).

At the year end there was £39,000 (2008 £63,000) payable to Carillion Construction Limited and £1,524,000 (2008 £166,000) payable to G4S Integrated Services (UK) 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 between it and other group companies.

### **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 offices Birch Street, Wolverhampton, West Midlands, WV1 4HY, England. Forty percent of the share capital of Accommodation Services (Holdings) Limited were held by Carillion Private Finance (Secure) Limited, forty percent is held by G4S Joint Ventures Limited and twenty percent by BT Holdings Limited. On 4 December 2009 Carillion Private Finance (Secure) Limited sold twenty percent of the share capital of Accommodation Services (Holdings) Limited to Innisfree PFI Secondary Fund (through its nominee Innisfree Nominees Limited). All shareholders are companies incorporated in England and Wales.