

INTEGRATED ACCOMMODATION SERVICES PLC
(Formerly Integrated Accommodation Services Limited)

REGISTERED NUMBER 3824397

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2000**



INTEGRATED ACCOMMODATION SERVICES PLC

DIRECTORS' REPORT FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2000

The directors submit their report and the audited financial statements of the company for the 17 month period from incorporation to 31 December 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated on 12 August 1999 as Integrated Accommodation Services Limited. Pursuant to a special resolution passed on 28 April 2000, the company was re-registered as a public company and at the same time changed its name to Integrated Accommodation Services plc. These financial statements cover the 17 month period from incorporation to 31 December 2000.

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 has provided for the finance of the project with the issue of further shares and bond issues totalling £429,515,000 during the period, 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 17 month period ended 31 December 2000 and subsequently were:

	Appointed	Resigned
S R Brown	4 April 2000	-
J A Harrower	12 August 1999	-
E McEwan	16 November 1999	-
D McLaughlin	1 December 1999	-
B J Sharples	4 April 2000	-
London Law Services Limited	12 August 1999	12 August 1999
R C Osborne	12 August 1999	16 November 1999

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 2000 was 14 days.

INTEGRATED ACCOMMODATION SERVICES PLC

DIRECTORS' REPORT FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2000 (CONTINUED)

EUROPEAN MONETARY UNION

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

AUDITORS

A board resolution to appoint PricewaterhouseCoopers as auditors of the company until the first annual general meeting was passed on 12 January 2001. PricewaterhouseCoopers have indicated their willingness to accept this and 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

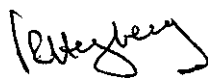
The directors are of the opinion that the company has adequate resources to continue in operation for the foreseeable future and, accordingly the financial statements have been prepared on a going concern basis.

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 14 Commitments and Note 15 Related Party Disclosures).

By Order of the Board

F R Herzberg
SECRETARY
30 March 2001



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 page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 affairs of the company as at 31 December 2000 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
30 March 2001

INTEGRATED ACCOMMODATION SERVICES PLC

PROFIT AND LOSS ACCOUNT FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2000

	<u>Notes</u>	<u>2000</u> <u>£'000</u>
TURNOVER	1	8,876
Operating costs		(8,231)
Administrative expenses		<u>(325)</u>
OPERATING PROFIT		320
Net interest	3	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>320</u>
TAXATION	4	(96)
RETAINED PROFIT FOR THE PERIOD	12	<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 period 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 12 to the financial statements.


INTEGRATED ACCOMMODATION SERVICES PLC

BALANCE SHEET AT 31 DECEMBER 2000

	<u>Notes</u>	<u>2000</u> <u>£'000</u>
TANGIBLE FIXED ASSETS	5	107,913
CURRENT ASSETS		
Debtors (amounts falling due within one year)	6	2,959
Cash at bank and in hand		<u>319,290</u>
		322,249
CREDITORS (amounts falling due within one year)	7	<u>(16,712)</u>
NET CURRENT ASSETS		<u>305,537</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		413,450
CREDITORS (amounts falling due in more than one year)	8	<u>(413,171)</u>
		<u>279</u>
CAPITAL AND RESERVES		
Called up share capital	11	55
Profit and loss account	12	<u>224</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>279</u>

The financial statements on pages 4 to 14 were approved by the Board on 30 March 2001 and were signed on its behalf by:

DIRECTORS

Name: 

Name: 

INTEGRATED ACCOMMODATION SERVICES PLC

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2000**

	<u>2000</u> £'000
Profit for the period	224
New share capital issued and subscribed	55
	—
Net increase in equity shareholders' funds	279
Opening equity shareholders' funds	-
	—
Closing equity shareholders' funds	279
	==

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

1. ACCOUNTING POLICIES

(1) Basis of accounting

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

(2) Turnover

Turnover represents the value of fees for facilities management services, excluding sales related taxes. All turnover originates in the United Kingdom.

(3) Deferred taxation

Provision is made under the liability method in respect of those timing differences which are expected to become payable in the foreseeable future.

(4) Leased assets

Rental costs arising under operating leases are expensed as incurred 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.

(6) Financial instruments

Financial instruments used to hedge interest rates are valued at cost. Gains or losses on instruments are matched in the profit and loss account to the gains or losses on the transactions and to the interest to which they relate. Finance costs associated with debt issues are charged to the profit and loss account over the life of the instruments.

(7) Cash flow statement

At 31 December 2000, the company was a wholly owned subsidiary of Accommodation Services (Holdings) Limited which will prepare 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.

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company had no employees during the period other than the directors. No remuneration was paid to the directors in respect of their services to the company.

The audit fee in respect of the company for the period was £10,000. The auditors also received remuneration for other services in the period totalling £157,000. Payments on operating leases during the period were £nil.

3. NET INTEREST

	<u>2000</u> £'000
Interest payable:	
Interest payable on bonds	(15,070)
Amortisation of bond issue costs	<u>(471)</u>
	(15,541)
 Interest capitalised on leasehold fixed assets	 <u>4,592</u>
	(10,949)
 Bank interest receivable	 <u>10,949</u>
	 -
	<u><u> </u></u>

Interest has been capitalised at the weighted average rate of 6.9%.

4. TAXATION

	<u>2000</u> £'000
 United Kingdom corporation tax at 30%	 96
	<u><u> </u></u>

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

5. TANGIBLE FIXED ASSETS

	<u>2000</u> £'000
<u>Long leasehold land and buildings</u>	
Cost at 12 August 1999	-
Additions during period	103,321
Capitalised interest costs	<u>4,592</u>
Cost at 31 December 2000	<u>107,913</u>

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

6. DEBTORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	<u>2000</u> £'000
Trade debtors	171
Prepayments and accrued income	1,697
Other debtors	<u>1,091</u>
	<u>2,959</u>

7. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	<u>2000</u> £'000
Trade creditors	7,965
Accruals and deferred income	8,651
Corporation tax	<u>96</u>
	<u>16,712</u>

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

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

	<u>2000</u> <u>£'000</u>
More than two years but less than five years:	
6.48% Guaranteed Secured Bonds due 2029	96
10.14% Mezzanine Secured Notes due 2028	<u>128</u>
	<u>224</u>
More than five years:	
6.48% Guaranteed Secured Bonds due 2029	390,905
10.14% Mezzanine Secured Notes due 2028	<u>22,042</u>
	<u>412,947</u>

During the period the company issued £406,850,000 6.48% Guaranteed Secured Bonds due 2029. Interest is payable on these bonds at six monthly intervals commencing 30 September 2000. 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 £22,610,000 10.14% Mezzanine Secured Notes due 2028. Interest is payable on these bonds at six monthly intervals commencing 30 September 2000. Scheduled redemption by way of principal repayments commences on 30 September 2005. These notes were issued by way of private subscription.

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.

9. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Tax	Provided and full potential <u>2000</u> <u>£'000</u>
Full potential	
Accelerated tax relief on build costs	(1,378)
Tax losses	<u>1,378</u>
Total	<u>-</u>

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

10. FINANCIAL INSTRUMENTS

(1) Funding and Liquidity

The company funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 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 the 31st December 2000, 82 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>2000</u> <u>£'000</u>
--------------------------	-----------------------------

The company held the following categories of sterling financial assets:

Sterling monetary assets:

Cash at bank	7,779
Bank deposits	<u>311,511</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.

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

Interest rate swaps at cost	<u>nil</u>
-----------------------------	------------

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.

INTEGRATED ACCOMMODATION SERVICES PLC

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

10. 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			
In more than two years but not more than five years	224	6.67%	5 years
In more than five years	412,947	6.67%	19 years
Total	413,171	6.67%	19 years

(4) Fair Values of Financial Liabilities

	Book Value £000's	Fair Value £000's
Primary financial instruments held or issued to finance the Company's operations:		
Financial Assets	319,290	319,290
Long-Term Liabilities	(413,171)	(472,005)
Derivative financial instruments held to manage the interest rate profile		
Interest rate swap	nil	1,569

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 ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

11. CALLED UP SHARE CAPITAL

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

Shares issued at incorporation were subscriber shares.

Shares issued on the 6th March 2000 relate to changes in the shareholder agreement and shareholders.

Shares issued at 28 April 2000 relate to a change of company status to a public limited company.

All shares were issued to Accommodation Services (Holdings) Limited.

12. PROFIT AND LOSS ACCOUNT

	£'000
At 12 August 1999	-
Retained profit for the period	<u>224</u>
At 31 December 2000	<u>224</u>

13. 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 ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

14. COMMITMENTS

Under the terms of a contract with Carillion Construction Limited dated 22 June 2000, Integrated Accommodation Services plc (IAS) 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 up to the year ended 31 December 2000 were £92.4 million.

An operating agreement with Group 4 Falck Global Solutions UK Limited (formerly Group 4 Management Services Limited) was signed by IAS on the 22 June 2000. IAS is committed to pay fixed and variable fees to Group 4 Falck Global Solutions UK Limited based on services provided in the contract term which includes services provided during the period of construction. Payments made in the period to 31 December 2000 were £8.2 million.

Under terms of a contract with Carillion Construction Limited dated 22 June 2000, IAS 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.

15. RELATED PARTY DISCLOSURES

In addition to contract commitments set out in note 14 above, British Telecommunications Plc provided administrative and technical services to IAS during the period at a cost of £0.6 million. Similar services were provided by Carillion Private Finance Limited at a cost of £5.5 million and Group 4 Falck Global Solutions UK Limited (formerly Group 4 Management Services Limited) at a cost of £3.8 million. At the year end there was £7,428k payable to Carillion Construction Limited, £65k payable to Carillion Private Finance Limited and £340k payable to Group 4 Falck Global Solutions UK Limited.

16. 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 Group 4 Management Services Holdings Limited and twenty percent by BT Holdings Limited. All shareholders are companies incorporated in the United Kingdom.