

**Integrated Accommodation Services plc**  
**Annual report and financial statements**  
**for the year ended 31 December 2015**



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# **Integrated Accommodation Services plc**

## **Annual report and financial statements for the year ended 31 December 2015**

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# **Integrated Accommodation Services plc**

## **Strategic report for the year ended 31 December 2015**

The directors present their Strategic report on the company for the year ended 31 December 2015.

The financial statements of the company for the year ended 31 December 2015 have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued by the Financial Reporting Council. These are the company's first set of financial statements prepared in accordance with FRS 102.

FRS 102 is applicable for accounting periods beginning on or after 1 January 2015. Explanation and the effects of the transition are provided in the notes to the financial statements.

### **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 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 18 and 19 respectively to the financial statements.

The profit for the year under review as set out in the statement of comprehensive income 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 2015 (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.

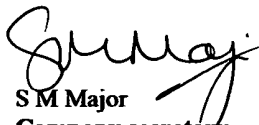
### **Credit risk**

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  
Date 6 June 2016

# **Integrated Accommodation Services plc**

## **Directors' report for the year ended 31 December 2015**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

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

Dividends of £44.23 per ordinary share (2014: £70.86 per ordinary share) amounting to £2,432,763 (2014: £3,897,566) have been paid during the year (note 15). No final dividends are proposed for the year ended 31 December 2015 (2014: £nil). The amount transferred to reserves is set out in the statement of comprehensive income on page 7.

### **Directors**

The directors of the company during the year ended 31 December 2015, and to the date of signing of the financial statements were:

G Birley-Smith  
B C J Dean  
C Elliott  
D Hardingham  
M Webber

### **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. Current holdings are shown in note 20 of these financial statements.

### **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.

# **Integrated Accommodation Services plc**

## **Directors' report for the year ended 31 December 2015 (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, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, 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**

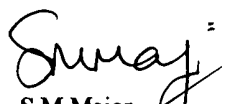
Each of the directors, whose names are listed in Directors' report confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 (FRS 102) "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 auditors are 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 auditors are aware of that information.

By Order of the Board,

  
S M Major  
Company secretary  
Date 6 June 2016

## **Integrated Accommodation Services plc**

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

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Integrated Accommodation Services plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.
- 

### **What we have audited**

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2015;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

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

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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.

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

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### **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.

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### **Directors' remuneration**

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

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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 company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### What an audit of financial statements involves

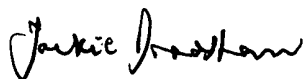
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in 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.



Jackie Bradshaw (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
6 June 2016



## Integrated Accommodation Services plc

### Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Turnover</b>	3	<b>58,991</b>	<b>63,919</b>
<b>Cost of sales</b>		<b>(52,367)</b>	<b>(56,980)</b>
<b>Gross profit</b>		<b>6,624</b>	<b>6,939</b>
<b>Administrative expenses</b>		<b>(795)</b>	<b>(659)</b>
<b>Operating profit</b>	5	<b>5,829</b>	<b>6,280</b>
<b>Interest receivable and similar income</b>	6	<b>27,732</b>	<b>28,422</b>
<b>Interest payable and similar charges</b>	6	<b>(25,334)</b>	<b>(26,346)</b>
<b>Profit on ordinary activities before taxation</b>		<b>8,227</b>	<b>8,356</b>
<b>Tax on profit on ordinary activities</b>	7	<b>(127)</b>	<b>(1,932)</b>
<b>Profit for the financial year</b>	16	<b>8,100</b>	<b>6,424</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the financial year</b>		<b>8,100</b>	<b>6,424</b>

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.

The notes on pages 10 to 27 form an integral part of the financial statements.

# Integrated Accommodation Services plc

## Statement of financial position as at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	19,445	17,632
Debtors: amounts falling due after more than one year	8	357,153	368,622
Cash at bank and in hand		37,816	36,928
		414,414	423,182
<b>Creditors: amounts falling due within one year</b>	10	(30,837)	(28,024)
<b>Net current assets</b>		383,577	395,158
<b>Total assets less current liabilities</b>		383,577	395,158
<b>Creditors: amounts falling due after more than one year</b>	11	(316,297)	(333,672)
<b>Provisions for liabilities</b>	12	(16,694)	(16,567)
<b>Net assets</b>		50,586	44,919
<b>Capital and reserves</b>			
Called up share capital	14	55	55
Retained earnings	16	50,531	44,864
<b>Total shareholder's funds</b>		50,586	44,919

The financial statements on pages 7 to 27 were approved by the Board on 6 June 2016 and were signed on its behalf by:

G Birley-Smith  
Director



B C J Dean  
Director



Company registered number: 03824397

## Integrated Accommodation Services plc

### Statement of changes in equity for the year ended 31 December 2015

	Note	Called-up share capital	Retained earnings	Total
		£'000	£'000	£'000
Balance as at 1 January 2014		55	42,338	42,393
Profit for the year		-	6,424	6,424
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	6,424	6,424
Dividends	15	-	(3,898)	(3,898)
Balance as at 31 December 2014		55	44,864	44,919
Balance as at 1 January 2015		55	44,864	44,919
Profit for the year		-	8,100	8,100
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	8,100	8,100
Dividends	15	-	(2,433)	(2,433)
Balance as at 31 December 2015		55	50,531	50,586

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2015**

### **1 General information**

The principal activity of Integrated Accommodation Services plc ("the company") continues to be 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 is incorporated and domiciled in the UK. The address of its registered office is 84 Salop Street, Wolverhampton, West Midlands, WV3 0SR, England.

### **2 Statement of compliance**

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3 Accounting policies**

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

#### **Basis of preparation of financial statements**

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. Narrative disclosures of values in the notes to the financial statements are shown as round £'000.

The company has adopted the provisions of FRS 102 for the year ended 31 December 2015. The preparation of financial statements in conformity with the adopted FRS has not led to any differences compared to financial statements previously prepared under UK GAAP.

#### **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 financial statements have been prepared on a going concern basis.

#### **Financial Reporting Standard 102 reduced disclosure exemptions**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows. Integrated Accommodation Services plc is a wholly owned subsidiary company of a group headed by Accommodation Services (Holdings) Limited and is included in the consolidated financial statements of that company, which can be obtained from the address given in note 20. Consequently, Integrated Accommodation Services plc has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1.12(b).
- from disclosing the company key management personnel compensation

#### **Foreign currency**

The financial statements are presented in pound sterling and rounded to thousands.

The company's functional and presentation currency is the pound sterling.

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2015 (continued)**

### **3 Accounting policies (continued)**

#### **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 FRS 102 s23.3, 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 £10.8m (2014: £5.9m) 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 statement of comprehensive income in accordance with FRS 102 s23.4, 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 statement of financial position 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 statement of financial position 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 statement of financial position 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**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

#### **Dividend policy**

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are paid. These amounts are recognised in the statement of changes in equity.

#### **Financial liabilities**

The company accounts for and discloses its financial liabilities in accordance with Financial Reporting Standard 102 s 11. 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 102 s 11. 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 statement of comprehensive income over the life of the instrument to which they relate, based upon the effective interest rate calculated in measuring amortised cost.

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2015 (continued)**

### **3 Accounting policies (continued)**

#### **Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Management has determined its financial assets as being cash, trade debtors, accrued income and contract debtors.

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**

The company meets the conditions to treat its contract debtor as a Service Concession Arrangement under FRS 102 s34.12 (Accounting by Operator as a Financial Asset), however, as the company entered into this concession prior to transition to FRS 102, under FRS 102 s35.10 (i), it is permitted to, and continues to account for the contract debtor using the same accounting policies being applied at the date of the transition.

Amounts recoverable under long term Private Finance Initiative contracts are transferred to a contract debtor. 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 9.

#### **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.

#### **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 2015 (continued)**

### **4 Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **a) Critical judgements in applying the company's accounting policies**

**Concession arrangements** - The Concession arrangements undertaken by the company are considered to fall within the scope of FRS 102 s34.12. This judgement has been based on a consideration of the nature and terms of the agreement and the existence of an option for the grantor to purchase the property.

#### **b) Key accounting estimates and assumptions**

- i. **Finance receivables** – 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.
- ii. **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 statement of financial position sheet date. Deferred tax is measured on a non-discounted basis.

### **5 Operating profit**

The company had no employees during the year (2014: 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; G4S Joint Ventures Limited £90,000 (2014: £87,500), British Telecommunications plc £nil (2014: £11,666) and Innisfree Limited £90,000 (2014: £75,834). The recharges paid by the company in 2015 and 2014 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 £20,800 (2014: £20,846). In addition, the company bore £3,000 (2014: £3,000) in respect of the audit fee of its parent company and non-audit services of £7,000 (2014: £nil) during the year.

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2014: £1) expiring after five years. The charge for both the years ended 31 December 2015 and 31 December 2014 was £1. The total commitment at 31 December 2015 was £15 (2014: £16).

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 6 Net interest

	2015	2014
	£'000	£'000
Bank interest receivable	134	183
Imputed interest on contract debtor	27,598	28,239
<b>Interest receivable and similar income</b>	<b>27,732</b>	<b>28,422</b>
Interest payable and similar charges on bonds	(22,162)	(23,174)
Interest payable and similar charges on loan stock	(3,172)	(3,172)
<b>Interest payable and similar charges</b>	<b>(25,334)</b>	<b>(26,346)</b>
<b>Net interest receivable</b>	<b>2,398</b>	<b>2,076</b>

Interest is imputed on the contract debtor using a property specific rate of 7.57% (2014: 7.57%).



# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 7 Tax on profit on ordinary activities

	2015	2014
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	2,006	2,077
Impact of change in tax rate	(1,879)	(145)
<b>Total deferred tax charge (note 12)</b>	127	1,932
<b>Tax on profit on ordinary activities</b>	127	1,932

The deferred tax charge for 2015 and 2014 relates entirely to timing differences.

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 7 Tax on profit on ordinary activities (continued)

#### Reconciliation of tax charge

The tax assessed for the year is lower (2014: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.5%). The differences are explained below:

	2015	2014
	£'000	£'000
Profit on ordinary activities before tax	8,227	8,356
Profit on ordinary activities multiplied by the standard rate in the UK of 20.25% (2014: 21.5%)	1,666	1,796
Amortisation of non-qualifying expenditure	340	281
Impact of change in tax rate	(1,879)	(145)
<b>Tax on profits</b>	<b>127</b>	<b>1,932</b>

#### Factors that may affect future tax charges

As a consequence of corporation tax rate changes announced in the Finance (No 2) Act 2015, deferred tax crystallising after 1 April 2017 will be recognised at the applicable rate of 19% and deferred tax crystallising after 1 April 2020 will be recognised at the applicable rate of 18%. All deferred tax is expected to crystallise after 1 April 2020.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the statement of financial position date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the statement of financial position date, would be to reduce the deferred tax liability by an additional £927k and reduce the tax expense for the period by £927k.

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.

The company has sufficient tax losses to cover its expected taxable profits in the next financial period, therefore no reversal of deferred tax liabilities is expected in that period.

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 8 Debtors

	2015	2014
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade debtors	78	159
Prepayments and accrued income	8,280	8,046
Contract debtor	11,087	9,427
	<b>19,445</b>	<b>17,632</b>
<b>Amounts falling due after more than one year</b>		
Contract debtor	357,153	368,622

The fair values of debtors are as follows:

	2015	2014
	£'000	£'000
Trade debtors	78	159
Prepayments and accrued income	8,280	8,046
Contract debtor	475,287	483,859
	<b>483,645</b>	<b>492,064</b>

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 9 Financial assets

As described in the accounting policies, trade debtors are not considered to be impaired. Trade debtors include invoices amounting to £51,000 (2014: £159,000), 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 statement of comprehensive income 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 2015, trade debtors of £78,000 (2014: £159,000) 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 £68,000 (2014: £158,000), 3-6 months overdue £4,000 (2014: £nil) and over 6 months overdue £6,000 (2014: £1,000).

The fair value of the contract debtor is based on cash flows over the life of the contract discounted using a rate of 5.45% based on the weighted average rate of return on the borrowings when measured at fair value (2014: 5.39%). 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.

	2015	2014
	£'000	£'000
<b>Counterparties with external credit rating</b>		
Cash and term deposit accounts at bank	37,816	36,928
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	8,280	8,046
Contract debtor	368,240	378,049
<b>Total neither past due nor impaired</b>	<b>414,336</b>	<b>423,023</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.

Included in cash and term deposit accounts at bank are cash reserves, the use of which is restricted under agreements with the trustees of the Guaranteed Secured Bonds and Mezzanine Secured Notes, and amounts restricted for future maintenance costs by the lenders. The value of this restricted cash at 31 December 2015 was £29,062,000 (2014: £27,984,000).

## **Integrated Accommodation Services plc**

### **Notes to the financial statements for the year ended 31 December 2015 (continued)**

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
6.48% Guaranteed Secured Bonds due 2029	<b>17,325</b>	<b>14,735</b>
Less: issue costs	<b>(599)</b>	<b>(631)</b>
10.14% Mezzanine Secured Notes due 2028	<b>671</b>	<b>607</b>
Less: issue costs	<b>(17)</b>	<b>(18)</b>
Trade creditors	<b>4,824</b>	<b>5,084</b>
VAT	<b>1,743</b>	<b>1,632</b>
Accruals and deferred income	<b>6,890</b>	<b>6,615</b>
	<b>30,837</b>	<b>28,024</b>

Information relating to the nature of the Guaranteed Secured Bonds and Mezzanine Secured Notes is contained in note 11.

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 11 Creditors: amounts falling due after more than one year

	2015	2014
	£'000	£'000
<b>More than one year but less than two years</b>		
6.48% Guaranteed Secured Bonds due 2029	17,446	17,326
Less: issue costs	(564)	(600)
10.14% Mezzanine Secured Notes due 2028	742	671
Less: issue costs	(16)	(16)
	<b>17,608</b>	<b>17,381</b>
<b>More than two years but less than five years</b>		
6.48% Guaranteed Secured Bonds due 2029	59,238	54,999
Less: issue costs	(1,467)	(1,583)
10.14% Mezzanine Secured Notes due 2028	2,731	2,470
Less: issue costs	(41)	(44)
	<b>60,461</b>	<b>55,842</b>
<b>More than five years</b>		
6.48% Guaranteed Secured Bonds due 2029	205,941	227,628
Less: issue costs	(1,837)	(2,278)
10.14% Mezzanine Secured Notes due 2028	11,800	12,803
Less: issue costs	(52)	(65)
14.00% Subordinated Loan Notes due 2028	22,548	22,548
Less: issue costs	(172)	(187)
	<b>238,228</b>	<b>260,449</b>
	<b>316,297</b>	<b>333,672</b>

# Integrated Accommodation Services plc

## Notes to the financial statements

### for the year ended 31 December 2015 (continued)

#### 11 Creditors: amounts falling due after 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 2015, £299,952,000 (2014: £314,688,000) 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 2015, £15,944,000 (2014: £16,551,000) 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 2005. 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 £4,767,000 (2014: £5,422,000) 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 102 s 11.

#### 12 Provisions for liabilities

	2015	2014
	£'000	£'000
<b>Provision for deferred tax</b>		
Accelerated capital allowances	32,085	36,274
Other timing differences	3,221	3,417
Losses	(29,593)	(35,650)
Accelerated finance costs	10,981	12,526
<b>Total provision for deferred tax</b>	<b>16,694</b>	<b>16,567</b>
Provision at 1 January	16,567	14,635
Deferred tax charge in statement of comprehensive income for the year (note 7)	127	1,932
<b>Provision at 31 December</b>	<b>16,694</b>	<b>16,567</b>

Unprovided deferred tax at 31 December 2015 totalled £nil (2014: £nil).

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 13 Financial instruments

#### Funding and liquidity

The company funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 2015, 71.4 percent (2014: 74.8 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.

	2015	2014
Financial assets	£'000	£'000
The company held the following categories of sterling financial assets		
Sterling monetary assets		
Cash at bank	37,816	945
Bank deposits	-	35,983
	37,816	36,928
Trade debtors	78	159
Accrued income	8,051	7,770
Contract debtor	368,240	378,049
Total financial assets	414,185	422,906

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 £37,758,000 (2014: £35,983,000).

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 2015 (continued)

### 13 Financial instruments (continued)

#### Financial liabilities

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

Bond liabilities	2015 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	17,996	6.81%	1
In more than one year but not less than two years	18,188	6.81%	1
In more than two years but not more than five years	61,969	6.78%	3
In more than five years	240,289	7.86%	10
<b>Total</b>	<b>338,442</b>	<b>7.51%</b>	<b>9</b>

Bond liabilities	2014 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	15,342	6.85%	1
In more than one year but not less than two years	17,997	6.81%	1
In more than two years but not more than five years	57,469	6.80%	3
In more than five years	262,979	7.77%	11
<b>Total</b>	<b>353,787</b>	<b>7.46%</b>	<b>9</b>

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 13 Financial instruments (continued)

All financial instruments valued at fair value are valued with reference to types (a), (b) and (c) 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.

- Type (a) The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.
- Type (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Type (c) If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date.

	Type (a)	Type (b)	Type (c)	Total
	£'000	£'000	£'000	£'000
2015 Financial assets (excluding cash at bank)	-	-	483,645	483,645
2014 Financial assets (excluding cash at bank)	-	-	492,064	492,064
2015 Financial liabilities	(387,026)	-	(22,548)	(409,574)
2014 Financial liabilities	(425,721)	-	(22,548)	(448,269)

	2015		2014	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
<b>Fair values of financial assets and liabilities</b>				
<b>Primary financial instruments held or issued to finance the company's operations</b>				
Financial assets (including cash at bank)	414,185	521,461	422,906	528,992
Financial liabilities	(338,442)	(409,574)	(353,787)	(448,269)

# Integrated Accommodation Services plc

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 13 Financial instruments (continued)

Full descriptions of the bonds are given in note 11. The basis of the fair values for financial assets is disclosed in note 9. The fair values for trade creditors and accruals are equal to their book values of £13,255,000 (2014: £13,116,000) 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 2015 and 31 December 2014 has been determined by a valuation performed by M&G Investments.

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 £26,957,000 and £21,517,000. 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.

### 14 Called up share capital

	2015	2014
	£'000	£'000
<b>Allotted and fully paid</b>		
55,000 (2014: 55,000) ordinary shares of £1 each	55	55

All terms in this statement of capital, unless otherwise defined, are as defined in the Company's articles of association ("Articles")

Subject to the Act and these Articles, the Board may pay dividends if justified by the Available Profits in respect of the relevant period among the Ordinary Shares

The holders of the Ordinary Shares shall have the right to vote at all general meetings of the Company and to receive and vote on proposed written resolutions of the Company.

### 15 Dividends

	2015	2014
	£'000	£'000
Dividend of £44.23 per share (2014: £70.86) paid from distributable reserves	2,433	3,898

### 16 Reserves

	£'000
At 1 January 2015	44,864
Profit for the financial year	8,100
Dividends (note 15)	(2,433)
<b>At 31 December 2015</b>	<b>50,531</b>

# **Integrated Accommodation Services plc**

## **Notes to the financial statements for the year ended 31 December 2015 (continued)**

### **17 Obligations under leases**

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2014: £1) expiring after five years. The total commitment at 31 December 2015 was £15 (2014: £16).

### **18 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 statement of financial position date indexed at 31 December 2015 were £59,761,000 (2014: £61,394,000). Payments made in the year ended 31 December 2015 were £2,366,000 (2014: £1,851,000).

Under the terms of an operating agreement with G4S Facilities Management Limited (formerly 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 2015 were £19,182,000 (2014: £19,250,000). G4S Facilities Management Limited (formerly 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 £28,552,000 (2014: £35,152,000).

Under the terms of a management services agreement dated 22 June 2000, administrative and technical services were provided by G4S Facilities Management Limited (formerly G4S Integrated Services (UK) Limited) at a cost of £350,000 (2014: £328,000).

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 2015 or at 31 December 2014.

# **Integrated Accommodation Services plc**

## **Notes to the financial statements**

### **for the year ended 31 December 2015 (continued)**

#### **19 Related party disclosures**

British Telecommunications plc, a company related to BT Holdings Limited (a related party until 2 May 2014) provided administrative and technical services at a cost of £nil (2014: £11,666).

Carillion Construction Limited, a company related to Carillion Private Finance (Secure) Limited (a related party until 31 March 2014), provided technical services under the capital replacement contract at a cost of £1,022,000 (2014: £489,000).

G4S Joint Ventures Limited provided administrative and technical services at a cost of £90,000 (2014: £87,500).

Innisfree Limited, a company related to Innisfree PFI Secondary Fund and Innisfree PFI Secondary Fund 2 (through their nominee Innisfree Nominees Limited), provided administrative and technical services at a cost of £90,000 (2014: £75,834).

At the year end there was £nil (2014: £nil) payable to G4S Joint Ventures Limited and £nil (2014: £nil) payable to Innisfree Limited.

As a wholly owned subsidiary of Accommodation Services (Holdings) Limited the company has taken advantage of the exemption under FRS 102 s33 – Related party disclosures of the requirement to disclose transactions with it.

#### **20 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: 84 Salop Street, Wolverhampton, West Midlands, WV3 0SR, England. Fifty percent of the share capital of Accommodation Services (Holdings) Limited is held by G4S Joint Ventures Limited, twenty percent is held by Innisfree PFI Secondary Fund and thirty percent is held by Innisfree PFI Secondary Fund 2 (through their nominee Innisfree Nominees Limited). All shareholders are companies incorporated in England and Wales.

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

#### **21 First year adoption**

The company reported under former UK GAAP in its previously published financial statements for the year ended 31 December 2014.

This is the first year that the company has presented its results under FRS 102. The date of transition was 1 January 2014 and there were no changes on conversion for the company for either the equity or the profit and loss items.