

**INTEGRATED ACCOMMODATION SERVICES PLC**

**REGISTERED NUMBER 3824397**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2001**



## **INTEGRATED ACCOMMODATION SERVICES PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001**

The directors submit their report and the audited financial statements of the company for the year ended 31 December 2001.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The company is engaged under a 30-year project agreement with the Secretary of State for Foreign and Commonwealth Affairs signed on 13 June 2000. The agreement, under the Government Private Finance Initiative, provided for the design, construction, financing, service and maintenance of new facilities, together with the service, maintenance and remediation of certain existing facilities for the Government Communications Headquarters in Cheltenham, England.

The company provided for the finance of the project with the issue of further shares and bond issues totalling £429,515,000 during the year 2000, details of which are shown in the notes to the financial statements.

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

#### **DIVIDENDS AND TRANSFERS TO RESERVES**

No dividend is proposed. The amount transferred to reserves is set out in the profit and loss account on page 4.

#### **DIRECTORS**

The directors of the company during the year ended 31 December 2001 and subsequently were:

	<b>Appointed</b>	<b>Resigned</b>
S R Brown		
C Girling	16 May 2001	
J A Harrower		
D McLaughlin		
R Robinson	16 May 2001	
E McEwan		16 May 2001
B J Sharples		16 May 2001

#### **DIRECTORS' INTEREST IN SHARES**

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

#### **CREDITOR PAYMENT POLICY**

It is the company's policy to agree with its suppliers terms of settlement which are appropriate to the markets in which they operate, and to abide by such terms where suppliers have met their obligations. The average creditor payment period at 31 December 2001 was 5 days. (31 December 2000 - 14 days)

## **INTEGRATED ACCOMMODATION SERVICES PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)**

#### **EUROPEAN MONETARY UNION**

The directors are aware of the implications of the European Monetary Union. No significant costs have arisen during the year.

#### **AUDITORS**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution proposing their re-appointment will be proposed to the next Annual General Meeting.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which 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 those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

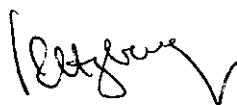
#### **GOING CONCERN**

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

#### **CONTRACTS WITH CONTROLLING SHAREHOLDERS**

The company has entered into material contracts with Group 4 Falck Global Solutions Limited and Carillion Construction Limited, both companies respectively related to controlling shareholders. Details of these contracts are shown in the Notes to the Accounts (Note 13 Commitments and Note 14 Related Party Disclosures).

**By Order of the Board**



**F R Herzberg  
SECRETARY  
5 July 2002**

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

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention, and the accounting policies set out on pages 7 and 8.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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

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

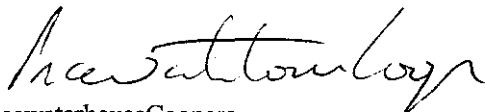
### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Birmingham  
5 July 2002

# **INTEGRATED ACCOMMODATION SERVICES PLC**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001**

	<u>Notes</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
<b>TURNOVER</b>	1	17,121	8,876
Operating costs		(12,393)	(8,231)
Administrative expenses		<u>(632)</u>	<u>(325)</u>
<b>OPERATING PROFIT</b>	2	4,096	320
<b>NET INTEREST</b>	3	-	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>4,096</u>	<u>320</u>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	4	(1,232)	(96)
<b>RETAINED PROFIT FOR THE YEAR</b>	11	<u><u>2,864</u></u>	<u><u>224</u></u>

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

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

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

The movements on reserves are shown in Note 11 to the financial statements.

# INTEGRATED ACCOMMODATION SERVICES PLC

## BALANCE SHEET AT 31 DECEMBER 2001

	<u>Notes</u>	<u>2001</u> £'000	<u>2000</u> £'000
<b>TANGIBLE FIXED ASSETS</b>	5	<u>258,659</u>	<u>107,913</u>
<b>CURRENT ASSETS</b>			
Debtors (amounts falling due within one year)	6	4,812	2,959
Cash at bank and in hand		<u>166,783</u>	<u>319,290</u>
		171,595	322,249
<b>CREDITORS (amounts falling due within one year)</b>	7	<u>(13,126)</u>	<u>(16,712)</u>
<b>NET CURRENT ASSETS</b>		158,469	305,537
		—	—
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		417,128	413,450
<b>CREDITORS (amounts falling due in more than one year)</b>	8	<u>(413,985)</u>	<u>(413,171)</u>
		3,143	279
<b>CAPITAL AND RESERVES</b>		—	—
Called up share capital	10	55	55
Profit and loss account	11	3,088	224
		—	—
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<u>3,143</u>	<u>279</u>

The financial statements on pages 4 to 14 were approved by the Board on 5 July 2002 and were signed on its behalf by:

C Girling

S R Brown

DIRECTORS

# **INTEGRATED ACCOMMODATION SERVICES PLC**

## **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2001**

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Profit for the year	2,864	224
New share capital issued and subscribed	-	55
	<hr/>	<hr/>
Net increase in equity shareholders' funds	2,864	279
Opening equity shareholders' funds	279	-
	<hr/>	<hr/>
Closing equity shareholders' funds	3,143	279
	<hr/>	<hr/>

# **INTEGRATED ACCOMMODATION SERVICES PLC**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2001**

### **1. ACCOUNTING POLICIES**

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

The requirements of FRS 18 'Accounting Policies' have been implemented in the current year. There is no financial impact.

#### **(1) Basis of preparation of accounts**

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting and financial reporting standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results can differ from these estimates.

#### **(2) Turnover**

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

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

#### **(3) Deferred taxation**

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation, using the liability method, will be made to the extent that a liability or asset will crystallise in the foreseeable future.

#### **(4) Leased assets**

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

#### **(5) Tangible fixed assets**

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

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



# INTEGRATED ACCOMMODATION SERVICES PLC

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

### 1. ACCOUNTING POLICIES (continued)

#### (6) Financial instruments

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

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

#### (7) Cash flow statement

At 31 December 2001, the company was a wholly owned subsidiary of Accommodation Services (Holdings) Limited which prepared consolidated group financial statements including a group cash flow statement. In accordance with Financial Reporting Standard 1 (revised) no cash flow statement is therefore included in these accounts.

### 2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company had no employees during the year other than the directors. No remuneration was paid to the directors in respect of their services to the company (2000 - £nil).

The audit fee in respect of the company for the year was £ 9,500 (2000 - £10,000). The auditors also received remuneration for other services in the year totalling £ 2,734 (2000 - £157,000).

### 3. NET INTEREST

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
<b>Interest payable:</b>		
Interest payable on bonds	(28,682)	(15,070)
Amortisation of bond issue costs	<u>(814)</u>	<u>(471)</u>
	(29,496)	(15,541)
 Interest capitalised on leasehold fixed assets	 <u>13,880</u>	 <u>4,592</u>
	(15,616)	(10,949)
 Bank interest receivable	 <u>15,616</u>	 <u>10,949</u>
	<u>-</u>	<u>-</u>

Interest has been capitalised at the weighted average rate of 6.9% (2000 - 6.9%).

# INTEGRATED ACCOMMODATION SERVICES PLC

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

### 4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
United Kingdom corporation tax at 30% (2000 - 30%)	1,232	96

### 5. TANGIBLE FIXED ASSETS

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
<u>Long leasehold land and buildings</u>		
Cost at 1 January 2001	107,913	-
Additions during year	136,866	103,321
Capitalised interest costs	<u>13,880</u>	<u>4,592</u>
Cost at 31 December 2001	<u>258,659</u>	<u>107,913</u>

All assets are in the course of construction and accordingly no depreciation has been charged.

### 6. DEBTORS

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Amounts falling due within one year:		
Trade debtors	190	171
Prepayments and accrued income	1,580	1,697
Other debtors	<u>3,042</u>	<u>1,091</u>
	<u>4,812</u>	<u>2,959</u>

### 7. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Trade creditors	3,567	7,965
Accruals and deferred income	8,329	8,651
Corporation tax	<u>1,230</u>	<u>96</u>
	<u>13,126</u>	<u>16,712</u>

# INTEGRATED ACCOMMODATION SERVICES PLC

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

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

	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
More than two years but less than five years:		
6.48% Guaranteed Secured Bonds due 2029	756	96
10.14% Mezzanine Secured Notes due 2028	<u>405</u>	<u>128</u>
	1,161	224
More than five years:		
6.48% Guaranteed Secured Bonds due 2029	391,035	390,905
10.14% Mezzanine Secured Notes due 2028	<u>21,789</u>	<u>22,042</u>
	<u>412,824</u>	<u>412,947</u>

During 2000 the company issued £406,850,000 6.48% Guaranteed Secured Bonds due 2029. Interest is payable on these bonds at six monthly intervals. Scheduled redemption by way of principal repayments commences on 30 September 2005. These bonds are listed on the London Stock Exchange.

The company also issued in 2000 £22,610,000 10.14% Mezzanine Secured Notes due 2028. Interest is payable on these bonds at six monthly intervals. Scheduled redemption by way of principal repayments commences on 30 September 2005. These notes were issued by way of private subscription.

No further bonds were issued in the year.

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

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

# INTEGRATED ACCOMMODATION SERVICES PLC

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

### 9. FINANCIAL INSTRUMENTS

#### (1) Funding and Liquidity

The company funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 2001, 99.7 per cent, (2000 - 99.97 per cent) of these bonds were due for repayment in more than 5 years.

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

#### (2) Interest Rate Risk

In order to manage the company's exposure to interest rate fluctuations on the cash invested with the banks, the company has entered into an interest rate swap to fix the rate of interest earned. At 31 December 2001, 71 per cent, (2000 - 88 per cent) of the company's cash resources were invested at fixed rates after taking account of the interest rate swap.

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

The company has taken advantage of the exemption in FRS13 and has not included other financial instruments relating to short term debtors and creditors.

<u>Financial Assets:</u>	<u>2001</u>	<u>2000</u>
	<u>£'000</u>	<u>£'000</u>
The company held the following categories of sterling financial assets:		
Sterling monetary assets:		
Cash at bank	3,601	7,779
Bank deposits	<u>163,182</u>	<u>311,511</u>
	<u>166,783</u>	<u>319,290</u>

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

# INTEGRATED ACCOMMODATION SERVICES PLC

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

### 9. FINANCIAL INSTRUMENTS (continued)

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

Interest rate swaps at cost: £nil (2000: £nil)

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

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

#### Financial Liabilities:

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

Long Term Bond Liabilities	Amount £'000	Weighted Average Interest Rate	Weighted Average period for which rate is fixed
<b>Maturity of Financial Liabilities</b>			
In more than two years but not more than five years	1,161	6.67%	5 years
In more than five years	412,824	6.67%	18 years
Total	413,985	6.67%	18 years

#### (4) Fair Values of Financial Liabilities

	Book Value £000's	Fair Value £000's
<b>Primary financial instruments held or issued to finance the Company's operations:</b>		
Financial Assets	166,783	166,783
Long-Term Liabilities	(413,985)	(485,290)
<b>Derivative financial instruments held to manage the interest rate profile</b>		
Interest rate swap	nil	1,478

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

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

# **INTEGRATED ACCOMMODATION SERVICES PLC**

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

### **10. CALLED UP SHARE CAPITAL**

	<u>2001</u> £	<u>2000</u> £
Authorised:		
Ordinary shares of £1 each on incorporation	100	100
Ordinary shares of £1 each on 28 April 2000	54,900	54,900
Closing Balance	<u>55,000</u>	<u>55,000</u>
Allotted and issued on incorporation:		
Ordinary shares of £1 each issued at par	2	2
Allotted and issued on 6 March 2000:		
Ordinary shares of £1 each issued at par	3	3
Allotted and issued on 28 April 2000:		
Ordinary shares of £1 each issued at par	54,995	54,995
	<u>55,000</u>	<u>55,000</u>

With the exception of a single nominee ordinary share issued to the Bank of America, all shares were issued to Accommodation Services (Holdings) Limited.

### **11. PROFIT AND LOSS ACCOUNT**

	£'000
At 1 January 2001	224
Retained profit for the year	<u>2,864</u>
At 31 December 2001	<u>3,088</u>

### **12. OBLIGATIONS UNDER LEASES**

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

## **INTEGRATED ACCOMMODATION SERVICES PLC**

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

#### **13. COMMITMENTS**

Under the terms of a contract dated 22 June 2000 with Carillion Construction Limited, a company related to Carillion Private Finance Limited, the company is committed to payments totalling £341.9 million in respect of design and construction services to be provided in the period to August 2003. Payments are made as the design and construction work progresses. Payments made in the year ended 31 December 2001 were £137.9 million (2000 - £92.4 million).

Under terms of a contract with Carillion Construction Limited dated 22 June 2000, the company is committed to payments totalling £47.0 million (indexed from 2000 prices) in respect of the capital replacement of life expired equipment over the contract term. No payments were made in the year ended 31 December 2001, (2000 - £nil).

Under the terms of an operating agreement with Group 4 Falck Global Solutions UK Limited dated 22 June 2000, a company related to Group 4 Falck Joint Ventures Limited, the company is committed to the payment of fixed and variable fees based on services provided in the contract term which includes services provided during the period of construction. Payments made in the year to 31 December 2001 were £13.6 million (2000 - £8.7 million).

#### **14. RELATED PARTY DISCLOSURES**

In addition to contract commitments set out in note 13 above, British Telecommunications Plc, a company related to BT Holdings Limited, provided administrative and technical services to the company during the year at a cost of £nil, (2000 - £0.60 million). Carillion Construction Limited provided similar services at a cost of £0.28 million (2000 - £5.50 million), Group 4 Falck Global Solutions UK Limited at a cost of £0.06 million, (2000 - £3.80 million) and Group 4 Falck Global Solutions Limited at a cost of £0.06 million, (2000 - £nil).

At the year end there was £3.15 million (2000 - £7.50 million) payable to Carillion Construction Limited, and £ 0.40 million (2000 - £0.34 million) payable to Group 4 Falck Global Solutions UK Limited.

#### **15. PARENT UNDERTAKINGS**

The company is a wholly owned subsidiary of Accommodation Services (Holdings) Limited, a company which files consolidated financial statements in England. The share capital of Accommodation Services (Holdings) Limited is held forty percent by Carillion Private Finance Limited and twenty percent by BT Holdings Limited. Following the restructuring of the Group 4 Falck Global Solutions Limited Group, the remaining forty percent of the shares previously owned by Group 4 Falck Global Solutions Limited were transferred to Group 4 Falck Joint Ventures Limited on 30 June 2001. All shareholders are companies incorporated in the United Kingdom.