

Integrated Accommodation Services plc
Directors' report and financial statements
for the year ended 31 December 2004

Registered number: 3824397



Integrated Accommodation Services plc

Directors' report and financial statements for the year ended 31 December 2004

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Integrated Accommodation Services plc

Directors' report for the year ended 31 December 2004

The directors submit their report and the audited financial statements of the company for the year ended 31 December 2004.

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 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 has mobilised its provision of services to the new facilities, relocated the staff and commenced the phased clearance of the older sites.

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 13 to the accounts.

The profit for the year under review as set out in the profit and loss account on page 4 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.

Dividends and transfers to reserves

No dividend is proposed (2003: £nil). 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 2004, and subsequently, were:

A D Banks	
S R Brown	
C F G Girling	(appointed 27 February 2004, resigned 5 October 2004)
F R Herzberg	(appointed 5 October 2004)
D McLaughlin	
R W Robinson	
S N Jones	(resigned 27 February 2004)

Directors' interests in shares

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

Integrated Accommodation Services plc

Directors' report for the year ended 31 December 2004 (continued)

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 2004 was 21 days (2003: 21 days).

Auditors

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

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to assume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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.

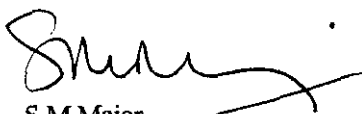
Going concern

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 GSL UK 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


S M Major
Secretary
30th March 2005

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the reconciliation of movement in equity shareholders' funds and the related notes.

Respective responsibilities of directors and auditors

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

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
30th March 2005

Integrated Accommodation Services plc

Profit and loss account for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover	1	31,025	38,278
Operating costs		(28,045)	(33,569)
Gross profit		2,980	4,709
Administrative expenses		(622)	(661)
Operating profit	2	2,358	4,048
Interest receivable and similar income	3	33,824	17,102
Interest payable and similar charges	3	(29,602)	(15,795)
Profit on ordinary activities before taxation		6,580	5,355
Taxation on profit on ordinary activities	4	(1,984)	(1,617)
Retained profit for the financial year	11	4,596	3,738

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 profit 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.

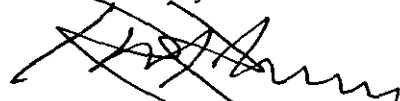
Integrated Accommodation Services plc

Balance sheet

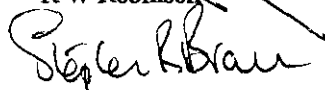
as at 31 December 2004

	Notes	2004 £'000	2003 £'000
Current assets			
Debtors (amounts falling due within one year)	5	6,323	7,468
Debtors (amounts falling due in more than one year)	5	434,354	424,506
Cash at bank and in hand		31,181	35,114
		471,858	467,088
Creditors (amounts falling due within one year)	6	(11,645)	(14,236)
Net current assets		460,213	452,852
Total assets less current liabilities		460,213	452,852
Creditors (amounts falling due in more than one year)	7	(438,597)	(437,816)
		21,616	15,036
Provisions for liabilities and charges	8	(6,428)	(4,444)
Net assets		15,188	10,592
Capital and reserves			
Called up share capital	10	55	55
Profit and loss account	11	15,133	10,537
Total equity shareholders' funds		15,188	10,592

The financial statements on pages 4 to 17 were approved by the Board on 30th March 2005 and were signed on its behalf by:



R W Robinson



S R Brown
Directors

Integrated Accommodation Services plc

Reconciliation of movement in equity shareholders' funds for the year ended 31 December 2004

	2004	2003
	£'000	£'000
Profit for the financial year	4,596	3,738
Net increase in equity shareholders' funds	4,596	3,738
Opening equity shareholders' funds	10,592	6,854
Closing equity shareholders' funds	15,188	10,592

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2004

1 Accounting policies

A summary of the company's principal accounting policies 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 1985 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 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 operating costs.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

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 on a straight-line basis over the lease term.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2004 (continued)

1 Accounting policies (continued)

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 constant proportion of the net 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.

Financial instruments

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.

Cash flow statement

At 31 December 2004, 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), no cash flow statement is therefore included in these accounts.

2 Operating profit

The company had no employees during the year (2003: none). No remuneration was paid to the directors in respect of their services to the company (2003: £nil).

The audit fee in respect of the company for the year was £11,000 (2003: £10,000). In addition the company bore £3,000 (2003: £3,000) in respect of the audit fee of its parent company during the year. The auditors also received remuneration for other services in the year totalling £7,000 (2003: £5,000).

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Notes to the financial statements for the year ended 31 December 2004 (continued)

3 Net interest

	2004	2003
	£'000	£'000
Bank interest receivable	1,287	1,538
Imputed interest on contract debtor	32,537	15,564
Interest receivable and similar income	33,824	17,102
Interest payable on bonds	(28,716)	(28,621)
Amortisation of issue costs	(886)	(872)
Interest capitalised on leasehold fixed assets	-	13,698
Interest payable and similar charges	(29,602)	(15,795)
Net interest receivable	4,222	1,307

Interest is imputed on the contract debtor using a property specific rate of 7.57% (2003: 7.57%).

4 Taxation on profit on ordinary activities

	2004	2003
	£'000	£'000
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	-	-
Deferred tax		
Origination and reversal of timing differences (note 8)	1,984	1,617
Tax on profit on ordinary activities	1,984	1,617

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2004 (continued)

4 Taxation on profit on ordinary activities (continued)

The tax for the period is lower (2003: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003
	£'000	£'000
Factors affecting tax charge for period		
Profit on ordinary activities before tax	6,580	5,355
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	1,974	1,607
Effects of remuneration of contract debtor less capital allowances and imputed interest for the period	(1,984)	(837)
Expenses not deductible for tax purposes	10	10
Timing differences in respect of capitalised interest	-	(780)
Current tax charge for the period	-	-

Factors that may affect future tax charges

The company has incurred significant expenditure in the construction of the facility on which it has claimed tax relief through capital allowances and claims for interest and loan related expenditure during the construction period. It has used these claims to offset its current liabilities and retains tax losses to offset liabilities in future years. As amounts are recovered to remunerate these costs they will be brought into current taxation in the year in which they are received. As a result of these claims there exist significant timing differences, which are expected to reverse over the period of the project agreement.

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Notes to the financial statements for the year ended 31 December 2004 (continued)

5 Debtors

	2004	2003
	£'000	£'000
Amounts falling due within one year		
Trade debtors	320	1,679
Prepayments and accrued income	6,003	5,789
	6,323	7,468
Amounts falling due in more than one year		
Contract debtor	434,354	424,506

Due to the profile of the cash flows over the life of the contract, all of the contract debtor balance falls due in more than one year.

6 Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Trade creditors	24	2,489
VAT	755	373
Accruals and deferred income	10,761	11,374
10.14% Mezzanine Secured Notes due 2028	105	-
	11,645	14,236

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 commences on 30 September 2005. These notes are unlisted.

Issue costs have been offset against bond and other loan liabilities and are amortised over the term of the bond in accordance with the provisions of Financial Reporting Standard 4. Comparative figures for 2003 have been restated to show the net liabilities after this offset.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 Creditors: amounts falling due in more than one year

	2004	2003
	£'000	£'000
More than one year but less than two years		
10.14% Mezzanine Secured Notes due 2028	254	81
	254	81
More than two years but less than five years		
6.48% Guaranteed Secured Bonds due 2029	36,561	31,044
10.14% Mezzanine Secured Notes due 2028	3,322	3,263
	39,883	34,307
More than five years		
6.48% Guaranteed Secured Bonds due 2029	357,747	362,427
10.14% Mezzanine Secured Notes due 2028	18,582	18,895
Subordinated Loan Notes due 2028	22,131	22,106
	398,460	403,428
	438,597	437,816

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 commences on 30 September 2005. These bonds are listed on the London Stock Exchange.

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 commences on 30 September 2005. These notes are unlisted.

Subordinated Loan Notes due 2028 relate to £22,548,000 issued in 2003 to the shareholder. No interest is payable on these Subordinated Loan Notes. The company anticipates commencing redemption by way of principal repayment on 30 September 2005. 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 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 subscribed £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.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 Creditors: amounts falling due in more than one year

Issue costs have been offset against bond and other loan liabilities and are amortised over the term of the bond in accordance with the provisions of Financial Reporting Standard 4. Comparative figures for 2003 have been restated to show the net liabilities after this offset.

8 Provision for liabilities and charges

	2004	2003
	£'000	£'000
Provision for deferred taxation		
Accelerated capital allowances	2,821	837
Accelerated finance costs	3,607	3,607
Total provision for deferred tax	6,428	4,444
Provision at 1 January 2004	4,444	
Deferred tax charge in profit and loss account for the period (note 4)	1,984	
Provision at 31 December 2004	6,428	

9 Financial instruments

Funding and liquidity

The company funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 2004, 89.7 percent (2003: 90.8 percent) of these bonds were due for repayment in more than 5 years.

Cash surplus to immediate needs is invested with the company's bankers in term deposits with maturities arranged to meet the company's cashflow needs. 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.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2004 (continued)

9 Financial Instruments (continued)

Interest Rate Risk Profile of Financial Assets and Financial Liabilities

The company has taken advantage of the exemption in Financial Reporting Standard 13 – “Derivatives and other financial instruments: disclosures”, and has not included short term debtors and creditors within the disclosure below:

Financial assets	2004	2003
	£'000	£'000

The company held the following categories of sterling financial assets

Sterling monetary assets

Cash at bank	8,579	5,271
Bank deposits	22,602	29,843
	31,181	35,114

Bank deposits relate to short term deposits held in reserve accounts made with the company's bankers. Interest is payable periodically at a rate linked to LIBOR. The bank deposits are secured under a fixed charge to the security trustee for the senior secured bond. Deposits mature at regular intervals to comply with the requirement to hold reserves and to pay building and finance costs.

Other than cash at bank, bank deposits and the contract debtor balance the company has no financial assets.

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Notes to the financial statements for the year ended 31 December 2004 (continued)

9 Financial instruments (continued)

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
Maturity of Financial Liabilities (before issue costs)			
In more than one year but not less than two years	935	6.34%	1 years
In more than two years but not more than five years	43,232	6.30%	3 years
In more than five years	407,615	6.08%	17 years
Total	451,782	6.15%	16 years

Fair Values of Financial Liabilities	2004		2003	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Primary financial instruments held or issued to finance the company's operations				
Financial assets	31,181	31,181	35,114	35,114
Long-term liabilities	(438,597)	(530,745)	(437,816)	(506,764)

Full descriptions of the bonds are given in Note 7 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. The subordinated loan stock has been valued at par. All other fair values have been obtained from market sources.

Integrated Accommodation Services plc

Notes to the financial statements for the year ended 31 December 2004 (continued)

10 Called up share capital

	2004	2003
	£'000	£'000
Authorised:		
100,000 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
55,000 ordinary shares of £1 each	55	55

11 Profit and loss account

	£'000
At 1 January 2004	10,537
Retained profit for the financial year	4,596
At 31 December 2004	15,133

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 (2003: £1) expiring after five years.

13 Commitments

Under the terms of a contract with Carillion Construction Limited dated 22 June 2000, a company related to Carillion Private Finance Limited, the company was committed to payments totalling £341,900,000 in respect of design and construction services to be provided in the construction period. Payments are made as the design and construction work progresses. Payments made in the year ended 31 December 2004 were £3,068,000 (2003: £10,402,000). £1,032,000 of this commitment remains outstanding at 31 December 2004 (2003: £4,100,000).

Under the terms of a contract with Carillion Construction 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. Payments made in the year ended 31 December 2004 were £103,000 (2003: £62,000).

Under the terms of an operating agreement with GSL UK Limited dated 22 June 2000, a company related to 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 also includes services provided during the period of construction. Payments made in the year to 31 December 2004 were £21,411,000 (2003: £17,416,000).

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Notes to the financial statements for the year ended 31 December 2004 (continued)

14 Related party disclosures

In addition to contractual commitments set out in note 13, Carillion Construction Limited and Carillion Services Limited, companies related to Carillion Private Finance Limited, provided administrative and technical services at a cost of £68,000 (2003: £425,000) and £7,000 (2003: £18,000) respectively. Carillion Construction Limited also provided services to the company under short term contracts for miscellaneous works and fittings at a cost of £3,468,000 (2003: £10,383,000).

Administrative and technical services were also provided by GSL UK Limited at a cost of £372,000 (2003: £219,000), and Global Solutions Limited at a cost of £60,000 (2003: £385,000). Both companies are related to GSL Joint Ventures Limited. GSL UK Limited also provided services to the company under short term contracts for miscellaneous works and fittings at a cost of £11,351,000 (2003: £15,293,000). GSL Joint Ventures Limited provided administrative and technical services at a cost of £nil (2003: £180,000).

British Telecommunications plc, a company related to BT Holdings Limited, also provided similar services at a cost of £25,000 (2003: £118,000).

At the year end there was £286,000 (2003: £361,000) payable to Carillion Construction Limited, £2,987,000 (2003: £1,988,000) payable to GSL UK Limited and £25,000 (2003: £90,000) payable to British Telecommunications plc.

The company is exempt under the terms of Financial Reporting Standard 8 – Related party disclosures, from disclosing related party transactions with its parent company as it is a wholly owned subsidiary.

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, forty percent by GSL Joint Ventures Limited and twenty percent by BT Holdings Limited. All shareholders are companies incorporated in the United Kingdom.