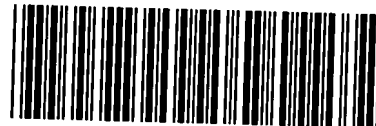


Accommodation Services (Holdings) Limited

Annual report and financial statements

for the year ended 31 December 2017

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# **Accommodation Services (Holdings) Limited**

## **Annual report and financial statements for the year ended 31 December 2017**

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# **Accommodation Services (Holdings) Limited**

## **Strategic report for the year ended 31 December 2017**

The directors present their Strategic report on the company and group for the year ended 31 December 2017.

### **Principal activities and business review**

The principal activity of the company is a holding company with a single subsidiary, Integrated Accommodation Services plc (IAS). The company's registered number is 03825262.

IAS 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 ('PFI'), provides for the design, construction, financing, service and maintenance of new facilities, together with the service, maintenance and remediation of certain existing facilities for the Government Communications Headquarters in Cheltenham, England. IAS achieved its first phase practical completion of building works and the certification of those works in June 2003, ahead of the original programme. IAS continues to provide services to these facilities and it has completed the phased clearance of the older sites which were released back to the Secretary of State and sold. The operational performance of the group during the year has been good and performance deductions have been low.

IAS has also entered into sub-contracts to allocate, under its direction, the provision of those services noted above. Details of the principal sub-contracts are shown within Commitments and Related party disclosures in notes 20 and 21 to the financial statements.

The profit for the year under review as set out in the consolidated statement of comprehensive income on page 7 relates to activities undertaken in respect of the project.

The directors consider the performance of the group and company during the year, the financial position at the end of the year and the prospects for the future to be satisfactory. The directors have reviewed the project against expectations and are satisfied that it is in line with its business plan.

### **Principal risks and uncertainties**

The group is risk averse in its principal activities as detailed above, as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the group could be exposed to subcontractor failure to perform their obligations. The financial risks (including subcontractor failure) and the measures taken to mitigate them are as detailed in the following sections.

#### **Subcontractor failure**

In the event of subcontractor failure, the company would directly manage the subcontractor's obligations, to ensure continuity of service, until such time as a long term alternative solution is put in place.

#### **Interest rate risk**

The group manages its exposure to cash flow interest rate risk by using fixed interest rate financial liabilities. The contract debtor attracts interest at a fixed property specific rate. As the fixed rate liabilities are not recorded at fair value in the financial statements, fair value interest rate risk is not considered applicable.

#### **Price risk**

The group's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to movements in inflation rates over the life of the contract.

## **Accommodation Services (Holdings) Limited**

### **Strategic report for the year ended 31 December 2017 (continued)**

#### **Liquidity risk**

The group adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. Surplus cash is invested with its bankers on short term deposits. The group is required to hold certain cash deposits in accordance with the Collateral Deed. This follows a standard requirement of this type of financing arrangement.

#### **Credit risk**

The group receives all of its revenue and contract debtor remuneration from a government body and therefore is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality and are regularly reviewed by the directors.

#### **Key performance indicators ('KPIs')**

The group's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities including performance and availability. The board monitor these on a regular basis. Given the straightforward nature of the business, the group's directors are of the opinion that further analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The business success is linked to the delivery of the project which has already been highlighted and discussed.

On behalf of the Board,

D Hardingham



G Birley-Smith



**Director**

Date 7 JUNE 2018

# **Accommodation Services (Holdings) Limited**

## **Directors' report for the year ended 31 December 2017**

The directors present their report and the audited consolidated financial statements of the company and group for the year ended 31 December 2017.

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

Dividends of £48.82 per ordinary share (2016: £32.06 per ordinary share) amounting to £2,685,225 (2016: £1,763,111) have been paid during the year (note 16). No final dividends are proposed for the year ended 31 December 2017 (2016: £nil). The amount transferred to reserves is set out in the consolidated statement of comprehensive income on page 7.

### **Directors**

The directors of the company during the year ended 31 December 2017, and to the date of signing of the financial statements were:

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

### **Going concern and post balance sheet events**

The directors are of the opinion that the company and the group has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. As mentioned in note 20 the Capital Replacement Contract contractor went into liquidation on 15 January 2018 but the directors are of the opinion that this has no adverse effect on the continuing operation of the group or company.

### **Future developments**

The directors continue to develop the business in line with the contract and there are no issues expected.

### **Share capital structure**

The company has a single class of ordinary shares, all of which rank equally. The company appoints directors nominated by the shareholders of the company. The voting rights of those directors rank in proportion to the shareholdings in the company. Current holdings are shown in note 22 of these financial statements.

### **Financial risk management**

The group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the group's performance and these are summarised in the Strategic report. The group also reviews the performance of the subcontractors on a monthly basis and takes action if the performance levels fall below the required standard.

# Accommodation Services (Holdings) Limited

## Directors' report for the year ended 31 December 2017 (continued)

### Statement of directors' responsibilities

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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and parent company, and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information

### Independent Auditors

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

On behalf of the Board,



D Hardingham

G Birley-Smith 

Director

Date 7 JUNE 2018

# **Independent auditors' report to the members of Accommodation Services Holdings Limited**

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Accommodation Services Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: Consolidated statement of comprehensive income for the year ended 31 December 2017; Consolidated statement of financial position as at 31 December 2017; Company statement of financial position as at 31 December 2017; Consolidated statement of changes in equity for the year ended 31 December 2017; Company statement of changes in equity for the year ended 31 December 2017; Consolidated statement of cash flows for the year ended 31 December 2017; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## **Independent auditors' report to the members of Accommodation Services Holdings Limited (continued)**

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below:

### *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mark Skedgel (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

Birmingham

18 June 2018

## Accommodation Services (Holdings) Limited

### Consolidated statement of comprehensive income for the year ended 31 December 2017

|  | Note | 2017<br>£'000 | 2016<br>£'000 |
|--|------|---------------|---------------|
| <b>Turnover</b>  |      | <b>51,488</b> | <b>80,435</b> |
| Cost of sales  |      | (44,218)      | (73,480)      |
| <b>Gross profit</b>                                      |      | <b>7,270</b>  | <b>6,955</b>  |
| Administrative expenses                                  |      | (898)         | (870)         |
| <b>Operating profit</b>                                  | 5    | <b>6,372</b>  | <b>6,085</b>  |
| Interest receivable and similar income                   | 6    | 26,159        | 27,032        |
| Interest payable and similar charges                     | 6    | (23,008)      | (24,275)      |
| <b>Profit on ordinary activities before taxation</b>     |      | <b>9,523</b>  | <b>8,842</b>  |
| Tax on profit on ordinary activities                     | 7    | (2,069)       | (894)         |
| <b>Profit for the financial year</b>                     |      | <b>7,454</b>  | <b>7,948</b>  |
| Other comprehensive income                               |      | -             | -             |
| <b>Total comprehensive income for the financial year</b> |      | <b>7,454</b>  | <b>7,948</b>  |

The group has been engaged solely in continuing activities in a single class of business within the United Kingdom for both the current and prior year.

The company has taken the exemption available under section 408 of the Companies Act 2006 and not presented a statement of comprehensive income for the company alone. The company made a profit of £2,685,225 for the financial year ended 31 December 2017 (2016: £1,763,111).

The notes on pages 13 to 32 form an integral part of the financial statements.

# Accommodation Services (Holdings) Limited

## Consolidated statement of financial position as at 31 December 2017

|   | Note | 2017           | 2016           |
|---|------|----------------|----------------|
|   |      | £'000          | £'000          |
| <b>Current assets</b>                                   |      |                |                |
| Debtors: amounts falling due within one year            | 9    | 22,279         | 21,914         |
| Debtors: amounts falling due after more than one year   | 9    | 331,905        | 345,131        |
| Cash at bank and in hand                                |      | 38,427         | 37,933         |
|   |      | <b>392,611</b> | <b>404,978</b> |
| Creditors: amounts falling due within one year          | 11   | (32,320)       | (31,913)       |
| <b>Net current assets</b>                               |      | <b>360,291</b> | <b>373,065</b> |
| <b>Total assets less current liabilities</b>            |      | <b>360,291</b> | <b>373,065</b> |
| Creditors: amounts falling due after more than one year | 12   | (279,957)      | (298,706)      |
| Provisions for liabilities                              | 13   | (18,794)       | (17,588)       |
| <b>Net assets</b>                                       |      | <b>61,540</b>  | <b>56,771</b>  |
| <b>Capital and reserves</b>                             |      |                |                |
| Called up share capital                                 | 15   | 55             | 55             |
| Retained earnings                                       |      | 61,485         | 56,716         |
| <b>Total equity</b>                                     |      | <b>61,540</b>  | <b>56,771</b>  |

The financial statements on pages 7 to 32 were approved by the Board on 7 JUNE 2018 and were signed on its behalf by:

D Hardingham  
Director



G Birley-Smith  
Director




Company registered number: 03825262

# Accommodation Services (Holdings) Limited

## Company statement of financial position as at 31 December 2017

|   | Note | 2017     | 2016     |
|---|------|----------|----------|
|   |      | £'000    | £'000    |
| <b>Fixed assets</b>                                     |      |          |          |
| Investments   | 8    | 22,603   | 22,603   |
| <b>Current assets</b>                                   |      |          |          |
| Debtors: amounts falling due within one year            | 9    | 796      | 796      |
| Creditors: amounts falling due within one year          | 11   | (796)    | (796)    |
| <b>Net current assets</b>                               |      | -        | -        |
| <b>Total assets less current liabilities</b>            |      | 22,603   | 22,603   |
| Creditors: amounts falling due after more than one year | 12   | (22,548) | (22,548) |
| <b>Net assets</b>                                       |      | 55       | 55       |
| <b>Capital and reserves</b>                             |      |          |          |
| Called up share capital                                 | 15   | 55       | 55       |
| Retained earnings                                       |      | -        | -        |
| <b>Total equity</b>                                     |      | 55       | 55       |

The financial statements on pages 7 to 32 were approved by the Board on 7 June 2018 and signed on its behalf by:



D Hardingham  
Director

G Birley-Smith  
Director



## Accommodation Services (Holdings) Limited

### Consolidated statement of changes in equity for the year ended 31 December 2017

|   | Note | Called-up<br>share capital | Retained<br>earnings | Total<br>Equity |
|---|------|----------------------------|----------------------|-----------------|
|   |      | £'000                      | £'000                | £'000           |
| Balance as at 1 January 2016            |      | 55                         | 50,531               | 50,586          |
| Profit for the year                     |      | -                          | 7,948                | 7,948           |
| Other comprehensive income for the year |      | -                          | -                    | -               |
| Total comprehensive income for the year |      | -                          | 7,948                | 7,948           |
| Dividends                               | 16   | -                          | (1,763)              | (1,763)         |
| Balance as at 31 December 2016          |      | 55                         | 56,716               | 56,771          |
| Balance as at 1 January 2017            |      | 55                         | 56,716               | 56,771          |
| Profit for the year                     |      | -                          | 7,454                | 7,454           |
| Other comprehensive income for the year |      | -                          | -                    | -               |
| Total comprehensive income for the year |      | -                          | 7,454                | 7,454           |
| Dividends                               | 16   | -                          | (2,685)              | (2,685)         |
| <b>Balance as at 31 December 2017</b>   |      | <b>55</b>                  | <b>61,485</b>        | <b>61,540</b>   |

The notes on pages 13 to 32 form part of these financial statements.

## Accommodation Services (Holdings) Limited

### Company statement of changes in equity for the year ended 31 December 2017

|   | Note | Called-up<br>share capital | Retained<br>earnings | Total<br>Equity |
|---|------|----------------------------|----------------------|-----------------|
|   |      | £'000                      | £'000                | £'000           |
| Balance as at 1 January 2016            |      | 55                         | -                    | 55              |
| Profit for the year                     |      | -                          | 1,763                | 1,763           |
| Other comprehensive income for the year |      | -                          | -                    | -               |
| Total comprehensive income for the year |      | -                          | 1,763                | 1,763           |
| Dividends                               | 16   | -                          | (1,763)              | (1,763)         |
| Balance as at 31 December 2016          |      | 55                         | -                    | 55              |
| Balance as at 1 January 2017            |      | 55                         | -                    | 55              |
| Profit for the year                     |      | -                          | 2,685                | 2,685           |
| Other comprehensive income for the year |      | -                          | -                    | -               |
| Total comprehensive income for the year |      | -                          | 2,685                | 2,685           |
| Dividends                               | 16   | -                          | (2,685)              | (2,685)         |
| <b>Balance as at 31 December 2017</b>   |      | <b>55</b>                  | <b>-</b>             | <b>55</b>       |

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present a company Profit & Loss Account.

The notes on pages 13 to 32 form part of these financial statements.

## Accommodation Services (Holdings) Limited

### Consolidated statement of cash flows for the year ended 31 December 2017

|   | Note      | 2017<br>£'000   | 2016<br>£'000   |
|---|-----------|-----------------|-----------------|
| <b>Net cash inflow from operating activities</b>            |           |                 |                 |
| Operating profit  |           | 6,372           | 6,085           |
| Decrease in contract debtor                                 |           | 38,051          | 37,763          |
| Decrease /(increase) in other debtors                       |           | 827             | (1,332)         |
| (Decrease)/increase in creditors                            |           | (445)           | 1,123           |
| <b>Net cash inflow from operating activities</b>            |           | <b>44,805</b>   | <b>43,639</b>   |
| Taxation paid   | 7         | (863)           | -               |
| <b>Net cash generated from operating activities</b>         |           | <b>43,942</b>   | <b>43,639</b>   |
| <b>Cash flow from investing activities</b>                  |           |                 |                 |
| Interest received   |           | 143             | 154             |
| <b>Net cash from investing activities</b>                   |           | <b>143</b>      | <b>154</b>      |
| <b>Cash flow from financing activities</b>                  |           |                 |                 |
| Repayment of borrowings                                     | 19        | (18,188)        | (17,995)        |
| Equity dividends paid to shareholders                       | 16        | (2,685)         | (1,763)         |
| Interest paid   |           | (22,718)        | (23,918)        |
| <b>Net cash used in financing activities</b>                |           | <b>(43,591)</b> | <b>(43,676)</b> |
| <b>Net increase in cash and cash equivalents</b>            |           | <b>494</b>      | <b>117</b>      |
| Cash and cash equivalents at the beginning of the year      | 19        | 37,933          | 37,816          |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>19</b> | <b>38,427</b>   | <b>37,933</b>   |
| <b>Cash and cash equivalents consists of:</b>               |           |                 |                 |
| Cash at bank and in hand                                    |           | 845             | 361             |
| Short term deposits (included in current asset investments) |           | 37,582          | 37,572          |
| <b>Cash and cash equivalents</b>                            | <b>19</b> | <b>38,427</b>   | <b>37,933</b>   |

# **Accommodation Services (Holdings) Limited**

## **Notes to the financial statements for the year ended 31 December 2017**

### **1 General information**

Accommodation Services (Holdings) Limited ("the company") is a holding company with a single subsidiary, Integrated Accommodation Services plc (IAS).

The company is incorporated and domiciled in the UK. The address of its registered office is Challenge House, International Drive, Tewkesbury Business Park, Tewkesbury, Gloucestershire GL20 8UQ, England.

### **2 Statement of compliance**

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

### **3 Accounting policies**

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

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

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and under the historical cost convention. Narrative disclosures of values in the notes to the financial statements are shown as round £'000.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking, Integrated Accommodation Services plc (IAS). IAS has a financial year end of 31 December 2017.

Intra-group balances, sales and profits are eliminated on consolidation.

#### **Going concern**

The directors have assessed future cash flows and are satisfied that the group and company can meet its financial obligations (including covenant compliance) as they fall due for the foreseeable future. Consequently, the group's and company's financial statements have been prepared on a going concern basis.

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

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", of which the company's shareholders have been made aware, and no objection has been received:

- from disclosing the company key management personnel compensation per FRS 102 paragraph 33.7,
- from disclosing the company profit and loss account and cash flow.

#### **Currency**

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

#### **Turnover**

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom. The group is engaged in only one class of business and operates solely within the UK.

# **Accommodation Services (Holdings) Limited**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

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

#### **Turnover (continued)**

The group recognises income when it has fully fulfilled its contractual obligations under the terms of the project agreement. In accordance with FRS 102 s 23.3, the group includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the group, within the financial statements as turnover and cost of sales.

Turnover for the year consisted of £30.8m basic income (2016: £29.5m) and variation income of £20.7m (2016: £50.9m).

Transactions amounting to £7.8m (2016: £9.7m) of revenue and the same value of cost of sales to which the group does not have access to all of the significant benefits or exposure to the significant risks are excluded from the statement of comprehensive income in accordance with FRS 102 s 23.4 as in the opinion of the Directors, the group is acting as an agent for these transactions. The group does not receive any commissions on these transactions from the customer.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the 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 statement of financial position date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

#### **Leased assets**

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

#### **Dividend policy**

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

#### **Investment in subsidiary company**

Investment in a subsidiary company is held at cost less accumulated impairment losses.

#### **Financial liabilities**

The group and company account for and discloses their financial liabilities in accordance with Financial Reporting Standard 102 s 11. Management has determined its financial liabilities as being borrowings, trade creditors and accruals. All of the items are classified as financial liabilities measured at amortised cost in accordance with FRS 102 s 11. They are recognised initially at fair value net of transaction costs and subsequently carried at amortised cost using the effective interest method.

Discounts, premia and related costs of debt issue are charged to the statement of comprehensive income over the life of the instrument to which they relate, based upon the effective interest rate calculated in measuring amortised cost.

# **Accommodation Services (Holdings) Limited**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

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

#### **Financial assets**

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Management has determined its financial assets as being cash, trade debtors, accrued income and contract debtors. Impairments for financial assets are recognised if there is evidence as a result of one or more events that occurred after the initial recognition of the asset which impacts upon estimated future cash flows or the financial assets.

#### **Trade debtors**

Amounts recoverable are recognised at fair value and subsequently carried at amortised cost using the effective interest method. As described in the business review, all revenue is received from a government body and there are currently no provisions for impairment

#### **Contract debtor**

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

Amounts recoverable under long term Private Finance Initiative contracts are transferred to a contract debtor. The amounts receivable (which may include the costs of construction of related assets) are treated as a long-term contract debtor from the certification of the project facilities, with a proportion of the contractual net operating revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term, the contract debtor is expected to be fully repaid. Impairment has been considered by the board taking into account that all income is received from a government body.

The fair value disclosure of the contract debtor uses a discounted cashflow method as described in note 10.

#### **Cash and bank deposits**

Bank deposits relate to short term deposits held for not more than three months in term accounts with the group's bankers.

#### **Trade creditors**

Trade creditors are initially recognised at fair value and subsequently measures at amortised cost using the effective interest method.

#### **Current taxation**

Current tax comprises tax payable on current year profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous years. Current tax is recognised in the income statement unless it relates to items which are recognised in other comprehensive income.

#### **Related parties**

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 4 Critical accounting judgements and estimation uncertainty

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

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

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

#### b) Key accounting estimates and assumptions

- i. Finance receivables – The amounts receivable (which may include the costs of construction of related assets) are treated as a long-term contract debtor from the certification of the project facilities, with a proportion of the contractual net operating revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract.

### 5 Operating profit

The company and group had no employees during the year (2016: none). None of the directors received any emoluments paid directly from the company in either the current or previous year. The following management recharges were made by the shareholders in respect of the services of directors to the group; G4S Joint Ventures Limited £102,588 (2016: £100,000), and Innisfree Limited £102,588 (2016: £100,000). The recharges paid by the company in 2017 and 2016 do not reflect the amounts personally received by the directors in either year.

The group has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2016: £1) expiring after five years. The charge for both the years ended 31 December 2017 and 31 December 2016 was £1. The total commitment at 31 December 2017 was £13 (2016: £14).

|  | 2017      | 2016      |
|--|-----------|-----------|
|  | £'000     | £'000     |
| <b>Services provided by the company's auditors</b>   |           |           |
| Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements | 3         | 3         |
| <b>Fees payable to the company's auditors and its associates for other services:</b>                             |           |           |
| The audit of the company's subsidiaries pursuant to legislation  | 26        | 21        |
| Non-audit services   | -         | -         |
|  | <b>29</b> | <b>24</b> |

## Accommodation Services (Holdings) Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 6 Net interest

|  | 2017            | 2016            |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| Bank interest receivable                           | 140             | 193             |
| Imputed interest on contract debtor                | 26,019          | 26,839          |
| <b>Interest receivable and similar income</b>      | <b>26,159</b>   | <b>27,032</b>   |
| Interest payable and similar charges on bonds      | (19,851)        | (21,109)        |
| Interest payable and similar charges on loan stock | (3,157)         | (3,166)         |
| <b>Interest payable and similar charges</b>        | <b>(23,008)</b> | <b>(24,275)</b> |
| <b>Net interest receivable</b>                     | <b>3,151</b>    | <b>2,757</b>    |

Interest is imputed on the contract debtor using a property specific rate of 7.57% (2016: 7.57%).

## Accommodation Services (Holdings) Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 7 Tax on profit on ordinary activities

|  | 2017         | 2016       |
|--|--------------|------------|
| Analysis of charge in year                     | £'000        | £'000      |
| <b>Current tax</b>                             |              |            |
| UK corporation tax on profits of the year      | 863          | -          |
| <b>Total current tax charge</b>                | <b>863</b>   | <b>-</b>   |
| <b>Deferred tax</b>                            |              |            |
| Origination and reversal of timing differences | 1,366        | 2,143      |
| Impact of change in tax rate                   | (160)        | (1,249)    |
| <b>Total deferred tax charge (note 13)</b>     | <b>1,206</b> | <b>894</b> |
| <b>Tax on profit on ordinary activities</b>    | <b>2,069</b> | <b>894</b> |

The deferred tax charge for 2017 and 2016 relates entirely to timing differences.

## Accommodation Services (Holdings) Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

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

##### Reconciliation of tax charge

The tax assessed for the year is lower (2016: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20.00%). The differences are explained below:

|  | 2017         | 2016       |
|--|--------------|------------|
|  | £'000        | £'000      |
| Profit on ordinary activities before tax   | 9,523        | 8,842      |
| Profit on ordinary activities multiplied by the standard rate in the UK of 19.25% (2016: 20.00%) | 1,833        | 1,768      |
| Amortisation of non-qualifying expenditure   | 396          | 375        |
| Impact of change in tax rate   | (160)        | (1,249)    |
| <b>Tax on profits</b>  | <b>2,069</b> | <b>894</b> |

##### Factors that may affect future tax charges

Deferred tax crystallising after 1 April 2020 will be recognised at the applicable rate of 17%. All deferred tax is expected to crystallise after 1 April 2020.

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

The group will continue to utilise tax losses to cover the maximum permitted proportion of its expected taxable profits in future financial periods. As a result of the Finance (No 2) Act 2017, the amount of annual profit earned after 1 April 2017 that can be relieved by brought forward losses is limited to 50%, subject to a £5 million allowance per group. No reversal of deferred tax liabilities is expected in the next financial period.

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 8 Investments

|   | 2017          | 2016          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| <hr/>   |               |               |
| Company investment in subsidiary undertaking at cost: |               |               |
| Ordinary shares at cost                               | 55            | 55            |
| Loan stock at cost                                    | 22,548        | 22,548        |
| <b>Investments at 31 December</b>                     | <b>22,603</b> | <b>22,603</b> |
| <hr/>   |               |               |

The company owns 100% (£55,000) of the issued share capital of Integrated Accommodation Services plc, which is registered in the United Kingdom and actively trades as a facilities management company providing services under the PFI contract outlined in the Directors' report. Its registered office address is Challenge House, International Drive, Tewkesbury Business Park, Tewkesbury, Gloucestershire, GL20 8UQ, England. The company owns £22,548,000 of 14% coupon subordinated loan stock in Integrated Accommodation Services plc. The company has in turn issued corresponding loan stock to its shareholders in proportion to their shareholdings.

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 9 Debtors

|   | 2017    | 2017   | 2016    | 2016   |
|---|---------|--------|---------|--------|
|   | Company | Group  | Company | Group  |
|   | £'000   | £'000  | £'000   | £'000  |
| <b>Amounts falling due within one year:</b> |         |        |         |        |
| Trade debtors                               | -       | 926    | -       | 1,414  |
| Other debtors                               | 796     | -      | 796     | -      |
| Prepayments and accrued income              | -       | 7,974  | -       | 8,315  |
| Contract debtor                             | -       | 13,379 | -       | 12,185 |
|   | 796     | 22,279 | 796     | 21,914 |

#### Amounts falling due after more than one year:

|                 |   |         |   |         |
|-----------------|---|---------|---|---------|
| Contract debtor | - | 331,905 | - | 345,131 |
|-----------------|---|---------|---|---------|

The fair values of debtors are as follows:

|   | 2017    | 2017    | 2016    | 2016    |
|---|---------|---------|---------|---------|
|   | Company | Group   | Company | Group   |
|   | £'000   | £'000   | £'000   | £'000   |
| <b>Amounts falling due within one year:</b> |         |         |         |         |
| Trade debtors                               | -       | 926     | -       | 1,414   |
| Other debtors                               | 796     | -       | 796     | -       |
| Prepayments and accrued income              | -       | 7,974   | -       | 8,315   |
| Contract debtor                             | -       | 496,276 | -       | 513,906 |
|   | 796     | 505,176 | 796     | 523,635 |

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 10 Financial assets

As described in the accounting policies, trade debtors are not considered to be impaired. The company has no trade debtors (2016: nil). Group trade debtors include invoices amounting to £926,000 (2016: £1,219,000), where the company does not have access to all of the significant risks and benefits of the transactions. Accordingly, those transactions are excluded from the statement of comprehensive income as explained in the accounting policies. The group bears no financial risk as a corresponding amount is included within trade creditors. As of 31 December 2017, trade debtors of £59,000 (2016: £56,000) were past their due date. These balances relate to customers where there is no history of default. The ageing of trade debtors is as follows: up to 3 months overdue £26,000 (2016: £22,000), 3-6 months overdue £26,000 (2016: £7,000) and over 6 months overdue £7,000 (2016: £27,000). The company has no contract debtor balance (2016: nil). The fair value of the group contract debtor is based on cash flows over the life of the contract discounted using a rate of 3.80% based on the weighted average rate of return on the borrowings when measured at fair value (2016: 3.66%). The fair values of trade debtors, prepayments and accrued income equal their book values.

Trade debtors, prepayments and accrued income, contract debtor and cash which are classified as 'loans and receivables' that are neither past due nor impaired are shown by their credit risk below.

|   | 2017       | 2017           | 2016       | 2016           |
|---|------------|----------------|------------|----------------|
|   | Company    | Group          | Company    | Group          |
|   | £'000      | £'000          | £'000      | £'000          |
| <b>Counterparties with external credit rating</b>   |            |                |            |                |
| Cash and term deposit accounts at bank  | -          | 38,427         | -          | 37,933         |
| The company's bankers are rated "A" with Standard and Poor's and A2 with Moodys Investor Services |            |                |            |                |
| <b>Counterparties with no external credit rating</b>  |            |                |            |                |
| Trade debtors   | -          | 867            | -          | 1,358          |
| Other debtors   | 796        | -              | 796        | -              |
| Prepayments and accrued income  | -          | 7,769          | -          | 8,093          |
| Contract debtor   | -          | 345,284        | -          | 357,316        |
| <b>Total neither past due nor impaired</b>  | <b>796</b> | <b>392,347</b> | <b>796</b> | <b>404,700</b> |

None of those financial assets that are neither past due nor impaired have had their terms renegotiated. The carrying amount of the group's financial assets is denominated in sterling for both financial years.

Included in cash and term deposit accounts at bank are cash reserves, the use of which is restricted under agreements with the trustees of the Guaranteed Secured Bonds and Mezzanine Secured Notes, and amounts restricted for future maintenance costs by the lenders. The value of this restricted cash at 31 December 2017 was £30,448,000 (2016: £29,575,000).

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 11 Creditors: amounts falling due within one year

|   | 2017    | 2017   | 2016    | 2016   |
|---|---------|--------|---------|--------|
|   | Company | Group  | Company | Group  |
|   | £'000   | £'000  | £'000   | £'000  |
| 6.48% Guaranteed Secured Bonds due 2029 | -       | 18,484 | -       | 17,446 |
| Less: issue costs                       | -       | (528)  | -       | (565)  |
| 10.14% Mezzanine Secured Notes due 2028 | -       | 821    | -       | 742    |
| Less: issue costs                       | -       | (15)   | -       | (16)   |
| Trade creditors                         | -       | 5,554  | -       | 6,027  |
| VAT                                     | -       | 1,254  | -       | 1,423  |
| Corporation tax                         | -       | 863    | -       | -      |
| Accruals and deferred income            | 796     | 5,887  | 796     | 6,856  |
|   | 796     | 32,320 | 796     | 31,913 |

Information relating to the nature of the Guaranteed Secured Bonds and Mezzanine Secured Notes is contained in note 12.

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

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

|  | 2017    | 2017    | 2016    | 2016    |
|--|---------|---------|---------|---------|
|  | Company | Group   | Company | Group   |
|  | £'000   | £'000   | £'000   | £'000   |
| <b>More than one year but less than two years:</b>   |         |         |         |         |
| 6.48% Guaranteed Secured Bonds due 2029              | -       | 19,068  | -       | 18,484  |
| Less: issue costs                                    | -       | (490)   | -       | (528)   |
| 10.14% Mezzanine Secured Notes due 2028              | -       | 908     | -       | 821     |
| Less: issue costs                                    | -       | (14)    | -       | (15)    |
|  | -       | 19,472  | -       | 18,762  |
| <b>More than two years but less than five years:</b> |         |         |         |         |
| 6.48% Guaranteed Secured Bonds due 2029              | -       | 69,935  | -       | 65,913  |
| Less: issue costs                                    | -       | (1,200) | -       | (1,340) |
| 10.14% Mezzanine Secured Notes due 2028              | -       | 3,339   | -       | 3,019   |
| Less: issue costs                                    | -       | (36)    | -       | (40)    |
|  | -       | 72,038  | -       | 67,552  |
| <b>More than five years:</b>                         |         |         |         |         |
| 6.48% Guaranteed Secured Bonds due 2029              | -       | 157,693 | -       | 180,783 |
| Less: issue costs                                    | -       | (1,087) | -       | (1,422) |
| 10.14% Mezzanine Secured Notes due 2028              | -       | 9,464   | -       | 10,691  |
| Less: issue costs                                    | -       | (30)    | -       | (52)    |
| 14.00% Subordinated Loan Notes due 2028              | 22,548  | 22,548  | 22,548  | 22,548  |
| Less: issue costs                                    | -       | (141)   | -       | (156)   |
|  | 22,548  | 188,447 | 22,548  | 212,392 |
|  | 22,548  | 279,957 | 22,548  | 298,706 |

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 12 Creditors: amounts falling due after more than one year (continued)

Guaranteed Secured Bonds due 2029 of £406,850,000 were issued in 2000. Interest is payable on these bonds at six-monthly intervals. Scheduled redemption by way of principal repayments commenced on 30 September 2006. These bonds are listed on the London Stock Exchange. As at 31 December 2017, £265,180,000 (2016: £282,626,000) remains outstanding.

Mezzanine Secured Notes due 2028 relate to £22,610,000 issued in 2000. Interest is payable on these bonds at six-monthly intervals. Scheduled redemption by way of principal repayments commenced on 30 September 2006. These notes are unlisted. As at 31 December 2017, £14,532,000 (2016: £15,273,000) remains outstanding.

Subordinated Loan Notes due 2028 relate to £22,548,000 issued in 2005 to the shareholders. 14% interest is payable on these Subordinated Loan Notes at six monthly intervals commencing 1 January 2005. The company anticipates commencing redemption by way of principal repayment in June 2028. These notes are unlisted and unsecured.

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

The company has subscribed for £22,548,000 of Subordinated Loan Notes due 2028 in IAS. The company has in turn issued corresponding loan notes, which are held by its shareholders in proportion to their shareholdings.

Issue costs of £3,541,000 (2016: £4,134,000) have been offset against bond and other loan liabilities and are amortised over the term of the related borrowings in accordance with the provisions of Financial Reporting Standard 102 s 11.

### 13 Provisions for liabilities

| Group  | 2017          | 2016          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Provision for deferred tax</b>  |               |               |
| Accelerated capital allowances   | 27,580        | 28,941        |
| Other timing differences   | 3,073         | 3,037         |
| Losses   | (21,584)      | (24,454)      |
| Accelerated finance costs  | 9,725         | 10,064        |
| <b>Total provision for deferred tax</b>  | <b>18,794</b> | <b>17,588</b> |
| Provision at 1 January   | 17,588        | 16,694        |
| Deferred tax charge in statement of comprehensive income for the year (note 7) | 1,206         | 894           |
| <b>Provision at 31 December</b>  | <b>18,794</b> | <b>17,588</b> |

The company had no provided or unprovided deferred tax at either 31 December 2017 or at 31 December 2016. The group had no unprovided deferred tax at either 31 December 2017 or at 31 December 2016.

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14 Financial instruments

#### Funding and liquidity

IAS funds its operations through finance raised by the issue of fixed rate bonds. At 31 December 2017, 63.1% (2016: 67.1%) of the outstanding bonds were due for repayment in more than 5 years.

IAS invests surplus cash to immediate needs with its bankers in term deposits with maturities arranged to meet its cashflow needs. Interest rates receivable are directly related to the corresponding monthly LIBOR.

The group is required to hold certain cash reserves in accordance with the Collateral Deed. This follows a standard requirement of this type of financing arrangement.

Short-term flexibility is obtained by maintaining current account balances with Integrated Accommodation Services's bankers.

|  | 2017           | 2016           |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>Financial assets at amortised cost – Group</b>                    |                |                |
| The group held the following categories of sterling financial assets |                |                |
| <b>Sterling monetary assets</b>                                      |                |                |
| Cash at bank   | 845            | 361            |
| Bank deposits  | 37,582         | 37,572         |
|  | <b>38,427</b>  | <b>37,933</b>  |
| Trade debtors  | 926            | 1,414          |
| Accrued income   | 7,769          | 8,093          |
| Contract debtor  | 345,284        | 357,316        |
| <b>Total financial assets</b>  | <b>392,406</b> | <b>404,756</b> |

Bank deposits relate to short term deposits held for not more than three months in separate term accounts with IAS'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 secured bonds. Deposits mature at regular intervals to comply with the requirement to hold reserves and to pay operating and finance costs.

Reserves in the form of separate cash and term bank accounts held in accordance with the Collateral Deed amount to £38,427,000 (2016: £37,926,000).

Other than cash at bank, bank and cash deposits, trade debtors, accrued income and the contract debtor balance the group has no other financial assets.

The company's financial assets are disclosed in note 10.

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14 Financial instruments (continued)

#### Financial liabilities

Maturity analysis of financial instruments held to finance Integrated Accommodation Services operations:

| Bond liabilities  | 2017<br>Amount<br>£'000 | Weighted<br>average<br>interest rate | Weighted average<br>period for which<br>rate is fixed |
|---|-------------------------|--------------------------------------|---|
| <b>Maturity of financial liabilities (before issue costs)</b> |                         |                                      |   |
| In less than one year   | 19,305                  | 7.25%                                | 1   |
| In more than one year but not less than two years             | 19,976                  | 7.29%                                | 1   |
| In more than two years but not more than five years           | 73,274                  | 7.43%                                | 3   |
| In more than five years                                       | 189,705                 | 8.12%                                | 8   |
| <b>Total</b>  | <b>302,260</b>          | <b>7.62%</b>                         | <b>13</b>   |

| Bond liabilities  | 2016<br>Amount<br>£'000 | Weighted<br>average<br>interest rate | Weighted average<br>period for which<br>rate is fixed |
|---|-------------------------|--------------------------------------|---|
| <b>Maturity of financial liabilities (before issue costs)</b> |                         |                                      |   |
| In less than one year   | 18,188                  | 6.81%                                | 1   |
| In more than one year but not less than two years             | 19,305                  | 6.79%                                | 1   |
| In more than two years but not more than five years           | 68,932                  | 6.74%                                | 3   |
| In more than five years                                       | 214,022                 | 7.98%                                | 9   |
| <b>Total</b>  | <b>320,447</b>          | <b>7.56%</b>                         | <b>9</b>  |

# Accommodation Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14 Financial instruments (continued)

#### Financial liabilities at amortised cost - Group

The company and group held the following categories of sterling financial liabilities

|   | 2017    | 2017    | 2016    | 2016    |
|---|---------|---------|---------|---------|
|   | Company | Group   | Company | Group   |
|   | £'000   | £'000   | £'000   | £'000   |
| Trade creditors                         | -       | 5,554   | -       | 6,027   |
| VAT                                     | -       | 1,254   | -       | 1,423   |
| Accruals                                | 796     | 5,711   | 796     | 6,668   |
| 6.48% Guaranteed Secured Bonds due 2029 | -       | 265,180 | -       | 282,626 |
| 10.14% Mezzanine Secured Notes due 2028 | -       | 14,532  | -       | 15,273  |
| 14.00% Subordinated Loan Notes due 2028 | 22,548  | 22,548  | 22,548  | 22,548  |
|   | 23,344  | 314,779 | 23,344  | 334,565 |

|   | 2017       |            | 2016       |            |
|---|------------|------------|------------|------------|
|   | Book value | Fair value | Book value | Fair value |
|   | £'000      | £'000      | £'000      | £'000      |
| <b>Fair values of financial assets and liabilities</b>                                |            |            |            |            |
| <b>Primary financial instruments held or issued to finance the group's operations</b> |            |            |            |            |
| Financial assets (including cash at bank)   | 392,406    | 543,602    | 404,756    | 561,346    |
| Financial liabilities (including trade creditors and accruals)                        | (315,642)  | (389,597)  | (334,565)  | (414,795)  |

## Accommodation Services (Holdings) Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 14 Financial instruments (continued)

Full descriptions of the bonds are given in note 12. The basis of the fair values for group and company financial assets is disclosed in note 10. The fair values for group and company trade creditors and accruals are equal to their book values. The company has no bonds in issue. Group credit margins on long term bonds (both guaranteed and secured notes) vary in accordance with market demand and other factors. The fair value of the guaranteed secured bonds has been determined by reference to listed prices available from the markets on which the instruments involved are traded. Although the secured notes are not currently traded on any markets, the fair value for 31 December 2017 and 31 December 2016 has been determined by a valuation performed by M&G Investments.

The subordinated loan stock held by the company has been valued at par. A range of fair values has been computed using discount rates between 12% and 16% which place the value between £26,728,000 and £21,604,000. As there is no market in which they may currently be traded, fair value at par represents the net present value of future anticipated payments, discounted at the coupon rate of 14%, on the assumption that they are held to maturity. The directors are of the opinion that this is a representative market discount rate given the restrictions imposed on the terms of the notes.

#### 15 Called up share capital

|  | 2017  | 2016  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>Group and Company</b>                         |       |       |
| <b>Allotted and fully paid:</b>                  |       |       |
| 55,000 (2016: 55,000) Ordinary shares of £1 each | 55    | 55    |

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

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

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

#### 16 Dividends

|  | 2017  | 2016  |
|--|-------|-------|
|  | £'000 | £'000 |
| Dividend of £48.82 (2016: £32.06) per share paid from distributable reserves | 2,685 | 1,763 |

#### 17 Obligations under leases

The group has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2016: £1) expiring after five years. The total commitment at 31 December 2017 was £13 (2016: £14). The company did not have any operating lease commitments at either 31 December 2017 or at 31 December 2016.

## Accommodation Services (Holdings) Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 18 Analysis of changes in net debt

|                          | At 1<br>January<br>2017 | Cash<br>flows | Other non<br>cash<br>changes | At 31<br>December<br>2017 |
|--------------------------|-------------------------|---------------|------------------------------|---------------------------|
|                          | £'000                   | £'000         | £'000                        | £'000                     |
| Cash at bank and in hand | 361                     | 484           | -                            | 845                       |
| Bank deposits            | 37,572                  | 10            | -                            | 37,582                    |
|                          | 37,933                  | 494           | -                            | 38,427                    |
| Debt due within one year | (17,607)                | 18,188        | (19,343)                     | (18,762)                  |
| Debt due after one year  | (298,706)               | -             | 18,749                       | (279,957)                 |
|                          | (278,380)               | 18,682        | (594)                        | (260,292)                 |

Non-cash changes comprise the changes in the repayment profile of the group's debt and amortisation of debt issue costs.

#### 19 Reconciliation of net cash flow to movement in net debt for the year ended 31 December 2017

|   | Note | 2017             | 2016             |
|---|------|------------------|------------------|
|   |      | £'000            | £'000            |
| Increase/(decrease) in net cash in the year | 18   | 484              | (37,455)         |
| Increase in bank term deposits              | 18   | 10               | 37,572           |
| Decrease in other loans                     | 18   | 18,188           | 17,995           |
| <b>Movement in net debt</b>                 | 18   | <b>18,682</b>    | <b>18,112</b>    |
| Other non cash changes                      | 18   | (594)            | (631)            |
| Net debt at 1 January                       | 18   | (278,380)        | (295,861)        |
| <b>Net debt at 31 December</b>              | 18   | <b>(260,292)</b> | <b>(278,380)</b> |

# **Accommodation Services (Holdings) Limited**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **20 Commitments and contingent liabilities**

Under the terms of a contract with Carillion Construction Limited, a company related to Carillion Private Finance (Secure) Limited, dated 22 June 2000, the group is committed to payments totalling £47,007,000 (indexed from 2000 prices) in respect of the capital replacement of life expired equipment over the contract term. Commitments remaining at the statement of financial position date indexed at 31 December 2017 were £57,296,000 (2016: £58,214,000). Payments made in the year ended 31 December 2017 were £3,206,000 (2016: £2,993,000).

On 15 January 2018, Carillion Construction Limited went into liquidation. As an interim measure, the directors and management of the group have utilised a professional capital replacement manager who has employed the on-site Carillion staff to continue to manage the lifecycle requirements of the project directly for the company.

As a result of the liquidation of the CRC contractor and guarantor, and until an alternative long term solution is agreed with the Controlling Creditor, no distributions to Mezzanine Debt holders of Integrated Accommodation Services plc (other than from the balance held in the Mezzanine Debt Reserve), or sub debt holders or shareholders are permitted. The Mezzanine Debt Service payments due at 31 March 2018 were made from the Mezzanine Debt Service Reserve balance. The next payments due will be 30 September 2018, and it is planned to have an alternative long term arrangement in place by this time, enabling Mezzanine Debt Service payments to be made as normal. Senior Bond payments are not affected by the liquidation of Carillion.

Under the terms of an operating agreement with G4S Facilities Management Limited (formerly G4S Integrated Services (UK) Limited) dated 22 June 2000, the group 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 2017 were £20,322,000 (2016: £19,534,000). G4S Facilities Management Limited (formerly G4S Integrated Services (UK) Limited) also provided services to the group under short term contractual variations to the operating contract for miscellaneous works and fittings at a cost of £17,913,000 (2016: £25,605,000).

Under the terms of a management services agreement dated 22 June 2000, administrative and technical services were provided by G4S Facilities Management Limited (formerly G4S Integrated Services (UK) Limited) at a cost of £363,000 (2016: £364,000).

Through a variation order under the Project Agreement in 2009, Integrated Accommodation Services plc made a planning application in respect of additional premises at the Benhall site. As a condition of obtaining that planning consent, Integrated Accommodation Services plc entered into a conditional commitment to pay Gloucestershire County Council £145,000 as a transport contribution and Cheltenham Borough Council £122,000 as a public art contribution. Both become payable only when the construction work commences. The former agreement is secured by way of a second charge on the land.

There are currently no contracts in place or approvals to commence the construction work.

Under the terms of the Project Agreement, Integrated Accommodation Services plc bears the cost for any lifecycle risks over the term of the contract; it has materially passed this risk to its supply chain. Integrated Accommodation Services plc does retain the responsibility for the life cycle risk of the Cotswold stone cladding and the steelworks in the atrium, however it considers that the probability that these will become life expired and need to be replaced within the contract term is remote. On this basis no revenue is deferred at 31 December 2017 or at 31 December 2016.

### **21 Related party disclosures**

G4S Joint Ventures Limited provided administrative and technical services at a cost of £102,588 (2016: £100,000).

Innisfree Limited, a company related to Innisfree PFI Secondary Fund and Innisfree PFI Secondary Fund 2 (through their nominee Innisfree Nominees Limited), provided administrative and technical services at a cost of £102,588 (2016: £100,000).

At the year end there was £nil (2016: £nil) payable to G4S Joint Ventures Limited and £nil (2016: £nil) payable to Innisfree Limited.

## **Accommodation Services (Holdings) Limited**

### **Notes to the financial statements for the year ended 31 December 2017 (continued)**

#### **22 Parent undertakings**

Fifty percent of the share capital of Accommodation Services (Holdings) Limited is held by G4S Joint Ventures Limited, twenty percent is held by Innisfree PFI Secondary Fund and thirty percent is held by Innisfree PFI Secondary Fund 2 (through their nominee Innisfree Nominees Limited). All shareholders are companies incorporated in England and Wales.

The group does not consider that it has one ultimate controlling party.