

**SUMMIT HOLDINGS (DUDLEY) LIMITED**

Report and Group Accounts

31 March 2003



# Summit Holdings (Dudley) Limited

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Registered No. 04157380

## **DIRECTORS**

A D Darling  
V H Dickinson  
P R Grant  
A M Ringrose  
M C Shelley  
C L Spencer  
J M Thompson  
C B Weekley

## **SECRETARY**

M Lewis

## **AUDITORS**

Ernst & Young LLP  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

## **BANKERS**

Lloyds TSB plc  
11-15 Monument Street  
London  
EC3V 9JA

## **REGISTERED OFFICE**

Interserve House  
Ruscombe Park  
Twyford  
Reading  
RG10 9JU

# Summit Holdings (Dudley) Limited

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## DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 March 2003. The comparative accounts for the period to March 2002 are for a period of 54 weeks.

### PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company is a holding company whose sole business is the holding of investments in its wholly owned subsidiaries, Summit Healthcare (Dudley) Limited and Dudley Summit plc.

Summit Healthcare (Dudley) Limited entered into an agreement with the Dudley Group of Hospitals NHS Trust to refurbish certain existing sites and to design and construct further hospital buildings and to manage and provide non-clinical support services at the hospitals.

Dudley Summit plc issued guaranteed secured index linked bonds in May 2001 which, with additional funding from the European Investment Bank, were on loaned to Summit Healthcare (Dudley) Limited to fund the project.

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £5,004,000 (2002 - £11,794,000). The directors do not recommend the payment of a dividend.

### FINANCIAL INSTRUMENTS

The group's principal financial instruments comprise guaranteed secured bonds, a committed term loan facility, guaranteed investment contracts and cash. The main purpose of these instruments is the financing of the design, build and operation of various hospital buildings under the Government's Private Finance Initiative. The group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments are interest rate and liquidity rate risk. The board has policies for managing each of these risks and they are summarised below. The policies have remained unchanged since incorporation.

#### *Interest rate risk*

The terms of the guaranteed secured bonds and committed loan facility are such that all payments of principal and interest are indexed to retail price inflation. The group has entered into indexed linked and fixed rate guaranteed investment contracts with AMBAC Capital Funding Inc. The group invests in cash deposits at floating rates. The group's exposure to interest fluctuations will continue to be monitored.

#### *Liquidity risk*

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash deposits and proceeds from investment sums.

# Summit Holdings (Dudley) Limited

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## DIRECTORS' REPORT

### DIRECTORS AND THEIR INTERESTS

The directors who served at 31 March 2003 and during the year were as follows:

R D Vince	(resigned 19 April 2002)
A M Ringrose	
A D Darling	
M C Shelley	
C L Spencer	
P R Grant	
V H Dickinson	
J M Thompson	(appointed 19 April 2002)
C B Weekley	(appointed 20 September 2002)

None of the directors held an interest in the share capital of the company.

### AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the members at the forthcoming Annual General Meeting.

On behalf of the board



Director

26 SEPTEMBER 2003

## Summit Holdings (Dudley) Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period, which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT**  
**to the members of Summit Holdings (Dudley) Limited**

We have audited the company's accounts for the period ended 31 March 2003 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes 1 to 23. These accounts have been prepared on the basis of 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**

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

We report to you our opinion as to whether the accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 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*

Registered Auditor  
Luton

26 SEPTEMBER 2003

# Summit Holdings (Dudley) Limited

## GROUP PROFIT AND LOSS ACCOUNT for the period ended 31 March 2003

		2003	54 weeks 2002
	Notes	£000	£000
<b>TURNOVER</b>	2	19,052	13,859
Cost of sales		(21,430)	(17,494)
<b>GROSS LOSS</b>		(2,378)	(3,635)
Administrative expenses – excluding exceptional items		(1,812)	(1,306)
Exceptional administrative expense – project start-up costs	3	–	(6,250)
Administrative expenses		(1,812)	(7,556)
<b>OPERATING LOSS</b>	3	(4,190)	(11,191)
Interest receivable	6	3,780	4,743
Interest payable and similar charges	7	(7,642)	(6,080)
		(3,862)	(1,337)
Interest capitalised		3,048	734
		(814)	(603)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(5,004)	(11,794)
Tax on loss on ordinary activities	8	–	–
<b>RESULT FOR THE FINANCIAL YEAR</b>	18	(5,004)	(11,794)

There are no recognised gains and losses other than the loss for the year.

# Summit Holdings (Dudley) Limited

## GROUP BALANCE SHEET

at 31 March 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Tangible fixed assets	9	72,036	30,355
<b>CURRENT ASSETS</b>			
Debtors	11	741	914
Investments	12	39,218	84,310
Cash at bank and in hand		23,489	18,121
		63,448	103,345
<b>CREDITORS: amounts falling due within one year</b>	13	(8,089)	(5,514)
<b>NET CURRENT ASSETS</b>		55,359	97,831
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		127,395	128,186
<b>CREDITORS: amounts falling due after more than one year</b>	14	(144,133)	(139,920)
		(16,738)	(11,734)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	60	60
Profit and loss account	18	(16,798)	(11,794)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		(16,738)	(11,734)



Director

26 SEPTEMBER 2003



# Summit Holdings (Dudley) Limited

## COMPANY BALANCE SHEET

at 31 March 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Investment	10	60	60
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	60	60
Profit and loss account		-	-
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		60	60
		<hr/>	<hr/>



Director

26 SEPTEMBER 2003

# Summit Holdings (Dudley) Limited

## GROUP STATEMENT OF CASH FLOWS

for the period ended 31 March 2003

	<i>Notes</i>	2003 £000	2002 £000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	20(a)	1,003	(10,716)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received from investments		2,873	4,042
Bank interest received		757	411
Interest paid on bonds		(2,928)	(2,520)
Interest paid on committed term loan facility		(2,387)	(2,052)
Issue costs capitalised		–	(4,230)
		(1,685)	(4,349)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(39,192)	(23,854)
<b>NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		(39,874)	(38,919)
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Purchase of investments		–	(84,020)
Disposal of investments		45,242	–
<b>FINANCING</b>			
Proceeds from issue of share capital		–	60
Proceeds from issue of bonds		–	71,000
Proceeds from issue of loan		–	70,000
		–	141,060
<b>INCREASE IN CASH</b>		5,368	18,121
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
Increase in cash		5,368	18,121
Cash inflow/(outflow) from increase in liquid resources		(45,242)	84,020
Cash inflow from increase in debt		–	(141,000)
Issue costs deducted on grant of loans		–	4,230
Change in net debt resulting from cash flows	20(b)	(39,874)	(34,629)
Indexation, amortisation of issue costs and other movements in the period		(2,572)	(1,024)
		(42,446)	(35,653)
<b>NET DEBT AS AT 1 APRIL</b>	20(b)	(35,653)	–
<b>NET DEBT AS AT 31 MARCH</b>		(78,099)	(35,653)

# Summit Holdings (Dudley) Limited

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## NOTES TO THE ACCOUNTS

at 31 March 2003

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Fundamental accounting concept*

The accounts have been prepared on a going concern basis as the group will have adequate resources, supported by its shareholders, to continue in operational existence for the foreseeable future. The group has net current assets of approximately £60 million and the payments from the NHS Trust has been matched in the project to the repayment schedule on the bond issue and loan.

#### *Basis of consolidation*

The group's financial statements incorporate the assets and liabilities of Summit Holdings (Dudley) Limited and its subsidiary undertakings Dudley Summit PLC and Summit Healthcare (Dudley) Limited as at 31 March 2003 and their results for the period ended 31 March 2003.

No profit and loss account is presented for Summit Holdings (Dudley) Limited as permitted by Section 230 of the Companies Act 1985. The company did not trade in the period.

#### *Tangible fixed assets*

No depreciation is provided on assets under construction.

#### *Capitalisation of interest*

Interest has been capitalised based on the borrowing cost during the period, net of interest received on cash deposits, of amounts used to finance capital expenditure in the period.

#### *Liquid resources*

Liquid resources comprise current asset investments held under Guaranteed Investment Contracts and as readily disposable investments. They are readily convertible into known amounts of cash at, or close to, their carrying value. The investments are carried at lower of cost and net realisable value. Net realisable value is based on mid-market price.

#### *Financial instruments*

Financial instruments are recorded on a historical cost basis. Indexation and interest are charged to the profit and loss account on an accruals basis.

#### *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 or to receive more, 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.

# Summit Holdings (Dudley) Limited

## NOTES TO THE ACCOUNTS

at 31 March 2003

### 1. ACCOUNTING POLICIES (continued)

#### *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 at a constant rate on the carrying amount.

### 2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced for the provision of non-clinical services and maintenance of various buildings at four hospitals and is attributable to the United Kingdom.

### 3. OPERATING LOSS

This is stated after charging:

	2003 £000	2002 £000
Auditor's remuneration - audit services	13	13
- non-audit services	9	28
Exceptional Items - project start-up costs	-	6,250
	<u>          </u>	<u>          </u>

In 2002, project start-up costs of £6,250,000 comprised of costs incurred in connection with bidding for the project including legal and technical costs and professional fees paid in connection with the bid phase.

### 4. DIRECTORS' EMOLUMENTS

No directors received any payment during the year in respect of their services to the group (2002 - Nil).

### 5. STAFF COSTS

The group does not have any direct employees. Staff are seconded from the shareholders of the company (2002 - Nil).

### 6. INTEREST RECEIVABLE

	2003 £000	2002 £000
Bank interest	757	411
Investment interest	3,023	4,332
	<u>          </u>	<u>          </u>
	3,780	4,743
	<u>          </u>	<u>          </u>

# Summit Holdings (Dudley) Limited

## NOTES TO THE ACCOUNTS

at 31 March 2003

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£000	£000
Guaranteed secured bonds	2,727	2,346
Loan	2,187	1,881
Amortised issue costs	194	194
Indexation of outstanding capital:		
Guaranteed secured bonds	1,075	662
Loan	1,060	652
Associated Charges	399	345
	<u>7,642</u>	<u>6,080</u>

Interest of £3,048,000 (2002 - £734,000) has been capitalised, calculated at a relevant proportion of the cost of fixed assets acquired in the period. In 2003 the capitalisation rate equated to 79% of the net finance cost (2002: 55%)

### 8. TAX ON LOSS ON ORDINARY ACTIVITIES

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

	2003	2002
	£000	£000
Note a)		
<i>Current tax</i>		
UK corporation tax	-	-
Adjustments in respect of previous periods	-	-
<i>Total current tax</i>	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

# Summit Holdings (Dudley) Limited

## NOTES TO THE ACCOUNTS

at 31 March 2003

### 8. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Note b)

	2003	2002
	£000	£000
Loss on ordinary activities before tax	(5,004)	(11,794)
Tax at 30%	(1,501)	(3,538)
Expenses not deductible for tax purposes	8	463
Short term timing differences	-	61
Capitalised interest deductible for tax	(914)	(220)
Losses arising in the year carried forward	2,407	3,234
Total current tax	-	-

The group has tax losses arising in the UK of £19,176,000 (2002: £10,700,000) that are available independently for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as due to the long term nature of the company's operations, there is insufficient certainty regarding the likelihood of taxable profits until construction is complete.

The deferred tax asset unrecognised in the accounts can be analysed as follows:

	<i>Provided</i>		<i>Not provided</i>	
	2003	2002	2003	2002
	£000	£000	£000	£000
Accelerated capital allowances	1,321	220	-	-
Short term timing differences	(61)	(61)	-	-
Losses carried forward	(1,260)	(159)	(4,493)	(3,075)
Total	-	-	(4,493)	(3,075)

# Summit Holdings (Dudley) Limited

## NOTES TO THE ACCOUNTS

at 31 March 2003

### 9. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Assets under the course of construction £000</i>
Cost:	
At 1 April 2002	30,355
Additions	41,681
	<hr/>
At 31 March 2003	72,036
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Depreciation:	
At 31 March 2002 and 31 March 2003	-
	<hr/>
Net book value:	
At 31 March 2003	72,036
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At 31 March 2002	30,355
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The aggregate amount of finance costs capitalised in fixed assets at 31 March 2003 was £3,782,000 (2002 - £734,000).

### 10. INVESTMENTS

<i>Company:</i>	<i>Ordinary Shares £000</i>
Investment in subsidiary undertakings:	
At 31 March 2003 and 31 March 2002	60
	<hr/>
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The company owns the entire ordinary issued share capital of Dudley Summit PLC and Summit Healthcare (Dudley) Limited companies registered in England and Wales.

The principal activities of these companies are given in the Directors' Report.

### 11. DEBTORS

<i>Group</i>	<i>2003 £000</i>	<i>2002 £000</i>
Trade debtors	132	11
Other debtors	382	674
Prepayments and accrued income	227	229
	<hr/>	<hr/>
	741	914
	<hr/>	<hr/>

# Summit Holdings (Dudley) Limited

## NOTES TO THE ACCOUNTS at 31 March 2003

### 12. CURRENT ASSET INVESTMENTS

<i>Group</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
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Money market investments	39,218	84,310
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### 13. CREDITORS: amounts falling due within one year

<i>Group</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
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Trade creditors	5,734	460
Accruals and deferred income	2,161	4,860
Unamortised issued costs	194	194
	<u>8,089</u>	<u>5,514</u>

### 14. CREDITORS: amounts falling due after more than one year

<i>Group</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
Guaranteed secured bonds (note 15)	72,737	71,662
Committed term loan facility (note 16)	71,712	70,652
	<u>144,449</u>	<u>142,314</u>
Less: unamortised issue costs	(3,837)	(4,032)
	<u>140,612</u>	<u>138,282</u>
Issue costs to be amortised in less than one year	194	194
	<u>140,806</u>	<u>138,476</u>
Other Creditors	3,327	1,444
	<u>144,133</u>	<u>139,920</u>



## Summit Holdings (Dudley) Limited

### NOTES TO THE ACCOUNTS

at 31 March 2003

#### 15. LONG TERM BONDS

	2003 £000	2002 £000
Not wholly repayable within five years:		
3.7772% Guaranteed Secured Bonds of £71,000,000, due 2038, repayable in six monthly instalments commencing March 2005	71,000	71,000
Bond Indexation	1,737	662
	<u>72,737</u>	<u>71,662</u>
Amounts falling due:		
In one year or less or on demand	—	—
In more than one year but not more than two years	500	—
In more than two years but not more than five years	5,215	5,630
In more than five years	67,022	66,032
	<u>72,737</u>	<u>71,662</u>

The terms of the bonds are such that all payments of principal and interest are indexed to retail price inflation. The payment schedule above is based on the indexed principal outstanding as at 31 March 2003.

The bonds are secured under the terms of a Security Trust Deed.

#### 16. LOANS

	2003 £000	2002 £000
Not wholly repayable within five years:		
3.0716% index-linked committed term facility of £70,000,000 due 2034, repayable in six monthly instalments commencing March 2005	70,000	70,000
Indexation on the loan	1,712	652
	<u>71,712</u>	<u>70,652</u>
Amounts falling due:		
In one year or less or on demand	—	—
In more than one year but not more than two years	771	—
In more than two years but not more than five years	4,868	5,555
In more than five years	66,073	65,097
	<u>71,712</u>	<u>70,652</u>

The terms of the loan are such that all payments of principal and interest are indexed to retail price inflation. The payments schedule above is based on the indexed principal outstanding as at 31 March 2003.

# Summit Holdings (Dudley) Limited

## NOTES TO THE ACCOUNTS at 31 March 2003

### 17. SHARE CAPITAL

#### *Group and Company*

	2003 No.	2003 £000	2002 No.	2002 £000
<i>Authorised, allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	60,000	60	60,000	60

### 18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

<i>Group</i>	<i>Share Capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 31 March 2002	60	(11,794)	(11,734)
Loss for the year	—	(5,004)	(5,004)
At 31 March 2003	60	(16,798)	(16,738)

  

<i>Company</i>	<i>Share capital £000</i>
At 31 March 2003 and 31 March 2002	60

### 19. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The group issued the Guaranteed Secured Bond in order to finance the design, build and operation of various hospital buildings under the Governments PFI Initiative. The net proceeds from the bond issue have been invested in a guaranteed investment contract portfolio managed by Ambac Capital Funding. The objective of the portfolio is to maximise gross return. There is a further undrawn committed facility consisting of £15 million of variation bonds, which all expire in more than two years.

The disclosures below do not include short-term debtor and creditors.

#### *Financial assets*

The group's financial assets are its current asset investments of £39,218,000 and cash of £23,489,000, all of which are denominated in sterling. The investments are held in three portfolios, the weighted average interest rates, excluding indexation, being 4.97%, 2.89% and 2.51%. The latter two portfolios are increased by indexation on a monthly basis. The weighted average interest rates of these portfolios including indexation are 4.35% and 3.27%. A weighted average period has not been calculated, but all of the current asset investments are made in instruments maturing in less than one year.

#### *Financial liabilities*

The group's financial liabilities are its listed bonds and its committed term loan facility as described in notes 15 and 16 respectively, all of which are denominated in sterling and bear interest at a variable rate. The weighted average interest rate of the variable rate financial liabilities, excluding indexation, is 3.43%. These loans are increased for indexation in March and September of each year. The weighted average interest rate of the variable rate financial liabilities, including indexation, is 4.88%.

# Summit Holdings (Dudley) Limited

## NOTES TO THE ACCOUNTS

at 31 March 2003

### 19. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

A description of the principal risks arising from the group's financial instruments and the Board's policies for managing each of these risks is summarised in the Directors' Report.

#### Currency exposures

As at 31 March 2003 the company had no currency exposures.

#### Fair value of financial assets and financial liabilities

	Book value	Fair value	Book value	Fair value
	2003	2003	2002	2002
	£000	£000	£000	£000
Current asset investments	39,218	39,218	84,310	84,310
Cash	23,489	23,489	18,121	18,121
Committed term loan	(71,712)	(71,712)	(70,652)	(70,652)
Listed bonds	(72,737)	(72,737)	(71,662)	(71,662)

The fair values of the listed bonds and the committed term loan facility are shown at book value as there is not an active market for either of these debt instruments. In the opinion of the directors there is not a material difference between the book and fair value of these debt instruments.

### 20. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities:

	2003	2002
	£000	£000
Operating loss	(4,190)	(11,191)
(Increase) / Decrease in debtors	176	(715)
Increase in creditors	5,017	1,190
Net cash inflow/(outflow) from operating activities	1,003	(10,716)

(b) Analysis of net debt:

	At		Other	At
	31 March	Cash	non-cash	March
	2002	flow	movements	2003
	£000	£000	£000	£000
Cash at bank and in hand	18,121	5,368	–	23,489
Liquid resources*	84,310	(45,242)	150	39,218
Guaranteed secured bonds	(67,992)	–	(1,586)	(69,578)
Committed term loan facility	(70,092)	–	(1,136)	(71,228)
	(35,653)	(39,874)	(2,572)	(78,099)

\* Liquid resources are included in the group balance sheet as 'investments'.

(c) Other non cash movements represent loan issue costs and accrued indexation and interest charges for the year.

## Summit Holdings (Dudley) Limited

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### NOTES TO THE ACCOUNTS

at 31 March 2003

#### 21. CAPITAL COMMITMENTS

The group has entered into a contract with Sir Robert McAlpine Limited to pay £122.5 million in respect of design and construction of the required hospital buildings. At the year end £66.3 million (2002 - £31.9 million) had been completed, with the remainder being scheduled for completion in 2004.

The company has entered into a contract with Siemens Healthcare Services Ltd to pay £2.3 million in respect of the IT works of the required hospital buildings. At the year end, £1.6 million (2002- £0.8 million) had been completed, with the remainder being scheduled for completion in 2004.

#### 22. CONTROLLING PARTIES

Summit Holdings (Dudley) Limited is jointly owned in equal shares by Uberior Investments plc (a subsidiary of HBOS plc), PFI Investors Limited (a fellow subsidiary of Sir Robert McAlpine Limited) and Interservefm Limited (a subsidiary of Interserve plc). In the directors' opinion there are no controlling parties as no shareholder has a majority shareholding.

#### 23. RELATED PARTIES

During the period the following related party transactions were entered into:

##### *Sir Robert McAlpine Limited*

The company contracted with Sir Robert McAlpine Limited, a fellow subsidiary of the shareholder, to design and construct the required buildings, for a fixed price sum of £122.5 million, of which £66.3 million had been completed by 31 March 2003 (2002 - £31.9million).

Of this amount £1.9 million (2002 - £4.3 million) was accrued but not yet invoiced by the period end. Additional construction work of £0.3 million had been completed by 31 March 2003 (2002 - £0.2 million).

A further £0.3 million has been charged by Sir Robert McAlpine Limited in respect of reimbursement of costs and work performed on behalf of the company (2002 - £3.1 million). Of this amount, £30,000 was owed at the period end in respect of outstanding invoices (2002 - £0.04 million).

##### *Interservefm Limited*

During the period £15.3 million was paid to Interservefm Limited and its subsidiaries for reimbursement of costs and work performed on behalf of the company (2002 - £19.4 million).

At the period end £4.7 million was owed to Interservefm Limited (2002 - £0.01 million) as outstanding invoices.

##### *Bank of Scotland*

During the period £ Nil was paid to Bank of Scotland (2002 - £2 million), a fellow subsidiary of the shareholder, in respect of reimbursement of costs and works performed on behalf of the company.