

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

**Report and Accounts**

**For the year ended 31 March 2002**



Registered Office  
29 Bressenden  
Place  
London  
SW1E 5EQ

# **Modus Services (Holdings) Limited**

## **Directors' Report and financial statements for the year ended 31 March 2002**

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# **Modus Services (Holdings) Limited**

## **Directors & Advisors**

### **Directors**

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

### **Company Secretary & Registered Office**

S A Brooks

R K Miller

P G Shell

Resigned 26/04/02

Appointed 26/04/02

29 Bressenden Place

London

SW1E 5EQ

### **Auditors**

PricewaterhouseCoopers

Registered Auditors

London

### **Solicitors**

Clifford Chance

London

### **Principal Bankers**

Dresdner Bank AG

London Branch

# **Modus Services (Holdings) Limited**

## **Directors' Report for the year ended 31 March 2002**

The Directors submit their report together with the financial statements for the year ended 31 March 2002.

### **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.

### **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 period:

F Barras	
R Weston	
CL Mitchell	
JP Marlow	Resigned 11/07/01
DA Metter	
CM Mogg	
AL Nelson	
MJ Webber	
Major General JD Stokoe	Appointed 23/05/01
DI Sutherland	Appointed 05/06/01

# **Modus Services (Holdings) Limited**

## **Directors' Report for the year ended 31 March 2002 (Continued)**

### **Directors' interests in shares or debentures**

At 31 March 2002 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 2002 were 8.0 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 that 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 2002.

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.

## **Modus Services (Holdings) Limited**

### **Directors' Report for the year ended 31 March 2002 (Continued)**

#### **Contributions for charitable & political purposes**

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

#### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

#### **By order of the Board**

A handwritten signature in black ink, appearing to read 'Sally Brooks', with a stylized flourish extending from the end.

**SA Brooks**  
Joint Company Secretary

**20 June 2002**

## **Independent Auditors' Report to the Members of Modus Services (Holdings) Limited**

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and related notes and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the 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 financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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

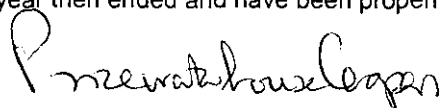
### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and  
Registered Auditors

20 June 2002

## **Modus Services (Holdings) Limited**

### **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. There has been a revision in the estimation of the useful economic life due to a higher percentage of completion of construction than previously anticipated. The revised applicable percentages are 10% and 29% on decant buildings (2001: 20%), reflecting the time over which these buildings will be used and 4% (2001: 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.

#### **Capitalised interest**

Interest costs on borrowings used to fund the redevelopment and refurbishment of infrastructure assets are 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 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.



# **Modus Services (Holdings) Limited**

## **Principal accounting policies**

### **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.

As full provision for deferred tax was reflected in the financial statements for the period ended 31 March 2001 no adjustment has been required to the comparative figures.

### **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.

# **Modus Services (Holdings) Limited**

## **Principal accounting policies**

### **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 2002

		Year ended 31 March 2002 £'000	Period from 4 November 1999 to 31 March 2001 £'000
	Note		
Turnover		56,848	51,325
Net operating expenses	2 - 4	(34,474)	(43,371)
Operating profit		22,374	7,954
Other interest receivable and similar income		130	156
Interest payable and similar charges	5	(8,926)	(5,088)
Profit on ordinary activities before taxation		13,578	3,022
Tax on profit on ordinary activities	6	(5,210)	(736)
Profit on ordinary activities after taxation being retained profit for period		8,368	2,286

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 2002

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Tangible assets	7	158,380	111,969
<b>Current assets</b>			
Debtors			
- due after more than one year	9(b)	59,287	32,794
- due within one year	9(a)	1,429	1,488
Cash at bank and in hand		7,982	4,063
		68,698	38,345
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10(a)	(11,179)	(8,474)
<b>Net current assets</b>		57,519	29,871
<b>Total assets less current liabilities</b>		215,899	141,840
Creditors: amounts falling due after more than one year	10(b)	(199,199)	(138,718)
Provisions for liabilities and charges	11	(5,946)	(736)
<b>Net assets</b>		10,754	2,386
<b>Capital and reserves</b>			
Called up share capital	13	100	100
Profit and loss account		10,654	2,286
<b>Equity shareholders' funds</b>	12	10,754	2,386

The financial statements on pages 6 to 23 were approved by the Board of Directors on 20 June 2002 and were signed on its behalf by:



**M Webber**  
Director

20 June 2002

## Modus Services (Holdings) Limited

### Company Balance Sheet as at 31 March 2002

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Fixed asset investment	8	100	100
<b>Total assets less current liabilities</b>		<b>100</b>	<b>100</b>
<b>Net assets</b>		<b>100</b>	<b>100</b>
<b>Capital and reserves</b>			
Called up share capital	13	100	100
<b>Equity shareholders' funds</b>		<b>100</b>	<b>100</b>

The financial statements on pages 6 to 23 were approved by the Board of Directors on 20 June 2002 and were signed on its behalf by:



M Webber  
Director

20 June 2002

# Modus Services (Holdings) Limited

## Consolidated Cash Flow Statement for the year ended 31 March 2002

		Year ended 31 March 2002 £'000	Period from 4 November 1999 to 31 March 2001 £'000
	Note		
<b>Net cash inflow (outflow) from operating activities</b>	14	12,334	(23,783)
<b>Returns on investments and servicing of finance</b>			
Interest received		130	156
Interest paid		(14,979)	(7,522)
Issue costs of new bank loans		-	(10,442)
Subordinated debt subscription fees		-	(1,325)
<b>Net cash outflow from returns on investment and servicing of finance</b>		(14,849)	(19,133)
<b>Taxation</b>			
Corporation tax paid		-	-
<b>Capital expenditure and financial investments</b>			
Purchase of tangible fixed assets		(53,766)	(102,121)
<b>Management of liquid resources</b>			
Reduction/(increase) in short term deposits with banks		2,012	(3,662)
<b>Net cash outflow before financing</b>		(54,269)	(148,699)
<b>Financing</b>			
Issue of ordinary share capital		-	100
Loans		60,200	149,000
<b>Increase in cash</b>		5,931	401
		2002 £'000	2001 £'000
<b>Reconciliation to net debt</b>			
Net debt at 1 April (2001: 4 November 1999)		(144,937)	-
Increase in net cash		5,931	401
Movement in deposits		(2,012)	3,662
Movement in borrowings		(60,200)	(149,000)
<b>Net debt at 31 March</b>	15	(201,218)	(144,937)

# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

### 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

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging:		
Operating leases – land and buildings	2,085	1,401
Depreciation on tangible fixed assets:		
Own assets	13,689	-
Auditors' remuneration for:		
Audit Services (Company borne by Modus Services plc)	31	22
Other Services	59	60

### 3 Emoluments of Directors

#### Directors' Remuneration

Executive Directors	2002 Basic pay £'000	2002 Bonus £'000	2002 Total £'000	2001 Total £'000
J. Marlow*	27	-	27	22
L. Mitchell	95	17	112	20
	122	17	139	42

\* Up to date of resignation

The executive directors are paid basic salaries and may earn an annual bonus based on the performance of the Group. These payments are 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.

In addition to the above, amounts paid to third parties and related parties to shareholders in respect of services provided by J. Marlow amounted to £1,700 (2001: £82,528).

Amounts paid to related parties in connection with the provision for services of non-executive directors were £137,900 (2001: £75,000). These transactions are disclosed in Note 19 to the financial statements.

# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

### 4 Staff numbers and costs

Employees	2002 Number	2001 Number
Number of persons employed by the Group at the end of the year:		
Administration	5	6

The average number of employees employed by the Group during the year was 5.

Staff costs incurred during the period in respect of these employees were:	£'000	£'000
Wages and salaries	269	153
Social Security costs	190	12
	459	165

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

### 5 Interest payable and similar charges

	2002 £'000	2001 £'000
Interest payable on bank loans and overdrafts	9,888	6,199
Amounts payable in respect of interest rate swaps	3,515	581
Amortisation of issue costs of bank loans	281	175
Commitment fees payable on bank facilities	1,476	1,630
Bank Agency fees	100	92
Subordinated debt subscription fees	-	1,325
Interest capitalised	(6,334)	(4,914)
	8,926	5,088

### 6 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
Taxation on the profit for the period		
UK Corporation tax at 30%	-	-
Deferred tax	5,210	736
	5,210	736



# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

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

	2002	2001
	%	%
<b>Reconciliation of effective tax rate</b>		
UK corporation tax rate	30	30
Non deductible and non taxable items	8	(6)
<b>Effective tax rate</b>	<b>38</b>	<b>24</b>

### 7 Tangible fixed assets

#### Group

	Assets in the Course of Construction £'000	Buildings £'000	Total £'000
<b>Cost and Net Book Value</b>			
At 01 April 2001	111,969	-	111,969
Additions:			
Construction contract cost	51,918	1,731	53,649
Own cost capitalised	117	-	117
Interest capitalised	6,334	-	6,334
Transfer between categories	(70,728)	70,728	-
<b>At 31 March 2002</b>	<b>99,610</b>	<b>72,459</b>	<b>172,069</b>
<b>Depreciation and amortisation</b>			
At 01 April 2001	-	-	-
Charge for the year	-	13,689	13,689
<b>At 31 March 2002</b>	<b>-</b>	<b>13,689</b>	<b>13,689</b>
<b>Net book value</b>			
<b>At 31 March 2002</b>	<b>99,610</b>	<b>58,770</b>	<b>158,380</b>
At 31 March 2001	111,969	-	111,969

Transferred amounts refer to decant buildings of which commissioning commenced in July 2001; the remaining assets in the course of construction relate to the main building.

During the year the Group revised the life of its assets to take account of changes in the percentage of completion of construction. There is no effect of this revision due to depreciation commencing only during the current year.

The Company has no fixed assets.

# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

### 8 Fixed asset investments

#### Company

Interests in  
Group  
Undertakings  
£'000

Cost at 1 April 2001 and 31 March 2002 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	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
<b>(a) Due within one year:</b>				
Trade debtors	159	327	-	-
Prepayments	436	86	-	-
Amount due from HM Customs & Excise	834	1,075	-	-
	<b>1,429</b>	<b>1,488</b>	<b>-</b>	<b>-</b>
<b>(b) Amounts falling due after one year:</b>				
Amounts recoverable under Project Agreement	59,287	32,794	-	-
	<b>60,716</b>	<b>34,282</b>	<b>-</b>	<b>-</b>

# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

### 10 Creditors

(a) Amounts falling due within one year:	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade creditors	1,773	1,983	-	-
Other creditors	-	144	-	-
Accruals and deferred income	9,406	6,347	-	-
	<b>11,179</b>	<b>8,474</b>	<b>-</b>	<b>-</b>

(b) Amounts falling due after one year:	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans and overdrafts:				
- Term Loans	156,200	96,000	-	-
- Equity Bridging Loan	53,000	53,000	-	-
	<b>209,200</b>	<b>149,000</b>	<b>-</b>	<b>-</b>
Bank loan issue costs	(10,001)	(10,282)	-	-
	<b>199,199</b>	<b>138,718</b>	<b>-</b>	<b>-</b>

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 £78.1 million and £78.1 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 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. Of the Group's gross borrowing an amount of £137.2 million is due in more than 5 years.

## Modus Services (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2002

#### 10 Creditors (continued)

The Group's bank loans are stated net of unamortised issue costs of £10.001 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 2001	736	-
Charged to profit and loss account during year	5,210	-
Balance at 31 March 2002	5,946	-

Fully provided deferred tax is summarised as follows:

	Group Deferred Taxation 2002 £'000	Group Deferred Taxation 2001 £'000
Excess capital allowances over depreciation	5,981	3,189
Short term timing differences	3,200	1,474
Tax effect of losses carried forward	(3,235)	(3,927)
Balance at 31 March 2002	5,946	736

# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

### 12 Reconciliation of movements in shareholders' funds

#### Group

	Share capital	Profit & Loss Account	Total Shareholders' Funds
	2002	2002	2002
	£'000	£'000	£'000
Profit for the financial period	-	8,368	8,368
Opening shareholders' funds	100	2,286	2,386
<b>Closing shareholders' funds at 31 March 2002</b>	<b>100</b>	<b>10,654</b>	<b>10,754</b>

#### Company

	Share capital	Profit & Loss Account	Total Shareholders' Funds
	2002	2002	2002
	£'000	£'000	£'000
Opening shareholders' funds	100	-	100
<b>Closing shareholders' funds at 31 March 2002</b>	<b>100</b>	<b>-</b>	<b>100</b>

### 13 Share capital

	2002 £'000	2001 £'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 the year ended 31 March 2002

#### 14 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2002 £'000	2001 £'000
Operating profit	22,374	7,954
Depreciation	13,689	-
Increase in debtors	(26,434)	(34,282)
Increase in creditors	2,705	2,545
Net cash inflow/(outflow) from operating activities	12,334	(23,783)

#### 15 Analysis of net debt

	1 April 2001	Cash flow	31 March 2002
Cash at bank and in hand	401	5,931	6,332
Short term bank deposits	3,662	(2,012)	1,650
Debt due after one year	(149,000)	(60,200)	(209,200)
	(144,937)	(56,281)	(201,218)

#### 16 Capital commitments

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

# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

### 17 Operating lease commitments

At 31 March 2002 the Group has lease agreements in respect of properties for which the payments extend over a number of years.

Annual commitments under non-cancellable operating leases expiring:

Property	Group 2002 £'000	Group 2001 £'000
Within one year	-	-
Within two to five years	2,093	2,093
After five years	-	-
	<b>2,093</b>	<b>2,093</b>

The company has no operating lease commitments.

### 18 Controlling parties

The Company is owned and jointly controlled by Amey Ventures Limited (19.9%), Hyder Investments Limited (40.0%), Innisfree Partners Limited (13.4%) and Innisfree Modus Limited (26.7%).

### 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 2002 £'000	Amount due (to)/from related party at 31 March 2002 £'000	Transaction Amount 2001 £'000	Amount due (to)/from related party at 31 March 2001 £'000
Amey Ventures Limited	Shareholder	Non-executive director fees (including VAT)	50	(40)	29	(29)
		Fees and cost recharges (including VAT)	-	-	3,887	-
		Subordinated debt subscription fees	-	-	383	-

# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

### 19 Related party transaction (continued)

Name of Party	Relationship	Nature of Transaction	Transaction Amount 2002 £'000	Amount due (to)/from related party at 31 March 2002 £'000	Transaction Amount 2001 £'000	Amount due (to)/from related party at 31 March 2001 £'000
Hyder Investments Limited	Shareholder	Fees and cost recharges (including VAT)	37	-	8,423	-
		Non-executive director fees (including VAT)	50	(40)	29	(29)
		Subordinated debt subscription fees	-	-	383	-
Macquarie Infrastructure Projects Limited	Former Shareholder *	Non-executive director fees (including VAT)	12	-	-	-
		Subordinated debt subscription fees	-	-	383	-
		Fees and cost recharges (including VAT)	-	-	13,266	-
* for services up to date of transfer of shareholding						
Innisfree Partners Limited	Shareholder	Non-executive director fees (including VAT)	50	(40)	29	(29)
		Subordinated debt subscription fees	-	-	178	-
Amey Business Services Limited	Contractor	(including VAT)	14,479	(1,176)	24,761	(1,755)



# Modus Services (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2002

### 19 Related party transaction (continued)

Name of Party	Relationship	Nature of Transaction	Transaction Amount 2002 £'000	Amount due (to)/from related party at 31 March 2002 £'000	Transaction Amount 2001 £'000	Amount due (to)/from related party at 31 March 2001 £'000
Hyder Consulting Limited	Contractor	(including VAT)	180	-	70	-
Equion Management Services Limited	Contractor	(including VAT)	102	(9)	-	-

There were no provisions at 31 March 2002 in respect of amounts due to related parties and no amounts were written off in the period in respect of transactions with related parties.