Company Registration No. 06554511

INTEQ SERVICES LTD.

Report and Financial Statements

Year ended 31 March 2012

INTEQ SERVICES LTD.

REPORT AND FINANCIAL STATEMENTS 31 MARCH 2012

CONTENTS

	Page
Officers and professional advisers	**1**
Directors' report	**2**
Directors' Responsibilities Statement	**4**
Independent auditor's report	**5**
Profit and Loss Account	**6**
Balance sheet	**7**
Notes to the financial statements	**8**

INTEQ SERVICES LTD.

REPORT AND FINANCIAL STATEMENTS 31 MARCH 2012

OFFICERS AND PROFESSIONAL ADVISERS

Directors:

C Field
R Groome
I Lamerton
C Bryant

COMPANY SECRETARY

W Roberts

REGISTERED OFFICE

Interserve House
Ruscombe Park
Twyford
Reading
Berkshire
RG10 9JU

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

INTEQ SERVICES LTD.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ending 31 March 2012

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is owned equally by its ultimate controlling parties Interserve Plc and John Laing plc and operates in the United Kingdom

The company's principal activity is undertaking a Private Finance Initiative (PFI) concession contract with the MOD, to design, build, finance and operate communication facilities at Basil Hill, Corsham The contract was signed on 1 August 2008 Building activities commenced from that date and were substantially completed at the end of October 2011 Interim service operations on the existing facilities commenced in November 2008 and increased in stages to reach full service operations for the whole site from November 2011 The contract is scheduled to complete in July 2033

There have not been any changes in the company's activities in the period under review, and the directors are not aware, at the date of this report, of any likely changes in the next year

As shown in the company's profit and loss account on page 6, the company's turnover increased by £132 3 million in the year (2011 increase £3 4 million) The turnover increase was mainly due to the deemed sale of the asset of £135 4m at the end of construction (see Note 1) together with the scheduled increase in service payments offset by a reduction in variation volume throughput The profit after tax increased by £0 1 million (2011 increase £0 1 million)

There have been no significant events since the balance sheet date

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 For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business

The PFI contract and related subcontracts are fixed for the life of the contract and this enables the company to have reasonable certainty over its income and expenditure for this period In addition the company has a Facilities Agreement in place with its lenders which fixes the levels of borrowing and repayments due until the loans are fully repaid in 2032

The directors have prepared a detailed model forecast to completion incorporating the relevant terms of the PFI contract, subcontracts and Facilities Agreement and reasonably prudent economic assumptions This forecast, which will be updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate on a sound financial basis

Therefore the directors, having considered the financial position of the company and its expected future cash flows, have prepared the financial statements on the going concern basis

PRINCIPAL RISK AND UNCERTAINTIES

The company's principal activity as detailed above is risk averse as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts Its main exposure is to financial risks as detailed in the following section

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 The board has policies for managing each of these risks and they are summarised below

Interest rate risk
The company hedged its interest rate risk at the inception of the project by swapping its variable rate debt into a fixed rate by the use of an interest rate swap

Inflation risk
The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation

INTEQ SERVICES LTD.

DIRECTORS' REPORT (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

Credit risk
The company receives the bulk of its revenue from a government department and therefore is not exposed to significant credit risk

Cash investments and the interest rate swap arrangements are with institutions of a suitable credit quality

ENVIRONMENT

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and implements policies via its sub-contractors to reduce any damage that might be caused by the company's activities

EMPLOYEES

The company has no direct employees as detailed in note 2

RESULTS

The results of the company are as set out in the profit and loss account on page 6

The directors recommended the payment of a dividend of £0 5m in the period (2011 Nil)

DIRECTORS AND DIRECTORS INTERESTS

The directors who served during the year and at the date of this report, except as noted, are set out below

P Hepburn	(resigned 01 July 2011)
C Field	
R Groome	
N Smith	(resigned 06 March 2012)
I Lamerton	(appointed 01 July 2011)
C Bryant	(appointed 06 March 2012)

None of the directors at 31 March 2012 had any interests in the issued share capital of the company

INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

(2) the director 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on behalf of the Board

C Field
Director Date 31 July 2012

INTEQ SERVICES LTD.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 and 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTEQ SERVICES LTD

We have audited the financial statements of Inteq Services Limited for the year ended 31 March 2012 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 16 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement, 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) Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on matters prescribed in the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jacqueline Holden

Jacqueline Holden FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date 31 July 2012

INTEQ SERVICES LTD.

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Turnover	1	148,320	15,856
Cost of sales		(147,013)	(14,736)
GROSS PROFIT		1,307	1,120
Administrative expenses		(734)	(724)
OPERATING PROFIT	2	573	396
Net Interest payable and similar charges	3	(97)	–
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		476	396
Tax charge on profit on ordinary activities	4	(105)	(95)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND ATTRIBUTABLE TO SHAREHOLDERS	13	371	301

All activities derive from continuing operations

There are no recognised gains or losses for the year other than items shown in the profit and loss account

Accordingly, no separate statement of total recognised gains or losses has been presented

There are no material differences between the results stated in the profit and loss account and their historical cost equivalents

INTEQ SERVICES LTD.

BALANCE SHEET
As at 31 March 2012

	Notes	2012 £'000	2011 £'000
NON-CURRENT ASSETS			
DEBTORS: amounts falling due after more than one year	6	130,994	–
CURRENT ASSETS			
Work in progress	7	–	133,989
Debtors	8	2,954	–
Cash at bank and in hand		5,905	944
		8,859	134,933
CREDITORS: amounts falling due within one year	9	(6,483)	(18,371)
NET CURRENT ASSETS		2,376	116,562
CREDITORS: amounts falling due after more than one year	10	(133,065)	(116,128)
NET ASSETS		305	434
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account	13	304	433
EQUITY SHAREHOLDERS' SURPLUS	14	305	434

The financial statements of Inteq Services Ltd, registered number 06554511 were approved by the Board of Directors and authorised for issue on 31 July 2012

Signed on behalf of the Board of Directors

C Field

Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards The particular accounting policies adopted are described below and have been applied consistently

Going concern

The financial statements are prepared on a going concern basis As disclosed on page 2 the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future

Accounting convention

The financial statements are prepared under the historical cost accounting rules

Turnover

The company's turnover is derived from activities in the United Kingdom and comprises the total invoice value, excluding VAT, of services rendered Turnover can be broken down into the unitary fee of £11,998k (2011 £10,700k) and payments for service variations of £958k (2011 £5,156k)

Turnover in the current year also includes £135 364 million relating to the deemed sale of the asset under construction on completion of the construction phase at 25 October 2011 An equal amount is included within the cost of sales

Accounting for PFI contracts (work in progress)

During the period of construction, costs incurred as a direct consequence of designing and constructing the facilities, including finance costs, were shown as work in progress

On completion, credit was taken for the deemed sale, which has been recorded within turnover The construction expenditure and associated costs were also reallocated to cost of sales Amounts receivable were then classified as a financial asset receivable (PFI contract)

Revenues received from the customer are now being apportioned between

- capital repayments,
- finance income, and
- operating revenue

Financing charges

Costs of financing during the construction period were partly capitalised as they arose

Taxation

Current tax, including UK Corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items or income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Derivative financial instruments

The company holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract

Cash flow statement

Under the provisions of FRS 1(Revised), the company is exempt from the requirement to provide a cash flow statement on the grounds that it is a wholly-owned subsidiary of a parent undertaking which has produced a consolidated cash flow statement in its consolidated accounts

2. OPERATING PROFIT FOR THE YEAR

This is stated after charging

		2012 £'000	2011 £'000
Auditor's remuneration	– audit services for the audit of the company accounts	6	6
	– tax services	5	4

No further administrative expenses were capitalised in the period, reflecting both the completion of the main construction activities and ramp up to full unitary payments

The group had no employees during the year (2011 Nil) Service fees are payable to the companies ultimate shareholders for the directors' services to the group during the year

3. INTEREST RECEIVABLE AND PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
Bank interest receivable	(59)	(9)
Finance Debtor interest receivable	(4,488)	–
SWAP interest	5,698	5,707
Senior debt interest	2,350	1,849
Subordinated debt interest	701	–
Commitment fees	33	84
Other financing fees	112	151
	4,347	7,782
Interest charges capitalised	(4,250)	(7,782)
Net interest payable	97	–

Interest charges were capitalised to the end of the construction period

4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
United Kingdom corporation tax at 26% (2010 28%)	(124)	(111)
Prior year adjustment	19	16
Total tax charge for the year	(105)	(95)
Factors affecting the tax charge in the period:		
Profit on ordinary activities before tax	476	396
Tax charge on profit on ordinary activities before tax at standard rate of 26%	(124)	(111)
Prior year adjustment	19	16
Current tax charge for the year	(105)	(95)

It was announced in the March 2012 Budget Statement that the main corporation tax rate will be further reduced to 24 per cent from April 2012 under the Provisional Collection of Taxes Act 1968
Further reductions are proposed to reduce the rate by 1 per cent per annum to 22 per cent by 1 April 2014 These further changes had not been substantially enacted at the balance sheet date and are therefore not included in these financial statements

5. DIVIDENDS

	2012 £'000	2011 £'000
On ordinary shares-final dividend paid	500	–
	500	–

6. DEBTORS AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £'000	2011 £'000
Financial asset receivable (PFI contract)	130,994	–
	130,994	–

7. WORK IN PROGRESS

	2012 £'000	2011 £'000
Work in progress (PFI contract)		
Opening balance	133,989	101,843
Additions in the year	1,375	32,146
Deemed sale upon reclassification as financial asset receivable at 31 October 2011	(135,364)	–
Cost and net book value at 31 March 2012	–	133,989

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Financial asset receivable (PFI contract)	2,954	–
	2,954	–

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade creditors	72	887
Accruals and deferred income	1,737	1,118
Deferred contract debtor income	225	–
Other tax payable	680	63
Equity bridge loan	–	13,502
Senior Secured loan	3,510	1,185
Retention funds	135	1,508
Corporation tax payable	124	108
	6,483	18,371

The equity bridge loan represented amounts borrowed under a facility agreement with Commerzbank The loan bore interest at a margin over LIBOR The balance was repaid on 31 October 2011 following the immediate parent company's subscribtion of subordinated debt of the same amount

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2012 £'000	Group 2011 £'000
Borrowings are repayable as follows		
Senior secured loan		
Between one and two years	3,887	3,273
Between two and five years	12,845	11,567
After five years	104,295	101,288
	121,027	116,128
Unamortised issue costs	(1,403)	–
Subordinated unsecured loan stock	13,441	–
	133,065	116,128

The senior secured loan represents amounts borrowed under a facility agreement with Commerzbank The loan bears interest at a margin over LIBOR and is repayable in six-monthly instalments between 2012 and 2033 The loan is secured by fixed and floating charges over the property, assets and rights of the company, and has certain covenants attached

In order to hedge against interest variations on the loan, the company has entered into an interest rate swap agreement with the bank whereby at six-monthly intervals sums are exchanged reflecting the difference between floating and fixed interest rates, calculated on a predetermined notional principal amount

The subordinated unsecured loan stock was subscribed by the shareholders on 25 October 2011 and will bear interest at 12% per annum payable six-monthly in March and September each year The stock is subordinated until all of the secured obligations of the company have been repaid or discharged in full

11 FINANCIAL INSTRUMENTS – INTEREST RATE SWAP

	2012 £'000	2011 £'000
Fair value of interest rate swap liability at year end	30,979	15,268

In August 2008 the company entered into a 25 year fixed interest rate swap arrangement to hedge its exposure to the effect of interest rate fluctuations
The swap was affected on a maximum notional amount of £137 6 million payable in monthly amounts between August 2008 and October 2011 and then six-monthly from March 2012 to January 2033

12. CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Authorised, called upand fully paid		
1,000 ordinary shares of £1 each	1	1

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

13. RECONCILIATION OF PROFIT AND LOSS ACCOUNT

	2012 £'000	2011 £'000
Opening profit and loss account	433	132
Profit for the period	371	301
Dividend paid	(500)	–
Closing profit and loss account	304	433

14. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' SURPLUS

	2012 £'000	2011 £'000
Opening equity shareholders' surplus	434	133
Profit for the period attributable to shareholders	371	301
Dividend paid	(500)	–
Closing equity shareholders' surplus	305	434

15. CONTROLLING PARTIES

The immediate controlling party is Inteq Services (Holdings) Ltd, which is the largest and smallest company to consolidate these financial statements

In the directors' opinion the ultimate controlling parties are Interserve Plc and John Laing plc, who own the company equally All companies are incorporated in Great Britain and registered in England and Wales

Copies of the financial statements of Inteq Services (Holdings) Ltd are available from Companies House, Crown Way, Maindy Cardiff, CF14 3UZ

16. RELATED PARTY TRANSACTIONS

The following disclosures are required by FRS 8 "Related Party Disclosures"

Parties	Services	Purchases during the year to 31 March 2012 £'000	Amounts payable at 31 March 2012 £'000	Purchases during the year to 31 March 2011 £'000	Amounts payable at 31 March 2011 £'000
Interserve Plc and its subsidiary undertakings	Operational and Management services	13,152	210	14,155	52
	Loan stock interest	350	–	–	–
	Loan stock principal	30	6,720	–	–
John Laing plc and its subsidiary undertakings	Operational and Management services	301	36	4,351	84
	Loan stock interest	350	–	–	–
	Loan stock principal	30	6,720	–	–

Amounts payable at 31 March 2012 are included within trade creditors and accruals