

Modus Services (Holdings) Limited
(Registered Number: 3871198)

Report and Accounts

For the year ended 31 March 2003



A26
COMPANIES HOUSE

0515
05/03/04

Registered Office
29 Bressenden Place
London
SW1E 5EQ

Amend

Modus Services (Holdings) Limited

Directors' Report and financial statements for the year ended 31 March 2003

Contents	Page
Directors & advisors	1
Directors' report	2
Independent auditors' report	5
Principal accounting policies	7
Consolidated profit and loss account	10
Consolidated balance sheet	11
Company balance sheet	12
Consolidated cash flow statement	13
Notes to the financial statements	14 - 23

Directors & Advisors

Directors

The directors of the Company are shown in the Directors' Report on page 2.

Joint Company Secretary & Registered Office

P G Shell
S Brooks

29 Bressenden Place
London
SW1E 5EQ

Solicitors

Clifford Chance
London

Principal Bankers

Dresdner Bank AG
London Branch

Directors' Report for the year ended 31 March 2003

The Directors submit their report together with the financial statements for the year ended 31 March 2003.

Principal trading activities and business review

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 plc 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 19).

The directors do not recommend the payment of a dividend. (2002 - £ nil)

Future developments

Work completed and services provided for the period were in line with expectations. The directors are confident that the Group is well prepared for the future.

Directors

The following directors held office during the year:

F Barras	Resigned 8 June 2002
R Weston	
CL Mitchell	
DA Metter	
AL Nelson	Resigned 14 March 2003
MJ Webber	
Major General JD Stokoe	Resigned 14 March 2003
DI Sutherland	Resigned 14 March 2003
P Jones	Appointed 27 June 2002
CM Mogg	Resigned 14 March 2003

Subsequent to the year end, A Finegan was appointed as a director on 5 December 2003 and D Metter resigned as a director on 5 December 2003.

Directors' Report for the year ended 31 March 2003 (Continued)

Directors' interests in shares or debentures

At 31 March 2003 no director had an 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.

Policy on payment of creditors

It is the Group's policy to comply with the payment terms agreed with suppliers. Where payment terms are not negotiated the Group endeavours to adhere with suppliers' standard terms. Trade creditor days of the Group at 31 March 2003 were 25.1 days (2002 – 15.0 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

Share capital

Details of the authorised and issued share capital are shown on page 19.

Directors' Responsibilities

The Board is responsible to the shareholders for all aspects of the Company and the Group's performance and meets on a regular basis to review the strategic direction of the Company and Group and monitor performance against an approved business plan and budget.

The directors are required by UK Company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and Group as at the end of the financial period and of the profit or loss of the Group for the period.

The directors confirm that suitable accounting policies have been used and applied consistently. The directors further confirm that reasonable and prudent judgements and estimates have been made in preparation of the financial statements for the year ended 31 March 2003.

The accounts have been prepared on a going concern basis in accordance with applicable accounting standards.

The directors are responsible for keeping proper accounting records, which accurately disclose the financial position of the Company and Group to enable them to ensure that the financial statements of the Company and Group comply with the Companies Act 1985. They have responsibility to safeguard the assets of the Group and for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors have access to the advice and services of the Joint Company Secretaries who are responsible for ensuring that Board procedures and applicable rules and regulations are observed.

Directors' Report for the year ended 31 March 2003 (Continued)

Contributions for charitable & political purposes

The Group made no political or charitable donations during the year.

Auditors

Following the conversion of PricewaterhouseCoopers Limited Liability Partnership (LLP) from 1 January 2003 PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. In accordance with Section 385 of the Companies Act 1985, a resolution to appoint Deloitte and Touche as auditors was proposed at the Annual General Meeting.

By order of the Board



Independent auditors' report to the members of Modus Services (Holdings) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the related notes and the accounting policies set out in the statement of accounting policies. The revised financial statements replace the original financial statements approved by the directors on 20 July 2003.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the revised financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the revised financial statements. The other information comprises only the directors' report.

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors.

Basis of audit opinion

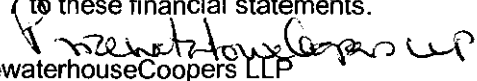
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. The audit of revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 revised financial statements give a true and fair view, seen as at 20 July 2003, the date the original financial statements were approved, of the state of affairs of the company and the group at 31 March 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 1990.

In our opinion the original financial statements for the year ended 31 March 2003 failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors on page 7 to these financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London 20 July 2003

Modus Services (Holdings) Limited

Revised accounts

The following matters apply:

- i. the revised financial statements replace the original financial statements for the year ended 31 March 2003,
- ii. they are now the statutory financial statements of the company for the year ended 31 March 2003;
- iii. they have been prepared as at the date of the original annual financial statements and not as at the date of revision and accordingly do not deal with events between those dates;
- iv. the revised financial statements reflect those approved by the Board rather than the financial statements filed, in error, which incorporated certain information not updated from a previous draft of the financial statements.

The date of approval of the revised accounts was 19 December 2003.

Principal accounting policies

The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom and comply with the requirements of the Companies Act 1985. All policies have been consistently applied except as noted in "Deferred Taxation" below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

Tangible fixed assets and depreciation

Tangible fixed assets comprise infrastructure assets in the course of refurbishment and redevelopment, being certain Ministry of Defence office facilities covered by the Project Agreement between Modus Services plc and The Secretary of State for Defence. Infrastructure assets in the course of refurbishment are initially measured at cost and include those costs, including interest, directly attributable to bring assets into working condition for their intended use.

Depreciation policies are reviewed on a regular basis against the background of the level of completion of construction and are depreciated on a straight-line basis to reflect their useful economic lives. The applicable percentages are 10% and 29% on decant buildings (2002: 10% and 29%), reflecting the time over which these buildings will be used and 4% (2002: 4%) on other buildings, reflecting the time in use over the life of the Project Agreement. This revision did not have a material financial impact, as these buildings were not in use prior to the revision of depreciation percentages. Decant buildings represent temporary office accommodation used during the refurbishment period.

Assets in the course of redevelopment are not depreciated until commissioned.

Modus Services (Holdings) Limited

Principal accounting policies (continued)

Capitalised interest

Interest costs on borrowings used to fund the redevelopment and refurbishment of infrastructure assets are partially capitalised during the refurbishment period. Capitalisation ceases on commissioning.

Fixed asset investments

In the Company's balance sheet, investments are stated at cost. Provisions are made against investments if events or circumstances indicate the carrying amount may not be recoverable.

Operating costs

Certain of the operating costs that are directly attributable to bringing assets under the course of refurbishment into working use are capitalised during the redevelopment and refurbishment period. All other operating costs are expensed to the Profit and Loss Account as incurred.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements. Deferred tax assets are recognised if it is more likely than not that the asset will be realised in the foreseeable future.

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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

This policy reflects a change from that in force for the previous period and arises from the adoption of Financial Reporting Standard 19 – 'Deferred Tax' which requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations.

Modus Services (Holdings) Limited

Principal accounting policies (continued)

Revenue recognition

Turnover represents amounts derived from the provision of serviced office facilities under the Project Agreement between Modus Services plc and The Secretary of State for Defence.

Revenue relating to the provision of serviced accommodation is recognised on a straight line over the primary contract period of thirty years, as adjusted to reflect the level of services provided, compared with those originally contracted in the Project Agreement.

Revenue arising from the provision of demand related tariff based services in addition to those contracted in the Project Agreement, is recognised when the service is delivered.

Turnover includes an amount of deferred income which is being released on a straight line basis over the primary contract period arising from a capital contribution of £20.6 million payable to Modus Services plc in accordance with the terms of the Project Agreement.

Capital instruments

Capital instruments are accounted for and classified as equity or non-equity share capital, equity or non-equity interests and debt according to their form.

Financial instruments

The Group utilises interest rate swaps, which are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the requirements of Modus Services plc's credit agreement. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

The Group does not enter into speculative derivative contracts.

Finance costs

Debt issue costs, including initial arrangement fees and other incremental costs directly attributable to loans drawn down by the Group, are deferred and presented as a reduction in the proceeds of the loans drawn down and amortised on a straight line basis over the remaining term of the debt based on the percentage of debt drawn down.

Operating Leases

Rentals chargeable under the terms of operating lease agreements in respect of certain office facilities are charged to profit and loss in equal amounts over the lease term.

Modus Services (Holdings) Limited

Consolidated Profit and Loss Account for the year ended 31 March 2003

	<i>Note</i>	2003 £'000	2002 £'000
Turnover		57,160	56,848
Net operating expenses	2 - 4	(40,762)	(34,474)
Operating profit		16,398	22,374
Other interest receivable and similar income	5	185	130
Interest payable and similar charges	5	(12,344)	(8,926)
Profit on ordinary activities before taxation		4,239	13,578
Tax on profit on ordinary activities	6	(3,033)	(5,210)
Profit on ordinary activities after taxation being retained profit for period		1,206	8,368

The Group has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

Turnover and operating profit in the profit and loss account relate to continuing operations in one geographic sector.

Modus Services (Holdings) Limited

Consolidated Balance Sheet as at 31 March 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	287,112	158,380
Current assets			
Debtors			
- due after more than one year	9(b)	84,957	59,287
- due within one year	9(a)	7,775	1,429
Cash at bank and in hand		2,202	7,982
		94,934	68,698
Current liabilities			
Creditors: amounts falling due within one year	10(a)	(16,841)	(11,179)
Net current assets		78,093	57,519
Total assets less current liabilities		365,205	215,899
Creditors: amounts falling due after more than one year	10(b)	(344,266)	(199,199)
Provisions for liabilities and charges	11	(8,979)	(5,946)
Net assets		11,960	10,754
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account		11,860	10,654
Equity shareholders' funds	12	11,960	10,754

The financial statements on pages 6 to 22 were approved by the Board of Directors on 2 Feb, 2003 and were signed on its behalf by:

myleske

Director

Modus Services (Holdings) Limited

Company Balance Sheet as at 31 March 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Fixed asset investment	8	100	100
Total assets less current liabilities		100	100
Net assets		100	100
Capital and reserves			
Called up share capital	13	100	100
Equity shareholders' funds		100	100

The financial statements on pages 6 to 22 were approved by the Board of Directors
on 2 July 2003 and were signed on its behalf by:

my letter

Director

Modus Services (Holdings) Limited

Consolidated Cash Flow Statement for the year ended 31 March 2003

	<i>Note</i>	2003 £'000	2002 £'000
Net cash inflow from operating activities	14	7,174	12,334
Returns on investments and servicing of finance			
Interest received		185	130
Interest paid		(21,447)	(14,979)
Net cash outflow from returns on investment and servicing of finance		(21,162)	(14,849)
Taxation			
Corporation tax paid		-	-
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(136,192)	(53,766)
Management of liquid resources			
(Increase) / reduction in short term deposits with banks		(314)	2,012
Net cash outflow before financing		(150,594)	(54,269)
Financing			
Loans		144,500	60,200
Decrease/increase in cash		(6,094)	5,931
Reconciliation to net debt		2003 £'000	2002 £'000
Net debt at 1 April		(201,218)	(144,937)
(Decrease)/increase in net cash		(6,094)	5,931
Movement in deposits		314	(2,012)
Movement in borrowings		(144,500)	(60,200)
Net debt at 31 March	15	(351,498)	(201,218)

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

1 Company profit & loss account

As permitted by Section 230 of the Companies Act 1985, the Profit and Loss Account of the Company has not been included in the financial statements. The profit after taxation dealt with in the financial statements of the Company was £nil.

2 Net operating costs

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after charging:		
Operating leases – land and buildings	2,102	2,085
Depreciation on tangible fixed assets:		
Own assets	18,530	13,689
Auditors' remuneration for:		
Audit Services (Company borne by Modus Services plc)	39	31
Other Services	101	59

3 Emoluments of Directors

Directors' Remuneration

Executive Directors	2003 Basic pay £'000	2003 Bonus £'000	2003 Total £'000	2002 Total £'000
L. Mitchell	95	17	112	112
Other Directors	-	-	-	17
	95	17	112	129

The executive director is paid a basic salary and may earn an annual bonus based on the performance of the Group. This payment is restricted to 25% of annual basic. 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 £105,600 (2002: £102,400). These transactions are disclosed in Note 19 to the financial statements.

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

4 Staff numbers and costs

Employees	2003 Number	2002 Number
Number of persons employed by the Group at the end of the period:		
Administration	5	5
Staff costs incurred during the period in respect of these employees were:	£'000	£'000
Wages and salaries	392	269
Social Security costs	32	190
	424	459

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

5 Net Interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable on bank loans	23,414	15,260
Less: Interest capitalised	(11,070)	(6,334)
	(12,344)	(8,926)
Interest receivable on short term deposits	185	130
	(12,159)	(8,796)

6 Tax on profit on ordinary activities

	2003 £'000	2002 £'000
Taxation on the profit for the period		
UK Corporation tax at 30%	-	-
Deferred tax	3,033	5,210
	3,033	5,210

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

6 Tax on profit on ordinary activities (continued)

	2003	2002
	%	%
Reconciliation of effective tax rate		
UK corporation tax rate	30	30
Non deductible and non taxable items	41	8
Effective tax rate	71	38

7 Tangible fixed assets

Group

	Assets in the Course of Construction £'000	Buildings £'000	Total £'000
Cost and Net Book Value	99,610	72,459	172,069
Additions:			
Construction contract cost	134,737	1,455	136,192
Interest capitalised	10,081	989	11,070
At 31 March 2003	244,428	74,903	319,331
Depreciation and amortisation			
At 01 April 2002	-	13,689	13,689
Charge for the year	-	18,530	18,530
At 31 March 2003	-	32,219	32,219
Net book value			
At 31 March 2003	244,428	42,684	287,112
At 31 March 2002	99,610	58,770	158,380

The Company has no fixed assets other than its investment in Modus Services plc.

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

8 Fixed asset investments

Company

Interests in
Group
Undertakings
£'000

Cost at 1 April 2002 and 31 March 2003

100

Subsidiary undertakings:

	Shareholding	Nature of Business
Modus Services plc	100%	Special purpose company concerned with obligations under a PFI contract relating to certain Ministry of Defence office facilities.

9 Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
(a) Due within one year:				
Trade debtors	3,547	159	-	-
Prepayments	229	436	-	-
Amount due from HM Customs & Excise	3,999	834	-	-
	7,775	1,429	-	-
(b) Amounts falling due after one year:				
Amounts recoverable under Project Agreement	84,957	59,287	-	-
	92,732	60,716	-	-

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

10 Creditors

(a) Amounts falling due within one year:	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade creditors	3,245	1,773	-	-
Accruals and deferred income	13,596	9,406	-	-
	16,841	11,179	-	-

(b) Amounts falling due after one year:	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts:				
- Term Loans	300,700	156,200	-	-
- Equity Bridging Loan	53,000	53,000	-	-
	353,700	209,200	-	-
Bank loan issue costs	(9,434)	(10,001)	-	-
	344,266	199,199	-	-

The Group has a term loan facility of £492.7 million comprising a Tranche A of £292.7 million and a Tranche B of £200 million of which £150.35 million and £150.35 million respectively have been drawn down. 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 are expected to commence on 30 September 2005. Interest on these loans is charged at a variable interest rate of Libor plus 1.20% during the refurbishment period, which is expected to be completed by 2005.

The equity bridge facility was drawn down in full on 11 May 2000 and bears interest at a rate of Libor plus 0.25%. This equity bridging loan is repayable on 15 November 2004 and is secured by letters of credit provided by shareholders. Shortly before repayment shareholders are required to provide debt finance by subscribing to £53 million zero coupon loan stock to finance the repayment.

In May 2000, as part of its interest rate management strategy and in accordance with the terms of its credit agreement the Group entered into four identical accreting 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 Group receives interest on a variable basis and pays interest at a fixed rate of 6.61%.

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.

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

10 Creditors (continued)

Maturity profile:

(a) Amounts falling due within one year:	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Due: 1 – 2 years	53,000	-	-	-
2 – 5 years	28,757	62,000	-	-
Greater than 5 years	262,509	137,199	-	-
	344,266	199,199	-	-

The Group's bank loans are stated net of unamortised issue costs of £9.45 million. The Group has incurred total issue costs of £10.457 million in respect of facilities made available to it under the terms of a credit agreement dated 4 May 2000. These costs are charged to the profit and loss account over the relevant terms of the facilities on a straight line basis, based on the percentage of the total facility drawn down.

In addition, the Group has a debt service reserve loan facility amounting to £6 million. Currently it is not intended that this facility will be drawn against; however any loans drawn down on this facility will be repayable on the date that the additional capital contribution of £20.6 million is received, which is expected to be 30 November 2004.

11 Provisions for liabilities and charges

	Group Deferred Taxation £'000	Company £'000
Balance at 1 April 2002	5,946	-
Charged to profit and loss account during the year	3,033	-
Balance at 31 March 2003	8,979	-

Fully provided deferred tax is summarised as follows:

	Group Deferred Taxation 2003 £'000	Group Deferred Taxation 2002 £'000
Excess capital allowances over depreciation	12,780	5,981
Short term timing differences	6,695	3,200
Tax effect of losses carried forward	(10,496)	(3,235)
Balance at 31 March 2003	8,979	5,946

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

12 Reconciliation of movements in shareholders' funds

Group

	Share capital	Profit & Loss Account	Total Shareholders' Funds
	2003	2003	2003
	£'000	£'000	£'000
Profit for the financial period	-	1,206	1,206
Opening shareholders' funds	100	10,654	10,754
Closing shareholders' funds at 31 March 2003	100	11,860	11,960

Company

	Share capital	Profit & Loss Account	Total Shareholders' Funds
	2003	2003	2003
	£'000	£'000	£'000
Opening shareholders' funds	100	-	100
Closing shareholders' funds at 31 March 2003	100	-	100

13 Share capital

Equity Shares

	2003 £'000	2002 £'000
Authorised 100,000 ordinary shares of £1 each	100	100
Called up, allotted and fully paid 100,000 ordinary shares of £1 each	100	100

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

14 Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'000	2002 £'000
Operating profit	16,398	22,374
Depreciation	18,530	13,689
Increase in debtors	(32,016)	(26,434)
Increase in creditors	4,262	2,705
Net cash inflow from operating activities	7,174	12,334

15 Analysis of net debt

	1 April 2002 £'000	Cash flow £'000	31 March 2003 £'000
Cash at bank and in hand	6,332	(6,094)	238
Short term bank deposits	1,650	314	1,964
Debt due after one year	(209,200)	(144,500)	(353,700)
	(201,218)	(150,280)	(351,498)

16 Capital commitments

	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
Contracts placed for future capital expenditure not provided in the financial statements	117,223	-	255,601	-

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

17 Operating lease commitments

At 31 March 2003 the Group has lease agreements in respect of properties for which the payments extend over a number of years.

Total commitments under non-cancellable operating leases expiring:

Property	Group 2003 £'000	Group 2002 £'000
Within one year	2,093	2,093
Between one and two years	1,500	2,093
Between two and five years	-	1,500
	3,593	5,686

The company has no operating lease commitments.

18 Controlling parties

The Company is owned and jointly controlled by Argon Ventures Limited (19.9%), Hyder Investments Limited (30.1%), Innisfree Partners Limited (13.4%), Innisfree Modus Limited (26.7%) and Innisfree Nominees Limited (9.9%). Argon Ventures Limited and Hyder Investments are both ultimately owned by John Laing plc.

19 Related party transaction

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

Name of Party	Relationship	Nature of Transaction	Transaction Amount 2003 £'000	Amount due (to)/from related party at 31 March 2003 £'000	Transaction Amount 2002 £'000	Amount due (to)/from related party at 31 March 2002 £'000
Hyder Investments Limited	Shareholder	Fees and cost recharges	-	-	37	-
Argon Ventures Limited (formerly Amey Ventures Limited)	Shareholder	Non-executive director fees	40	-	50	(40)

Modus Services (Holdings) Limited

Notes to the financial statements for year ended 31 March 2003

Related party transaction (continued)

Name of Party	Relationship	Nature of Transaction	Transaction Amount 2003 £'000	Amount due (to)/from related party at 31 March 2003 £'000	Transaction Amount 2002 £'000	Amount due (to)/from related party at 31 March 2002 £'000
Macquarie Infrastructure Projects Limited	Former Shareholder *	Non-executive director fees	-	-	12	-
* for services up to date of transfer of shareholding						
Innisfree Partners Limited	Shareholder	Non-executive director fees	40	-	50	(40)
Amey BPO Services Limited (formerly Amey Business Services Limited)	Contractor		12,853	(2,941)	14,479	(1,176)
Equion Facilities Management Limited	Contractor		191	(35)	-	-
Laing Investments Management Services Limited	Contractor		105	(16)	102	(9)

There were no provisions at 31 March 2003 in respect of amounts due to related parties and no amounts were written off in the period in respect of transactions with related parties.