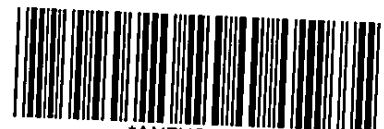


Modus Services (Holdings) Limited

Directors' Report and Financial Statements for the Year Ended 31 March 2008

Registered Number: 3871198

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Modus Services (Holdings) Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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Modus Services (Holdings) Limited

Directors and advisors

Directors

A J Ballsdon (appointed 29 February 2008)
G Beazley-Long
P Francis (Executive Director)
P D Jones (resigned 29 February 2008)
C B Waples (appointed 1 April 2008)
M J Webber
R Weston (resigned 1 April 2008)

Company secretary and Registered Office

S A Brooks
R K Miller

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 2008.

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 £6,263,000 (2007 - £9,430,000). The Directors approved the payment of dividends totalling £8,897,000 during the year (2007 - £9,928,000).

Directors

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

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 £500 of charitable donations (2007 - £nil) and £nil political donations (2007 - £nil) during the year.

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



C B Waples
Director
11 July 2008

Modus Services (Holdings) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 year. In preparing these 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; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent 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 2008 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 within it.

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 2008 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

14 July 2008

Modus Services (Holdings) Limited

Consolidated Profit And Loss Account for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Turnover	1	26,314	26,806
Cost of Sales		(2,385)	(3,364)
Gross Profit		23,929	23,442
Net operating costs		(17,256)	(16,862)
Operating profit	2	6,673	6,580
Net interest receivable	5	1,187	5,239
Profit on ordinary activities before taxation		7,860	11,819
Tax on profit on ordinary activities	6	(1,597)	(2,389)
Profit on ordinary activities after taxation		6,263	9,430
Dividends	7	(8,897)	(9,928)
Loss for the year transferred from reserves	13	(2,634)	(498)

A reconciliation of movements in 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.

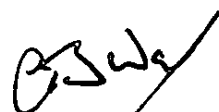
All gains and losses are recognised in the profit and loss account in both the current and preceding year and therefore no separate statement of total recognised gains and losses has been presented.

Modus Services (Holdings) Limited

Consolidated Balance Sheet at 31 March 2008

	Notes	2008	2007
		£'000	£'000
Current assets			
Debtors		477,320	485,888
- due within one year	9	15,628	16,740
- due after more than one year	9	461,692	469,148
Cash at bank and in hand	10	39,181	41,668
		516,501	527,556
Current liabilities			
Creditors: amounts falling due within one year	11	(28,989)	(26,621)
Net current assets		487,512	500,935
Total assets less current liabilities		487,512	500,935
Creditors: amounts falling due after more than one year	11	(462,140)	(474,526)
Provisions for liabilities	12	(24,015)	(22,418)
Net assets		1,357	3,991
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account	13	1,257	3,891
Shareholders' funds	14	1,357	3,991

The financial statements were approved by the Board of Directors on 11 July 2008 and were signed on its behalf by:



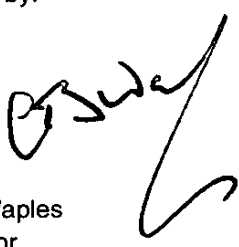
C B Waples
Director
11 July 2008

Modus Services (Holdings) Limited

Company Balance Sheet at 31 March 2008

	Notes	2008 £'000	2007 £'000
Fixed asset investment	8	22,009	28,224
Creditors: amounts falling due within one year	11	(5,248)	(9,982)
Creditors: amounts falling due after more than one year	11	(16,661)	(18,142)
Total assets less current liabilities and net assets		<u>100</u>	<u>100</u>
Capital and Reserves			
Called up share capital	15	100	100
Shareholders' funds		<u>100</u>	<u>100</u>

The financial statements were approved by the Board of Directors on 11 July 2008 and were signed on its behalf by:


C B Waples
Director
11 July 2008

Modus Services (Holdings) Limited

Consolidated Cash Flow Statement for the Year Ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	16	61,846	60,685
Returns on investments and servicing of finance			
Interest received		3,319	2,650
Interest paid		(41,947)	(37,563)
Dividends paid to equity shareholders		(8,897)	(9,928)
Net cash outflow from returns on investments and servicing of finance		(47,525)	(44,841)
Management of liquid resources			
(Decrease)/increase in short term deposits with banks		(1,176)	394
Net cash inflow before financing		13,145	16,238
Financing			
Loan repayments		(16,808)	(14,888)
(Decrease)/increase in cash		(3,663)	1,350
Increase/(decrease) in 'blocked' cash (see note 10)		1,176	(394)
(Decrease)/increase in cash as per balance sheet		(2,487)	956
		2008 £'000	2007 £'000
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 April		(489,837)	(478,968)
(Decrease)/increase in cash for the year		(3,663)	1,350
Decrease/(increase) in borrowings due within one year		3,896	(4,063)
Decrease/(increase) in borrowings due in more than one year		12,912	(7,549)
Decrease in debt issue costs balance		(533)	(607)
Net Debt at 31 March	17	(477,225)	(489,837)

Modus Services (Holdings) Limited

Notes To The Financial Statements For The Year Ended 31 March 2008

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 throughout the year, 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 (2007: £nil).

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or the date on which control passed. Acquisitions are accounted for under the acquisition method.

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 were disclosed in the balance sheet as amounts recoverable on contracts while in construction and were 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.

d) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Modus Services (Holdings) Limited

Notes To The Financial Statements For The Year Ended 31 March 2008

1 Accounting policies (*continued*)

e) 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.

f) 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.

g) Taxation

The current year tax charge 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

	2008 £'000	2007 £'000
Operating profit is stated after charging:		
Fees payable to the Group's auditors for the audit of the Group's annual accounts	23	22
Fees payable to the Group's auditors for other services relating to capital restructure	-	8

The audit fee for the Company of £2,300 (2007: £2,200) was borne by its subsidiary undertaking.

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2008

3 Emoluments of Directors

	2008 Basic pay £'000	2008 Bonus £'000	2008 Total £'000	2007 Total £'000
Directors' Remuneration				
P Francis	137	27	164	171
	<u>137</u>	<u>27</u>	<u>164</u>	<u>171</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 current or preceding year.

Amounts paid to related parties in connection with the provision for services of non-executive directors were £130,000 (2007: £123,358). These are disclosed in Note 18 to the financial statements.

4 Staff Numbers And Costs

	2008 No.	2007 No.
Number of persons employed by the Group (including Directors) at the end of the year:		
Administration	<u>7</u>	<u>6</u>
Staff costs incurred during the period in respect of these employees were:	£'000	£'000
Wages and salaries	499	436
Social security costs	65	54
	<u>564</u>	<u>490</u>

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

5 Net interest receivable

	2008 £'000	2007 £'000
Interest receivable and similar income		
Interest receivable on short-term deposits	3,320	2,650
Interest receivable on finance debtor	<u>40,315</u>	<u>40,726</u>
	<u>43,635</u>	<u>43,376</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(35,406)	(36,286)
Interest payable on amounts due to shareholders (see note 11)	<u>(7,042)</u>	<u>(1,851)</u>
	<u>(42,448)</u>	<u>(38,137)</u>
Net interest receivable	<u>1,187</u>	<u>5,239</u>

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2008

6 Tax on profit on ordinary activities

	2008 £'000	2007 £'000
The tax charge comprises:		
Deferred tax: origination and reversal of timing differences	(2,672)	(4,181)
Adjustment in respect of prior years	1,075	1,792
Tax on profit on ordinary activities	<u>(1,597)</u>	<u>(2,389)</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:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	<u>7,860</u>	<u>11,615</u>
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 30% (2007: 30%)	(2,358)	(3,484)
<i>Factors affecting the tax charge for the year</i>		
Tax losses brought forward	2,358	3,484
Total current tax credit for the year	<u>-</u>	<u>-</u>

7 Dividends

	2008 £'000	2007 £'000
Interim and final dividend paid of £88.97 (2007 - £99.28) per £1 share	<u>8,897</u>	<u>9,928</u>
	<u>8,897</u>	<u>9,928</u>

8 Fixed Asset Investment

Company	Interests in Group Undertakings		
	Shares £'000	Loans £'000	Total £'000
1 April 2007	100	28,124	28,224
Loan repayments	-	(6,215)	(6,215)
31 March 2008	<u>100</u>	<u>21,909</u>	<u>22,009</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 2008

9 Debtors

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Due within one year:				
Trade debtors	8,186	8,065	-	-
Finance debtor	7,403	6,808	-	-
Prepayments and accrued income	39	1,867	-	-
	<u>15,628</u>	<u>16,740</u>	<u>-</u>	<u>-</u>
Due after more than one year:				
Finance debtor	461,692	469,148	-	-
	<u>461,692</u>	<u>469,148</u>	<u>-</u>	<u>-</u>
Total debtors	<u>477,320</u>	<u>485,888</u>	<u>-</u>	<u>-</u>

Included within prepayments and accrued income are four season ticket loans to officers and Directors of the Company to a total value of £3,111 (2007 - £3,846).

The total finance debtor includes £98.4 million (2007: £99.8 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 2008 was £39.2 million (2007 - £41.7 million). Of this balance, £38.0 million represents blocked cash held in reserve accounts (2007 - £36.8 million).

11 Creditors

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Bank loans	11,431	10,593	-	-
Bank loan issue costs	(374)	(381)	-	-
Trade creditors	2,671	2,265	-	-
VAT	3,023	2,890	-	-
Other creditors, accruals and deferred income	6,990	1,272	-	-
Amounts owed to shareholders	<u>5,248</u>	<u>9,982</u>	<u>5,248</u>	<u>9,982</u>
	<u>28,989</u>	<u>26,621</u>	<u>5,248</u>	<u>9,982</u>
Amounts falling due after more than one year				
Bank Loans	451,707	463,138	-	-
Bank loans issue costs	<u>(6,228)</u>	<u>(6,754)</u>	<u>-</u>	<u>-</u>
	<u>445,479</u>	<u>456,384</u>	<u>-</u>	<u>-</u>
Amounts owed to shareholders	<u>16,661</u>	<u>18,142</u>	<u>16,661</u>	<u>18,142</u>
	<u>462,140</u>	<u>474,526</u>	<u>16,661</u>	<u>18,142</u>

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2008

11 Creditors (continued)

The Group drew down the remaining £19.2 million of its £492.7 million 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 2008 were £275.1 million (2007 - £281.4 million) and £188.0 million (2007 - £192.3 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 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%.

The Group entered into an additional accreting 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 Group receives interest on a variable basis and pays interest at a fixed rate of 4.73%.

The fixed interest rate swaps mitigate interest exposure and had a negative fair value at 31 March 2008 of £61,186,322 (2007 - £53,005,828).

In November 2004 the Company issued £26.5 million loan stock to its shareholders. On 23 September 2006, the Company converted a further £26.5 million of share capital into loan stock issued to its shareholders, and on 1 October 2006 the entire £53 million of loan stock became subject to a coupon rate of 12% per annum. In September 2007 the Directors then elected to apply a Spens clause which reduces the sub debt coupon from 12% to 10% and compensates the shareholders for loss of interest via an early payment redemption premium. The loan stock is repayable by instalments from surplus funds by 2028.

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	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Maturity Profile:				
In one year or less, on demand	16,679	20,575	5,248	9,982
Between one and two years	18,632	18,945	6,314	7,514
Between two and five years	52,966	50,290	10,347	10,628
In five years or more	396,770	412,045	-	-
	485,047	501,855	21,909	28,124
Less: unamortised debt issue costs	(6,602)	(7,135)	-	-
	478,445	494,720	21,909	28,124

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 2008

12 Provisions for liabilities

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Deferred taxation				
Balance at 1 April 2007	22,418	20,029	-	-
Charged to profit and loss account during the year	1,597	2,389	-	-
Balance at 31 March 2008	<u>24,015</u>	<u>22,418</u>	<u>-</u>	<u>-</u>
Deferred tax is provided as follows:			2008	2007
			£'000	£'000
Origination and reversal of timing differences			24,015	22,418
Deferred tax liability as at 31 March			<u>24,015</u>	<u>22,418</u>

Deferred tax asset not recognised in respect of excess tax losses amounts to £65 million (2007: £71 million).

13 Movement in reserves

	Profit and Loss account £'000
At 1 April 2007	3,891
Retained loss for the year	(2,634)
At 31 March 2008	<u>1,257</u>

14 Reconciliation of movements in Shareholders' funds

Group			Total share- holders' funds
	Share capital £'000	Profit and loss account £'000	£'000
Opening shareholders' funds at 1 April 2007	100	3,891	3,991
Retained loss for the year	-	(2,634)	(2,634)
Closing shareholders' funds at 31 March 2008	<u>100</u>	<u>1,257</u>	<u>1,357</u>
Company			Total share- holders' funds
	Share capital £'000	Profit and loss account £'000	£'000
Opening shareholders' funds at 1 April 2007	100	-	100
Closing shareholders' funds at 31 March 2008	<u>100</u>	<u>-</u>	<u>100</u>

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2008

15 Called up share capital

	No. '000
Authorised: 100,000 Ordinary shares at £1 each (2007 - 100,000)	
At 1 April 2007 and 31 March 2008	<u>100</u>
Allotted, called up and fully paid: 100,000 Ordinary shares at £1 each (2007 - 100,000)	£'000
At 1 April 2007 and 31 March 2008	<u>100</u>

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

	2008	2007
	£'000	£'000
Operating profit	6,673	6,376
Decrease in debtors	54,799	55,820
Increase/(decrease) in creditors	374	(1,511)
Net cash inflow from operating activities	<u>61,846</u>	<u>60,685</u>

17 Analysis of net debt

	31 March 2007 £'000	Cash flow £'000	Non-cash £'000	31 March 2008 £'000
Cash at bank and in hand (excluding blocked cash - see note 10)	4,883	(3,663)	-	1,220
Debt due less than one year	(20,575)	3,896	-	(16,679)
Debt due after one year	(481,280)	12,912	-	(468,368)
Less: unamortised debt issue costs	7,135	-	(533)	6,602
	<u>(489,837)</u>	<u>13,145</u>	<u>(533)</u>	<u>(477,225)</u>

Modus Services (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2008

18 Transactions with related parties

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

Name of Party	Relationship	Nature of transaction	Transaction amount 2008 £'000	Amount due to related party at 31 March 2008 £'000	Transaction amount 2007 £'000	Amount due to related party at 31 March 2007 £'000
Innisfree	Shareholder	Non-executive directors' fees	65	(76)	62	(72)
John Laing Social Infrastructure Limited	Shareholder	Non-executive directors' fees	65	(76)	62	(72)
John Laing Integrated Services Limited (formerly Equion Facilities Management Limited)	Contractor	Facilities services	597	(49)	512	(41)
Laing Investments Management Services Limited	Contractor	Staff and other costs	239	(15)	230	(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 2008 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. The ultimate controlling parties are John Laing Social Infrastructure Limited (50%); Innisfree M+G PPP Fund LP (13.4%) and Innisfree PFI Continuation Fund LP (36.6%), both UK Limited Partnerships managed by Innisfree Limited (collectively 'Innisfree'). Both John Laing Social Infrastructure Limited and Innisfree Limited are incorporated in Great Britain and registered in England and Wales.