

Modus Services (Holdings) Limited

Directors' Report and Financial Statements for the Year Ended 31 March 2007

Registered Number 3871198

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Modus Services (Holdings) Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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Modus Services (Holdings) Limited

Directors and advisors

Directors

G Beazley-Long - appointed 19 May 2006
A Finegan - resigned 19 May 2006
P Francis (Executive Director)
P D Jones
M J Webber
R Weston

Company secretary and Registered Office

S A Brooks
P G Shell - resigned 23 March 2007
R K Miller - appointed 23 March 2007

Allington House
150 Victoria Street
London SW1E 5LB

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Solicitors

Clifford Chance LLP
London

Principal bankers

Dresdner Bank AG
London Branch

Modus Services (Holdings) Limited

Directors' Report

The Directors submit their annual report and the audited Financial Statements for the year ended 31 March 2007

Business review and principal activities

The principal activity of the Group is to design, refurbish, redevelop, finance, maintain and operate certain Ministry of Defence office facilities in London covered by a Project Agreement between Modus Services Limited and The Secretary of State for Defence, dated 4 May 2000, under the Government's Private Finance Initiative. The primary contract period of the Project Agreement is 30 years.

The Group has sub-contracted these refurbishment and redevelopment activities to other companies, including certain parties related to shareholders (note 18).

There have not been any significant changes in the Group's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

The key performance indicator for the Group is the level of performance and unavailability deductions levied by the client, since this reflects the quality of service being provided. During the period, the Group suffered minimal deductions.

Principal risks and uncertainties

The Group is exposed to significant interest rate risk which is managed through the use of interest rate swaps, details of which are set out in note 11 to the financial statements.

The other principal risk is that maintenance costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by regular management review of actual expenditure against budget and technical evaluations of the physical condition of the buildings.

Results and dividends

The result for the year after taxation is a profit of £9,430,000 (2006 - £10,881,000). The Directors approved the payment of dividends totalling £9,928,000 during the year (2006 - £26,035,000).

Directors

The Directors who served throughout the year, except as noted, are shown on page 1.

Directors' interests

At 31 March 2007 no Director had beneficial interest in shares or debentures of the Company and no share options have been granted by the Company to any of the directors. No Director has or has held during the period any personal interest in any significant or material contract with the Company.

No Director had any interest in the shares of any other group company requiring disclosure under the Companies Act 1985.

As disclosed in note 19, the Directors believe that the Company is jointly owned and controlled and therefore has no parent or ultimate parent undertaking in the current or prior year.

Share capital

Details of the authorised and issued share capital are shown in Note 15.

Modus Services (Holdings) Limited

Directors' Report (Continued)

Contributions and political donations

The Group made no political or charitable donations during the year (2006 - £nil)

Statement on information given to auditors

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 auditors are 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 auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Auditors

A resolution to reappoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting in accordance with Section 385 of the Company's Act 1985

By order of the Board



P D Jones
Director

21 June 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements. The Directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP). United Kingdom company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985.

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the Companies Act 1985.

Modus Services (Holdings) Limited

Independent Auditors' Report To The Members of Modus Services (Holdings) Limited

We have audited the group and individual company financial statements (the "financial statements") of Modus Services (Holdings) Limited for the year ended 31 March 2007 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 March 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

21 June 2007

Modus Services (Holdings) Limited

Consolidated Profit And Loss Account for the year ended 31 March 2007

	Notes	2007	2006
		£'000	£'000
Turnover	1	26,806	27,651
Cost of Sales		(3,364)	(6,864)
Gross Profit		23,442	20,787
Net operating costs		(16,862)	(15,051)
Operating profit	2	6,580	5,736
Net interest receivable	5	5,239	7,168
Profit on ordinary activities before taxation		11,819	12,904
Tax on profit on ordinary activities	6	(2,389)	(2,023)
Profit on ordinary activities after taxation		9,430	10,881
Dividends	7	(9,928)	(26,035)
Loss for the year transferred to reserves	13	(498)	(15,154)

A reconciliation of movements in equity shareholders' funds is given in note 14

All items in the profit and loss account relate to continuing operations

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

All gains and losses are recognised in the profit and loss account in both the current and preceding year and therefore no separate statement of total recognised gains and losses has been presented

Modus Services (Holdings) Limited

Consolidated Balance Sheet at 31 March 2007

	Notes	2007 £'000	2006 £'000
Current assets			
Debtors		485,888	500,981
- due within one year	9	16,740	22,920
- due after more than one year	9	469,148	478,061
Cash at bank and in hand	10	41,668	40,713
		<u>527,556</u>	<u>541,694</u>
Current liabilities			
Creditors amounts falling due within one year	11	(26,621)	(23,876)
Net current assets		<u>500,935</u>	<u>517,818</u>
Total assets less current liabilities		<u>500,935</u>	<u>517,818</u>
Creditors amounts falling due after more than one year	11	(474,526)	(466,596)
Provisions for liabilities	12	(22,418)	(20,029)
Net assets		<u>3,991</u>	<u>31,193</u>
Capital and reserves			
Called up share capital	15	100	26,600
Profit and loss account	13	3,891	4,593
Equity shareholders' funds	14	<u>3,991</u>	<u>31,193</u>

The financial statements were approved by the Board of Directors on 21 June 2007 and were signed on its behalf by

P. D. Jones

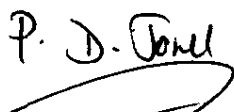
P D Jones
Director
21 June 2007

Modus Services (Holdings) Limited

Company Balance Sheet at 31 March 2007

	Notes	2007 £'000	2006 £'000
Fixed asset investment	8	28,224	33,258
Creditors amounts falling due within one year	11	(9,982)	(6,658)
Creditors amounts falling due after more than one year	11	(18,142)	-
Total assets less current liabilities and net assets		100	26,600
Capital and Reserves			
Called up share capital	15	100	26,600
Equity shareholders' funds		100	26,600

The financial statements were approved by the Board of Directors on 21 June 2007 and were signed on its behalf by



P D Jones
Director
21 June 2007

Modus Services (Holdings) Limited

Consolidated Cash Flow Statement for the Year Ended 31 March 2007

	Notes	2007	2006
		£'000	£'000
Net cash inflow from operating activities	16	60,685	35,849
Returns on investments and servicing of finance			
Interest received		2,650	44,219
Interest paid		(37,563)	(37,402)
Dividends paid to equity shareholders		(9,928)	(26,035)
		<u>(44,841)</u>	<u>(19,218)</u>
Net cash outflow from returns on investments and servicing of finance			
Management of liquid resources			
Increase/(decrease) in short term deposits with banks		394	(3,523)
Net cash inflow before financing		<u>16,238</u>	<u>13,108</u>
Financing			
Loans drawn down		-	19,200
Loan repayments		(14,888)	(28,957)
Increase in cash		<u>1,350</u>	<u>3,351</u>
(Decrease)/increase in 'blocked' cash (see note 10)		(394)	3,523
Increase in cash as per balance sheet		<u>956</u>	<u>6,874</u>
		2007	2006
		£'000	£'000
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 April		(478,968)	(491,455)
Increase in cash for the year		1,350	3,351
Increase in borrowings due within one year		(4,063)	(7,752)
Decrease/(increase) in borrowings due in more than one year		(7,549)	17,509
Decrease in debt issue costs balance		(607)	(621)
Net Debt at 31 March	17	<u>(489,837)</u>	<u>(478,968)</u>

Modus Services (Holdings) Limited

Notes To The Financial Statements For The Year Ended 31 March 2007

1 Accounting Policies

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently, is shown below.

In accordance with Section 230 of the Companies Act 1985 no separate profit and loss account has been presented for the company. The company made no profit or loss during the year (2006 £nil).

b) Finance debtor and Turnover

Turnover comprises

- The value of construction work in progress on the Private Finance Initiative ('PFI') project
- Revenues for the provision of facilities management services

The Group has adopted the provisions of FRS 5 'Reporting the Substance of Transactions' (Application Note F) in determining the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts.

In the Directors' opinion, substantially all of the risks and rewards derived from the underlying PFI property are borne by the Ministry of Defence, so the assets created and/or provided under the contract should be accounted for as financial assets under FRS 5.

Accordingly, the assets are disclosed in the balance sheet as amounts recoverable on contracts while in construction and are reclassified to finance debtor when operational. The aggregate concession income is allocated to interest receivable using a constant rate of return on the carrying amount of the finance debtor and the remainder is allocated to service turnover.

c) Finance costs

Interest costs on borrowings attributable to assets under construction were added to amounts recoverable on contracts during the construction phase of the project, and are written off to the profit and loss account over the remaining period of operations of the concession. Interest payable attributable to the assets in use is charged directly to the profit and loss account.

Modus Services (Holdings) Limited

Notes To The Financial Statements For The Year Ended 31 March 2007

1 Accounting Policies *(continued)*

d) Debt issue costs

Costs incurred in raising debt are held on the balance sheet and amortised over the period that the relevant debt is held, so as to give a constant rate of interest throughout the duration of the loan

e) Financial instruments

The Group uses interest rate swaps to hedge interest rate risk. Amounts payable or receivable in respect of interest rate swaps are recognised on an accruals basis and are shown as interest expense

The Group does not hold or issue derivative financial instruments for speculative purposes

f) Taxation

The current year tax charge for current taxation for the year is based on the profit or loss before taxation for the year. The charge for taxation in respect of the PFI Project company is calculated by applying the estimated whole life effective tax rate for the project to the profit before taxation for the year included in the profit and loss account. The effective tax rate is adjusted to reflect disallowable items.

Deferred Tax

The charge for deferred tax incorporates the requirements of FRS 19 'Deferred Tax' as provision has been made for deferred tax in respect of timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future.

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

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted at the balance sheet date.

2 Operating Profit

Operating profit is stated after charging

Fees payable to the Company's auditors for the audit of the Company's annual accounts

Fees payable to the Company's auditors for other services relating to capital restructure

2007	2006
£'000	£'000

22	20
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<u>8</u>	<u>-</u>
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The audit fee for the Company was borne by its subsidiary undertaking

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2007

3 Emoluments of Directors

	2007	2007	2007	2006
Directors' Remuneration	Basic pay £'000	Bonus £'000	Total £'000	Total £'000
L Mitchell	-	-	-	75
P Francis	132	39	171	75
	<u>132</u>	<u>39</u>	<u>171</u>	<u>150</u>

Executive directors are paid a basic salary and may earn an annual bonus based on performance of the Group. No pension or other retirement benefits are provided to directors. No other directors received any remuneration from the Group during the year.

Amounts paid to related parties in connection with the provision for services of non-executive directors were £123,358 (2006: £122,000). These are disclosed in Note 18 to the financial statements.

4 Staff Numbers And Costs

	2007 No.	2006 No.
Number of persons employed by the Group at the end of the year		
Administration	<u>6</u>	<u>5</u>
Staff costs incurred during the period in respect of these employees were	£'000	£'000
Wages and Salaries	436	359
Social Security Costs	54	60
	<u>490</u>	<u>419</u>

The Company, excluding directors, had no employees during the year.

5 Net Interest Receivable

	2007 £'000	2006 £'000
Interest receivable and similar income		
Interest receivable on short-term deposits	2,650	2,694
Interest receivable on finance debtor	<u>40,726</u>	<u>41,173</u>
	<u>43,376</u>	<u>43,867</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(36,286)	(36,699)
Interest payable on amounts due to parent undertaking	<u>(1,851)</u>	<u>-</u>
	<u>(38,137)</u>	<u>(36,699)</u>
Net interest receivable	<u>5,239</u>	<u>7,168</u>

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2007

6 Tax on profit on ordinary activities

	2007 £'000	2006 £'000
The tax charge comprises		
Deferred tax origination and reversal of timing differences	(4,181)	(5,161)
Adjustment in respect of prior years	1,792	3,138
Tax on profit on ordinary activities	<u>(2,389)</u>	<u>(2,023)</u>

The current tax assessed for the year is less than that resulting from applying the 30% standard rate of corporation tax in the UK. The differences are explained as follows

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	<u>11,819</u>	<u>12,904</u>
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	(3,545)	(3,871)
<i>Factors affecting the tax charge for the year</i>		
Tax losses brought forward	3,545	3,871
Total current tax credit for the year	<u>-</u>	<u>-</u>

7 Dividends

	2007 £'000	2006 £'000
Equity shares		
- Interim and final dividend paid of £99.28 (2006 - £260.35) per £1 share	9,928	26,035
	<u>9,928</u>	<u>26,035</u>

8 Fixed Asset Investment

Company	Interests in Group Undertakings		
	Shares £'000	Loans £'000	Total £'000
1 April 2006	100	33,158	33,258
Loan repayments	-	(5,034)	(5,034)
31 March 2007	<u>100</u>	<u>28,124</u>	<u>28,224</u>

Subsidiary undertaking
Modus Services Limited

Shareholding
100%

Nature of Business
Special purpose company concerned with obligations under a PFI contract relating to certain Ministry of Defence offices

(incorporated in Great Britain and registered in England and Wales)

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2007

9 Debtors

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Due within one year:				
Trade debtors	8,065	9,537	-	-
Finance debtor	6,808	6,264	-	-
Other debtors	-	250	-	-
Prepayments and accrued income	1,867	6,869	-	-
	16,740	22,920	-	-
Due after more than one year:				
Finance debtor	469,148	474,757	-	-
Prepayments and accrued income	-	3,304	-	-
	469,148	478,061	-	-
Total debtors	485,888	500,981	-	-

Included within prepayments and accrued income are four season ticket loans to officers and Directors of the Company to a total value of £3,846 (2006 - £nil)

The total finance debtor includes £99.8 million (2006 - £101.1 million) of capitalised interest. No additional amounts were capitalised during the current or preceding year.

10 Cash at bank and in hand

Cash at bank and in hand at 31 March 2007 was £41.7 million (2006 - £40.7 million). Of this balance, £36.8 million represents blocked cash held in reserve accounts (2006 - £37.2 million).

11 Creditors

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Bank loans and overdrafts	10,593	9,854	-	-
Bank loan issue costs	(381)	(607)	-	-
Trade creditors	2,265	3,735	-	-
Other creditors	2,890	3,065	-	-
Accruals and deferred income	1,272	1,171	-	-
Amounts owed to shareholders	9,982	6,658	9,982	6,658
	26,621	23,876	9,982	6,658
Amounts falling due after more than one year				
Term Loans	463,138	473,731	-	-
Bank loans issue costs	(6,754)	(7,135)	-	-
	456,384	466,596	-	-
Amounts owed to shareholders	18,142	-	18,142	-
	474,526	466,596	18,142	-

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2007

11 Creditors (continued)

The Company drew down the remaining £19.2m of its £492.7m term loan facility on 27 September 2005, which comprised a Tranche A loan of £292.7 million and a Tranche B loan of £200 million. Tranche A and Tranche B of the term loan are repayable in instalments by 31 March 2025 and 31 March 2027 respectively, based on an agreed percentage amount of the total drawn down. Repayments on Tranche A and Tranche B commenced on 30 September 2006. The outstanding balances on Tranche A and B at 31 March 2007 were £281.4 million (2006 - £287.3 million) and £192.3 million (2006 - £196.3 million) respectively. Interest on these loans is charged at a variable interest rate of LIBOR plus a margin which reduces to between 0.8% and 1.1% from October 2004.

In May 2000, as part of its interest rate management strategy and in accordance with the terms of its credit agreement the Company entered into four identical accruing and amortising interest rate swaps maturing on 31 March 2027. The maximum notional amount of each interest rate swap is £129.3 million. Under these swaps, the Company receives interest on a variable basis and pays interest at a fixed rate of 6.61%.

The Company entered into an additional accruing and amortising interest rate swap on 7 November 2005, which will also mature on 31 March 2027. The maximum notional amount of this interest rate swap is £15.28 million. Under this swap, the Company receives interest on a variable basis and pays interest at a fixed rate of 4.73%.

The Company has entered into fixed interest rate swaps to mitigate its interest exposure which have a negative fair value at 31 March 2007 of £53,005,828 (2006 - £85,345,517).

In November 2004 the parent company issued £26.5 million loan stock to its shareholders. The loan stock is interest free and is repayable by instalments from surplus funds by 2028. The funds raised were used to repay the £53 million Equity Bridge Loan by the wholly owned subsidiary, Modus Services Limited.

All the loans are secured by a debenture dated 4 May 2000 creating fixed and floating charges over the shares and assets of the Group.

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Maturity Profile:				
In one year or less, on demand	20,575	16,512	9,982	6,658
Between one and two years	18,945	10,593	-	-
Between two and five years	50,290	36,903	-	-
In five years or more	412,045	426,235	-	-
	501,855	490,243	9,982	6,658
Less unamortised debt issue costs	(7,135)	(7,742)	-	-
	494,720	482,501	9,982	6,658

The Group incurred total issue costs of £10.475 million in respect of facilities made available to it under the terms of a credit agreement dated 4 May 2000.

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2007

12 Provisions for liabilities

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Deferred taxation				
Balance at 1 April 2006	20,029	18,006	-	-
Charged to profit and loss account during the year	2,389	2,023	-	-
Balance at 31 March 2007	<u>22,418</u>	<u>20,029</u>	<u>-</u>	<u>-</u>
Deferred tax is provided as follows			2007	2006
			£'000	£'000
Origination and reversal of timing differences			22,418	20,029
Deferred tax liability as at 31 March			<u>22,418</u>	<u>20,029</u>

13 Movement in reserves

	Profit and Loss account £'000
At 1 April 2006	4,593
Retained loss for the year	(498)
Capital restructure costs	(204)
At 31 March 2007	<u>3,891</u>

14 Reconciliation of movements in equity shareholders' funds

Group		Profit and loss account £'000	Total share- holders' funds £'000
Opening shareholders' funds at 1 April 2006	26,600	4,593	31,193
Retained profit for the year	-	(498)	(498)
Converted into loan stock	(26,500)	-	(26,500)
Closing shareholders' funds at 31 March 2007	<u>100</u>	<u>4,095</u>	<u>4,195</u>
Company		Profit and loss account £'000	Total share- holders' funds £'000
Opening shareholders' funds at 1 April 2006	26,600	-	26,600
Converted into loan stock	(26,500)	-	(26,500)
Closing shareholders' funds at 31 March 2007	<u>100</u>	<u>-</u>	<u>100</u>

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2007

15 Called up share capital

Equity shares	No
100,000 Ordinary shares at £1 each (2006 - 26,600,000)	
At 1 April 2006	26,600
Converted into loan stock	(26,500)
At 31 March 2007	<u>100</u>
 Allotted, called up and fully paid	 £'000
100,000 Ordinary shares at £1 each (2006 - 26,600,000)	
At 1 April	26,600
Converted into loan stock	(26,500)
At 31 March	<u>100</u>

16 Reconciliation of operating profit to net cash outflow from operating activities

	2007	2006
	£'000	£'000
Operating Profit	6,376	5,736
Decrease in debtors	55,820	32,876
Decrease in creditors	(1,511)	(2,763)
Net cash inflow from operating activities	<u>60,685</u>	<u>35,849</u>

17 Analysis of net debt

	31 March 2006 £'000	Cash flow £'000	Non-cash £'000	31 March 2007 £'000
Cash at bank and in hand	3,533	1,350	-	4,883
Debt due less than one year	(16,512)	(4,063)	-	(20,575)
Debt due after one year	(473,731)	(7,549)	-	(481,280)
Less unamortised debt issue costs	7,742	-	(607)	7,135
	<u>(478,968)</u>	<u>(10,262)</u>	<u>(607)</u>	<u>(489,837)</u>

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2007

18 Transactions with related parties

The Directors consider the transactions undertaken by the Company during the year with parties related to the Company and which are material to those parties, were as follows

Name of Party	Relationship	Nature of transaction	Transaction amount 2007 £'000	Amount due to related party at 31 March 2007 £'000	Transaction amount 2006 £'000	Amount due to related party at 31 March 2006 £'000
Innisfree Limited	Shareholder	Non-executive director fees	62	(72)	61	(72)
John Laing Social Infrastructure Limited	Shareholder	Non-executive director fees	62	(72)	61	(72)
Equion Facilities Management Limited	Contractor	Facilities services	512	(41)	526	(36)
Laing Investments Management Services Limited	Contractor	Staff and other costs	230	(11)	280	(11)

The amounts shown due to the related parties are stated net of value added tax, where applicable

There were no provisions at 31 March 2007 in respect of amounts due to related parties and no amounts were written off in the period in respect of transactions with related parties

19 Controlling parties

Modus Services (Holdings) Limited is a joint venture between John Laing Social Infrastructure Limited (50%) and Innisfree Limited (50%). Both companies are incorporated in Great Britain and registered in England and Wales