

Company Registration No. 3765827

HEALTH MANAGEMENT (UCLH) HOLDINGS LIMITED
AND SUBSIDIARY

REPORT AND FINANCIAL STATEMENTS

31 December 2003



HEALTH MANAGEMENT (UCLH) HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and consolidated Financial Statements, for the year ended 31 December 2003.

Principal Activities and Business Review

The Company is an investment holding company whose sole business is the holding of an investment in its wholly owned subsidiary Health Management (UCLH) plc.

On 12 July 2000, Health Management (UCLH) plc entered into a Private Finance Initiative (PFI) concession contract with the University College London Hospitals NHS Trust to design, build, finance and operate a new hospital in London.

Construction of the new hospital and associated facilities commenced in July 2000 and has continued throughout this year. Upon completion of construction, Health Management (UCLH) plc will provide non-clinical services in the new hospital.

Health Management (UCLH) plc manages various services at the Trust's sites, and receives income from the Trust for these services.

Share Capital

During 2003 a further 744,939 ordinary shares of £1 each in the Company were issued fully paid to AMEC Investments Limited, Interserve PFI Holdings Limited and its associates and Balfour Beatty Infrastructure Investments Limited in equal amounts.

On the 24 June 2003 Interserve^{fm} Limited transferred its full holding of 589,698 ordinary shares to Interserve PFI Holdings Limited.

Results and Dividends

The loss for the year after taxation amounted to £3,892,924 (2002 £3,317,000). The Directors do not propose to pay any dividend in respect of the year ended 31 December 2003 (2002 nil).

Payment of Suppliers

The Group's policy is to pay suppliers thirty days from the date of receipt of the supplier's invoice, unless otherwise contractually agreed, and this policy is made known to all suppliers on request. The number of suppliers' days outstanding for the group at the end of the financial period was eleven (2002 eight). The Company itself does not have Trade Creditors and therefore has nil suppliers' days outstanding at the end of the year (2002 nil).

DIRECTORS' REPORT continued

Directors

The following persons were Directors of the Company during the year :-

A.M.Ringrose	Resigned 14 July 2003
B.A.Melizan	Appointed 28 October 2003
B.R.B.Pope	Appointed 23 September 2003
D.J.McEvedy	Resigned 28 October 2003
G.N.Powell	Appointed 28 January 2003
I.J.Wolstenholme	Resigned 22 September 2003
I.K.Rylatt	Resigned 16 December 2003
J.P.Chamberlain	
J.W.Millar	Appointed 16 December 2003
M.Archbold	
P.Challenger	Appointed 24 June 2003
R.J.Marsden	Appointed 28 January 2003

Directors' Share Interests

No Director had any interest in the issued share capital of the Company.

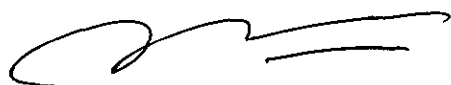
Auditors

The Directors will place a resolution before the Annual General Meeting to reappoint Ernst & Young LLP as auditors for the ensuing year.

Registered Office

The Company's Registered Office is 3rd Floor, 301-305 Euston Road, London NW1 3AD.

On behalf of the Board,



J Chamberlain
Director

22 June 2004

HEALTH MANAGEMENT (UCLH) HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for that year then ended. In preparing those accounts, 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 accounting standards have been followed;

and

- * prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and which 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the members of Health Management (UCLH) Holdings Limited

We have audited the group's financial statements for the year ended 31 December 2003, which comprise the Group Profit and Loss Account, Balance Sheet for Group and Company, Consolidated Cash Flow Statement and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

The 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 accounts, 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 with the company 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 United Kingdom 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 of the group as at 31 December 2003, and of the loss of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Luton

22 June 2004

HEALTH MANAGEMENT (UCLH) HOLDINGS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

		<u>Group</u>	
		<u>2003</u>	<u>2002</u>
	Note	£'000	£'000
Turnover	2	19,254	20,424
Cost of sales		(19,266)	(20,424)
Gross profit/(loss)		<u>(12)</u>	<u>-</u>
Net operating expenses		(1,777)	(2,054)
Operating loss	3	<u>(1,789)</u>	<u>(2,054)</u>
Interest receivable		47	70
Interest payable and similar charges	6	(14,063)	(8,493)
		<u>(14,016)</u>	<u>(8,423)</u>
Less: amount capitalised	10	11,912	7,160
Net interest charge		<u>(2,104)</u>	<u>(1,263)</u>
Loss on ordinary activities before taxation		<u>(3,893)</u>	<u>(3,317)</u>
Taxation	7	-	-
Loss for the financial period transferred to reserves		<u>(3,893)</u>	<u>(3,317)</u>

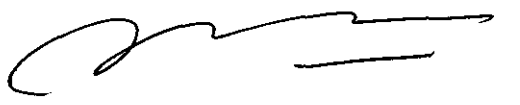
There were no recognised gains or losses for the year other than those stated in the profit and loss account.

The accompanying notes are an integral part of this profit and loss account and statement of recognised gains and losses.

HEALTH MANAGEMENT (UCLH) HOLDINGS LIMITED
BALANCE SHEET
AT 31 DECEMBER 2003

	Notes	Group		Company	
		2003	2002	2003	2002
		£'000	£'000	£'000	£'000
Fixed Assets					
Investments	9	-	-	21,121	13,672
Tangible assets	10	230,278	156,858	-	-
		<u>230,278</u>	<u>156,858</u>	<u>21,121</u>	<u>13,672</u>
Current Assets					
Debtors: due within one year	11	1,212	3,702	-	-
Debtors: due after one year	12	96	148	2,936	1,530
Cash at bank and in hand		808	466	4	4
		<u>2,116</u>	<u>4,316</u>	<u>2,940</u>	<u>1,534</u>
Current Liabilities					
Creditors: amounts falling due within one year	13	(2,520)	(3,796)	-	-
Net Current (Liabilities)/Assets		<u>(404)</u>	<u>520</u>	<u>2,940</u>	<u>1,534</u>
Total Assets less Current Liabilities		<u>229,874</u>	<u>157,378</u>	<u>24,061</u>	<u>15,206</u>
Creditors: amounts falling due after more than one year					
Borrowings	14	(215,760)	(140,064)	(21,945)	(13,835)
Deferred income	14	(42,942)	(42,994)	-	-
		<u>(258,702)</u>	<u>(183,058)</u>	<u>(21,945)</u>	<u>(13,835)</u>
Net (Liabilities)/Assets		<u>(28,828)</u>	<u>(25,680)</u>	<u>2,116</u>	<u>1,371</u>
Capital and Reserves					
Called-up share capital	16	2,112	1,367	2,112	1,367
Profit and loss account	17	(30,940)	(27,047)	4	4
Equity shareholders' funds	18	<u>(28,828)</u>	<u>(25,680)</u>	<u>2,116</u>	<u>1,371</u>

These financial statements were approved by the Board of Directors on 22 June 2004 and signed on its behalf by :-



J Chamberlain
Director

The accompanying notes are an integral part of this balance sheet.

HEALTH MANAGEMENT (UCLH) HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
Net cash outflow from operating activities	19	(543)	(2,416)
Returns on investment and servicing of finance			
Interest received		18	65
Interest and fees paid		(12,576)	(8,084)
		<u>(12,558)</u>	<u>(8,019)</u>
Capital expenditure			
Purchase of tangible fixed assets		(61,516)	(55,632)
Contributions from NHS Trust		-	16
		<u>(61,516)</u>	<u>(55,616)</u>
Cash outflow before use of liquid resources and financing		<u>(74,617)</u>	<u>(66,051)</u>
Financing			
Issue of ordinary shares		745	612
Increase in unsecured subordinated loan stock		6,704	5,508
Increase in secured senior loans		67,510	59,705
		<u>74,959</u>	<u>65,825</u>
Increase/(Decrease) in cash		<u>342</u>	<u>(226)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash		342	(226)
Cash inflow from secured senior loans		(67,510)	(59,705)
Cash inflow from issue of unsecured subordinated loan stock		(6,704)	(5,508)
Change in net debt resulting from cash flows	20	<u>(73,872)</u>	<u>(65,439)</u>
Amortisation of senior loan arrangement fees		(76)	(45)
Net debt as at 1 January		<u>(138,068)</u>	<u>(72,584)</u>
Net debt as at 31 December	20	<u>(212,016)</u>	<u>(138,068)</u>

HEALTH MANAGEMENT (UCLH) HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

A summary of the principal accounting policies of the Group, all of which have been applied consistently, is set out below:

a) Fundamental accounting concept

The accounts have been prepared on a going concern basis as the loan facilities in place at 31 December 2003 are adequate to cover the projected funding requirements of the group. At the balance sheet date the group has net current liabilities of approximately £404,000 (2002: net current assets of £520,000). The payment schedule from the NHS Trust has been matched in the project to the repayment schedule on the long term bank loan. The net current liabilities position is expected to be eliminated by increased receipts from the Trust, compared to outgoings in the future.

b) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

c) Group financial statements

The Group financial statements include the financial statements of the Company and of its subsidiary undertaking.

d) Investments

Investment in the subsidiary undertaking is stated at cost. The carrying value of this investment is reviewed annually by the directors to determine whether there has been any impairment to its value.

e) Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided in the year.

f) Taxation

Corporation tax is provided on taxable profit at the applicable rate.

g) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less, tax.

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

h) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost represents original purchase cost and includes the direct cost of financing construction until the assets come into use. Depreciation is provided at rates calculated to write off the cost less any residual value of these assets on a straight line basis over their estimated useful lives, commencing when the assets are brought into use.

IT equipment	3 years
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Carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

i) Deferred income

Deferred income represents contributions from the University College London Hospitals NHS Trust towards the project cost. The contributions will be taken to the profit and loss account over the life of the project once the construction phase is completed.

NOTES TO THE FINANCIAL STATEMENTS continued

j) Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if they are not included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument, in order to produce a constant return on the carrying value.

k) Capitalisation of finance costs

Finance costs and interest on loans, net of interest receivable, entered into for the purpose of funding the construction of the hospital are capitalised until such time as the construction is substantially complete.

l) Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

m) Interest rate swaps

Interest differentials are recognised within net interest payable to the extent that they arise within the current financial period.

2 Turnover

Turnover is attributable to one geographical market, the United Kingdom, and can be analysed as follows:

	Group	
	2003	2002
	£'000	£'000
Provision of services	19,254	20,424

3 Operating loss

Operating loss is stated after charging:

	Group	
	2003	2002
	£'000	£'000
Depreciation	8	-
Auditors remuneration for audit services	13	13
Auditors remuneration for non-audit services	7	10
Operating lease rentals - land and buildings	166	166

4 Directors' emoluments

The Directors are employed by the shareholding companies. Directors are seconded by the shareholders to the group; the group is recharged for the use of the services of the directors.

	Group	
	2003	2002
	£'000	£'000
Emoluments-payable to shareholding companies	69	67

No director was a member of a pension scheme to which the company contributed at any time during the year ended 31 December 2003 (2002: none).

NOTES TO THE FINANCIAL STATEMENTS continued

5 Staff costs

The group does not have any direct employees. Staff are seconded from the shareholders of the group.

6 Interest payable and similar charges

	Group	
	2003	2002
	£'000	£'000
Commitment fees payable on secured senior loan	476	803
Interest payable on secured senior loan	7,577	4,459
Amounts payable on secured senior loan hedging contract	4,510	2,388
Interest and fees payable on secured senior loan and hedging	12,563	7,650
Interest payable on unsecured subordinated loan stock	1,406	764
Interest payable on loans	13,969	8,414
Amortisation of loan arrangement costs	76	45
Other interest payable	18	34
	14,063	8,493

7 Taxation

The tax (credit)/charge for the period is made up as follows:

	Group	
	2003	2002
	£'000	£'000
a) Tax on profit on ordinary activities		
<u>Current tax</u>		
UK corporation tax	-	-
Adjustments in respect of previous periods	-	-
Total current tax	-	-
<u>Deferred tax</u>		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-
b) Current tax		
Loss on ordinary activities before tax	(3,893)	(3,317)
@ 30%	(1,168)	(995)
Expenses not deductible for tax purposes/income not taxable	9	9
Capital allowances in excess of depreciation	1	-
Revenue expenditure capitalised	(3,574)	(2,148)
Short term timing differences	8	2
Losses carried forward	4,724	3,132
Total current tax	-	-

NOTES TO THE FINANCIAL STATEMENTS continued

c) Tax losses

Tax losses of £40,378,000 (2002: £29,813,000) are available for carry-forward against future profits of the group, or for surrender to consortium members. Due to the long term nature of the project and the uncertainty as to when the losses will be utilised, a deferred tax asset has only been recognised to the extent that it matches deferred tax liabilities of the group.

8 Profit for the financial period transferred to reserves

The profit for the financial period dealt with in the financial statements of the parent company, Health Management (UCLH) Holdings Limited, was £200 (2002 £12). As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

9 Fixed asset investments

	<u>Company</u>		
	Shares in subsidiary undertaking £'000	Secured subordinated loan stock in subsidiary undertaking £'000	Total £'000
<u>Cost</u>			
At 31 December 2002	1,367	12,305	13,672
Additions	745	6,704	7,449
At 31 December 2003	<u>2,112</u>	<u>19,009</u>	<u>21,121</u>

Principal subsidiary undertakings

The parent company has investments in the following subsidiary undertaking.

Name: Health Management (UCLH) plc
Activity: Concession company
Country of operation: England
Shareholding: 100%

10 Tangible fixed assets

	<u>Group</u>		
	Equipment £'000	Asset in Course of Construction £'000	Total £'000
<u>Cost</u>			
At 31 December 2002	-	156,858	156,858
Additions	<u>12</u>	<u>73,416</u>	<u>73,428</u>
At 31 December 2003	<u>12</u>	<u>230,274</u>	<u>230,286</u>
<u>Depreciation</u>			
At 31 December 2002	-	-	-
Charge for the year	<u>8</u>	<u>-</u>	<u>8</u>
At 31 December 2003	<u>8</u>	<u>-</u>	<u>8</u>
<u>Net Book Value</u>			
At 31 December 2002	-	156,858	156,858
At 31 December 2003	<u>4</u>	<u>230,274</u>	<u>230,278</u>

The cost of tangible fixed assets at 31 December 2003 includes £25,822,000 (2002 £13,910,000) of finance costs net of interest receivable which have been capitalised. During the year £11,912,000 was capitalised representing 85% of net finance costs.

NOTES TO THE FINANCIAL STATEMENTS continued

11 Debtors - due within one year

	Group	
	2003	2002
	£'000	£'000
VAT debtor	572	2,127
Prepayments	263	369
Trade debtors	377	1,200
Accrued income	-	6
	1,212	3,702

12 Debtors - due after one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Accrued interest on unsecured subordinated loan stock in subsidiary undertaking	-	-	2,936	1,530
Prepayments	96	148	-	-
	96	148	2,936	1,530

13 Creditors: amounts falling due within one year

	Group	
	2003	2002
	£'000	£'000
Construction creditor	1,493	2,266
Financing creditor	23	54
Trade creditors	693	1,186
Deferred income	53	51
Other accruals	258	239
	2,520	3,796

14 Creditors: amounts falling due after more than one year

Borrowings

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Secured senior loans - principal	196,061	128,551	-	-
Less: arrangement fee	(2,246)	(2,322)	-	-
Secured senior loans	193,815	126,229	-	-
Unsecured subordinated loan stock	19,009	12,305	19,009	12,305
Accrued interest on unsecured subordinated loan stock	2,936	1,530	2,936	1,530
	215,760	140,064	21,945	13,835

The secured senior loan represents amounts borrowed by the Company's subsidiary under a facility agreement with a syndicate of banks. The bank loan bears interest at a margin of 0.95% over LIBOR and is repayable in instalments between 2005 and 2035. The loan is secured by fixed and floating charges over the undertaking, property, assets and rights of the Company's subsidiary, and has certain covenants attached.

In order to hedge against interest rate variations on its senior loan, the Company's subsidiary has entered into interest rate swap agreements with banks whereby at monthly intervals sums are exchanged reflecting the difference between floating and fixed interest rates, calculated on a predetermined notional principal amount.

The unsecured subordinated loan stock bears interest at a fixed rate of 8% and is repayable in 2035.

NOTES TO THE FINANCIAL STATEMENTS continued

	<u>Group</u>		<u>Company</u>	
	2003	2002	2003	2002
Borrowings are repayable in the following periods:				
Between one and two years	647	-	-	-
Between two and five years	4,627	3,882	-	1,530
After five years	212,732	138,504	21,945	12,305
	218,006	142,386	21,945	13,835
Less: arrangement fee	(2,246)	(2,322)	-	-
	215,760	140,064	21,945	13,835

Deferred income

	<u>Group</u>		<u>Company</u>	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Deferred income	42,942	42,994	-	-

15 Provisions for liabilities and charges

Deferred taxation provided in the accounts and the amounts not provided are as follows:

Group

	Provided	Provided	Not Provided	Not Provided
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	(1)	-	-
Short term timing differences	(6)	(30)	-	-
Other timing differences	7,747	4,173	-	-
Losses surrendered	(3,385)	(1,881)	-	-
Losses carried forward	(4,356)	(2,261)	(7,757)	(6,623)
	-	-	(7,757)	(6,623)

16 Share capital

	<u>Group</u>		<u>Company</u>	
	2003	2002	2003	2002
	No.	No.	No.	No.
Authorised share capital				
30,000,000 Ordinary Shares of £1 each	30,000,000	30,000,000	30,000,000	30,000,000

	<u>Group</u>		<u>Company</u>	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Allotted, called up and fully paid share capital				
Ordinary Shares of £1 each - 2,112,135 (2002 1,367,196)	2,112	1,367	2,112	1,367

As part of the planned funding profile, during the year, 744,939 ordinary shares of £1 each were issued at par for cash.

NOTES TO THE FINANCIAL STATEMENTS continued

17 Reserves

	Group £'000	Company £'000
<u>Profit and loss account</u>		
At 1 January	(27,047)	4
(Loss)/profit for the year	(3,893)	-
At 31 December	<u>(30,940)</u>	<u>4</u>

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Opening shareholders' funds	(25,680)	(22,975)	1,371	759
Shares issued in year	745	612	745	612
(Loss)/profit for the year	(3,893)	(3,317)	-	-
Closing shareholders' funds	<u>(28,828)</u>	<u>(25,680)</u>	<u>2,116</u>	<u>1,371</u>

19 Reconciliation of operating loss to net cash outflow from operating activities

	Group	
	2003 £'000	2002 £'000
Operating loss	(1,789)	(2,054)
Decrease/(increase) in debtors	2,541	(425)
(Decrease)/increase in creditors	(1,295)	63
Net cash outflow from operating activities	<u>(543)</u>	<u>(2,416)</u>

20 Analysis of net debt

	At 1 January 2003 £'000	Cash flow £'000	Other non cash changes £'000	At 31 December 2003 £'000
Cash at bank and in hand	466	342	-	808
Secured senior loans	(126,229)	(67,510)	(76)	(193,815)
Unsecured subordinated loan stock	(12,305)	(6,704)	-	(19,009)
	<u>(138,068)</u>	<u>(73,872)</u>	<u>(76)</u>	<u>(212,016)</u>

21 Contingencies

The company, in support of bank loan agreements made by its subsidiary, Health Management (UCLH) plc, has committed to make investment in its subsidiary, by way of share capital and subordinated loan stock, of up to £28,198,961 dependent on circumstances. Investment to date is £21,121,350 (2002 £13,671,948).

22 Capital commitments

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Contracted but not provided for	<u>71,486</u>	<u>129,646</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS continued

23 Financial commitments

As at 31 December 2003 the group had annual commitments under non-cancellable operating leases as set out below:-

	Land and Buildings	
	2003	2002
	£'000	£'000
Operating leases which expire:		
In over five years	<u>166</u>	<u>166</u>

24 Related party transactions

During the year, the Company issued subordinated loan stock, divided between AMEC plc, Balfour Beatty plc and Interserve PFI Holdings Limited and its associates in equal shares, of £6,704,463 (2002 £5,508,108). On 24 June 2003 Interservefm Limited transferred its full holding of loan stock £5,307,282 to Interserve PFI Holdings Limited.

During the year, the value of work certified as complete under a contract between the Company's subsidiary and subsidiaries of Balfour Beatty plc and AMEC plc for the construction of the new hospital, and other costs incurred by subsidiaries and associates of Balfour Beatty plc, Interserve PFI Holdings Limited and AMEC plc on behalf of the Company's subsidiary, was £61,520,832 (2002 £52,927,701).

During the year, amounts payable by the Company's subsidiary to an associate of Interserve PFI Holdings Limited for provision of services to University College London Hospitals NHS Trust totalled £19,041,838 (2002 £20,300,735). Amounts invoiced and unpaid at 31 December 2003 totalled £647,461 (2002 £1,165,330).

Staff are seconded to the Company's subsidiary from subsidiaries and associates of Balfour Beatty plc, Interserve PFI Holdings Limited and AMEC plc. Amounts payable for their services and associated costs during the period totalled £938,859 (2002 £670,467). Amounts invoiced and unpaid at 31 December 2003 totalled £33,743 (2002: £6,600) including VAT.

Amounts payable by the Company's subsidiary for fees to subsidiaries of Balfour Beatty plc, Interserve PFI Holdings Limited and AMEC plc for the services of the directors of Group companies during the period totalled £68,958 (2002 £67,413).

Accommodation and related costs are occasionally incurred by the Company's subsidiary on behalf of subsidiaries and other associates of Balfour Beatty plc, Interserve PFI Holdings Limited and AMEC plc, and are recharged to them at cost. Amounts rechargeable during the period totalled £200,524 (2002 £318,545). Amounts invoiced and unpaid at 31 December 2003 totalled £15,920 (2002: £16,231) including VAT.

25 Controlling parties

In the directors' opinion the controlling parties are AMEC Project Investments Limited, Balfour Beatty plc and Interserve PFI Holdings Limited in equal shares.