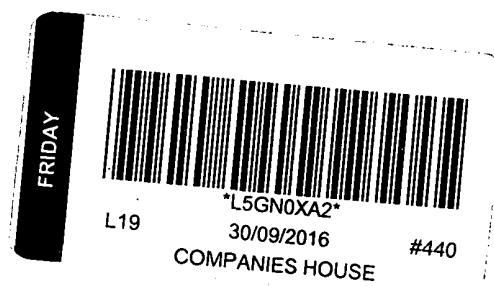


Company Registration No. 04157362

Summit Healthcare (Dudley) Limited

Annual Report and Financial Statements

For the year ended 31 March 2016



Summit Healthcare (Dudley) Limited

Annual report and financial statements for the year ended 31 March 2016

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Summit Healthcare (Dudley) Limited

Annual report and financial statements for the year ended 31 March 2016

Officers and professional advisers

Directors

S M Jones
R J Marsden
A G Bremner
M T Smith
R M Thompson
J S Gordon

Company Secretary

W L Rapley

Bankers

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

Registered Office

Interserve House
Ruscombe Park
Twyford
Reading
RG10 9JU

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Summit Healthcare (Dudley) Limited

Strategic report

The directors present their strategic report on the company for the year ended 31 March 2016.

Business review and principal activities

The company is owned equally by its ultimate controlling entities Interserve Plc, Aberdeen Infrastructure Partners LP Inc. and Dalmore Capital Fund LP, and operates in the United Kingdom.

The company's principal activity is undertaking a Private Finance Initiative (PFI) concession contract with the Dudley Group of Hospitals NHS Trust to design, build, refurbish, finance and operate various hospital facilities in Dudley, West Midlands. The contract was signed on 17 May 2001 with building activities commencing immediately and completing in March 2005. Service operations on the existing buildings also commenced from May 2001 and will run for 40 years from that date.

There have not been any changes in the company's activities in the year under review, and the directors are not aware, at the date of this report, of any likely changes in the next year.

As shown in the company's statement of comprehensive income on page 7, the company's turnover decreased by £5.2m in comparison with the prior year, due mainly to the termination of the IT service contract and decreased variations offset by modest inflationary increases.

The operating profit increased by £0.9m in comparison with the prior year, due mainly to a re-scheduling of the long term maintenance allowance contained within cost of sales.

Financing charges were a net credit of £0.9m for the year in comparison with the prior year's net charge of £1.5m, mainly due to a decrease in inflation charges on the indexed bonds and loan.

The company's financial position as detailed in the statement of financial position on page 8 of the financial statements shows an improvement of £3.9m in the net deficit position due mainly to the trading profit in the year. Despite this improvement this still results in a net deficit position of £0.5m at 31 March 2016, but the directors remain confident, as detailed below, that the group has sufficient cash resources to meet its ongoing liabilities.

The company's operations are managed under the supervision of its shareholders and lenders and are largely determined by the detailed terms of the PFI contract. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

The PFI contract and related subcontracts are fixed for the life of the contract and this enables the company to have reasonable certainty over its income and expenditure for this year. In addition, the company has credit agreements in place with its lenders via its sister company, Dudley Summit PLC, which state the level of borrowing and repayments due, subject to RPI inflation, until the loan and bonds are fully repaid by 2038. These agreements subject the company to various covenants. The company remains in compliance with all covenants.

However, as noted in previous years, the decline in the credit rating of AMBAC (the Monoline Guarantor) in November 2008 led to its 'Loss of Qualifying Status' under the agreement with the European Investment Bank (EIB) and also represented a 'Guarantor Event of Default'. The EIB continues to hold the right to request a replacement guarantor. If a replacement were requested and not provided within 45 days of the request, the EIB would have the right to call in their loan. The EIB has been levying an additional 'default' interest charge since the downgrade of AMBAC but has not made any request for a replacement guarantor. Whilst the EIB has reserved its right to request a replacement guarantor, the directors have not received any indication that this right would be exercised.

As the underlying project outlook is profitable and revenue is being generated from a long term government contract, the directors are confident that there will be no changes to the situation outlined above and in any event are confident that alternative replacement funding could be arranged if required.

Therefore the directors, having considered the financial position of the company and its expected future cash flows, have prepared the financial statements on the going concern basis.

The company was incorporated in Great Britain, registered in England and Wales and is domiciled in the United Kingdom.

Summit Healthcare (Dudley) Limited

Strategic report (continued)

Principal risk and uncertainties

The company's principal activity as detailed above is largely risk averse as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. Its main exposure is to financial risks as detailed in the following section, and to inadequate provision for long term maintenance obligations on the project.

Financial instruments and financial risk management

The company's principal financial instruments comprise its finance receivable, cash, guaranteed secured bonds and loans, and subordinated unsecured loan stock. The main purpose of these financial instruments has been to finance the design, build and operation of various hospitals under the Government's Private Finance Initiative. The company has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the company's financial instruments are interest rate, inflation, liquidity and credit. The board has policies for managing each of these risks and they are summarised below:

Interest and inflation rate risk

The company's main borrowings are at fixed rates of interest uplifted by RPI increases and it also receives income linked to RPI. The company also invests in cash deposits at floating rate.

The company's exposure to interest and inflationary fluctuations will continue to be monitored.

Liquidity risk

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project cash flows are reasonably predictable and so, subject to the matter regarding the downgraded credit rating of AMBAC and the impact on the EIB loan as detailed on page 2, this is not a major risk area for the company.

Credit risk

The company receives its revenue from a NHS Trust and therefore is not exposed to significant credit risk. Cash investments and borrowings are with institutions of a suitable credit quality.

Events

There have been no significant events since the statement of financial position date.

Ownership

The company is owned by its parent entities Interserve plc, Aberdeen Infrastructure Partners LP Inc. and Dalmore Capital Fund LP, acting by its general manager, Dalmore Capital Limited, and operates in the United Kingdom.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



S M Jones
Director

Date: 26 September 2016

Summit Healthcare (Dudley) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

Financial risk management objectives and policies

Details of the principal risks, uncertainties and financial risk management are included in the strategic report.

Strategic report

The information that fulfils the Companies Act requirements of the business review is included in the strategic report. This includes a review of the development of the business of the company during the year, and of its position at the end of the year and of the likely future developments in its business.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and implements policies via its sub-contractors to reduce any damage that might be caused by the company's activities.

Employees

The company has no direct employees as detailed in note 6 on page 14.

Results and dividends

The results of the company are as set out in the statement of comprehensive income on page 7.

The directors do not recommend the payment of a dividend (2015: £nil).

Directors and their interests

The directors who served during the year and at the date of this report, except as noted, are set out below:

S M Jones
R J Marsden
A G Bremner
J McDonagh (resigned 27/11/2015)
M T Smith
R M Thompson
J S Gordon (appointed 27/11/2015)

None of the directors at 31 March 2016 held an interest in the share capital of the company.

Information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

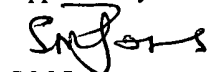
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor.

Approved by the Board of Directors and signed on behalf of the Board



S M Jones
Director

Date: 26 September 2016

Summit Healthcare (Dudley) Limited

Directors' responsibilities statement

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 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 auditor's report to the members of Summit Healthcare (Dudley) Limited

We have audited the financial statements of Summit Healthcare (Dudley) Limited for the year ended 31 March 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed in the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Doherty

Philip Doherty FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date: 28/09/16

Summit Healthcare (Dudley) Limited

Statement of comprehensive income for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	30,327	35,561
Cost of sales		(26,484)	(32,625)
Gross profit		3,843	2,936
Administrative expenses		(871)	(861)
Operating profit	4	2,972	2,075
Interest receivable and similar income	7	11,053	11,164
Interest payable and similar charges	8	(10,163)	(12,708)
		890	(1,544)
Profit on ordinary activities before taxation		3,862	531
Tax on profit on ordinary activities	9	(41)	-
Profit on ordinary activities after taxation		3,821	531
Other comprehensive income/(expense) for the year			
Gain/(loss) for the year on revaluation of financial asset taken to equity	20	73	(1,800)
Total comprehensive income/(expense) for the year		3,894	(1,269)

All results in the current and prior years derive from continuing operations.

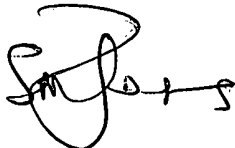
Summit Healthcare (Dudley) Limited

Statement of financial position as at 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed assets	10	36	43
Current assets			
Debtors: amounts falling due within one year	11	2,236	2,395
Debtors: amounts falling due after more than one year	12	155,202	156,917
Cash and deposits	13	17,974	15,958
		<u>175,412</u>	<u>175,270</u>
Creditors: amounts falling due within one year	14	<u>(11,053)</u>	<u>(11,087)</u>
Net current assets		<u>164,359</u>	<u>164,183</u>
Total assets less current liabilities		<u>164,395</u>	<u>164,226</u>
Creditors: amounts falling due after more than one year	15	<u>(164,911)</u>	<u>(168,636)</u>
Net liabilities		<u>(516)</u>	<u>(4,410)</u>
Capital and reserves			
Called up share capital	19	10	10
Profit and loss account	20	(22,664)	(26,485)
Fair value reserve	20	22,138	22,065
		<u>(516)</u>	<u>(4,410)</u>
Shareholder's deficit		<u>(516)</u>	<u>(4,410)</u>

The financial statements of Summit Healthcare (Dudley) Limited; registered number 04157362 were approved by the Board of Directors and authorised for issue on the 26 September 2016.

Signed on behalf of the Board of Directors



S M Jones
Director

Summit Healthcare (Dudley) Limited

Statement of changes in equity for the year ended 31 March 2016

	Called up share capital £'000	Profit and loss account £'000	Fair value reserve £'000	Total equity £'000
At 1 April 2014	10	(27,016)	23,865	(3,141)
Profit for the year	-	531	-	531
Loss on financial asset	-	-	(1,800)	(1,800)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	531	(1,800)	(1,269)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	10	(26,485)	22,065	(4,410)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2015	10	(26,485)	22,065	(4,410)
Profit for the year	-	3,821	-	3,821
Gain on financial asset	-	-	73	73
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	3,821	73	3,894
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	10	(22,664)	22,138	(516)
	<hr/>	<hr/>	<hr/>	<hr/>

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently in the current and prior years, except as noted below:

This is the first year in which the financial statements have been prepared under FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”. The company adopted Financial Reporting Standard 102 issued by the Financial Reporting Standards in the year ended 31 March 2016.

In the transition to FRS 102 from UK GAAP, the company has not had to make any adjustments to prior year figures.

(a) *Going concern*

The financial statements are prepared on a going concern basis. As disclosed on page 2 the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future.

(b) *Accounting convention*

The financial statements have been prepared in accordance with applicable UK law and accounting standards, and in accordance with the historical cost basis, modified to include certain items at fair value (see Financial Instruments below), and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The effect of applying these, following the fair valuing of certain of the company’s financial assets and derivatives is to increase shareholders’ funds at 31 March 2016 by £0.1 million (2015: decrease: £1.8 million).

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, mainly in relation to the presentation of a cash flow statement, reconciliation of any share movements in the year, key management personnel compensation and financial instruments.

The company’s parent undertaking has been notified of and did not object to the use of these disclosure exemptions.

(c) *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office equipment: 4 years. Leasehold property improvements: 10 years.

(d) *Finance receivable*

During the period of construction, costs incurred as a direct consequence of designing and constructing the facilities, including finance costs, were shown as assets under construction.

On completion, credit was taken for the deemed sale, which was recorded within turnover. The construction expenditure and associated costs were reallocated to cost of sales. Amounts receivable are classified as a financial asset.

The company has taken advantage of exemptions made available under section 35 10 (i) of FRS 102, and as such there has been no change to the treatment of the financial asset receivable due to the adoption of the standard.

The financial asset is recorded in the statement of financial position at fair value with movements in fair value recorded in the fair value reserve with the exception of impairment due to permanent diminution in value recorded in the statement of comprehensive income.

Revenues received from the customer are apportioned between:

- capital repayments;
- finance income; and
- operating revenue.

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

(e) Finance costs

Finance costs of financial liabilities are recognised in the statement of comprehensive income over the term of such instruments at a constant rate on the carrying amount.

(f) Borrowing costs

It is company policy to capitalise borrowing costs during the construction phase. Cumulative borrowing costs of £20.185 million have been 100% capitalised.

£nil borrowing costs have been capitalised since commencement of the operational phase.

(g) Lifecycle costs

Under the terms of the PFI contract, the company has a programme of expenditure for the maintenance of and replacement of non-moveable assets in the hospital facilities. In recognition of this obligation, the company has created a lifecycle expenditure provision to record the difference between the annual charge for maintenance prescribed by the contract terms and that actually incurred.

(h) Capital Commitments

There are no capital commitments (2015: £nil).

(i) Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Gains and losses arising from changes in fair value of financial assets are recognised directly in reserves, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in reserves is included in the net profit or loss for the year.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

(j) Bank debt policy

Interest-bearing bonds and bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Issue costs are amortised over the period of the borrowings in proportion to the scheduled principal repayments.

(k) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items or income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

1. Accounting policies (continued)

(1) Critical accounting policies and key judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Effective Interest Rate

Interest payable on the indexed secured bond and indexed loan is calculated using the effective interest rate. Effective interest rate calculations are based on assumptions regarding future RPI rates, which are based on management's best estimates where there is a level of uncertainty.

Certain critical accounting judgements in applying the group's accounting policies are described below:

- Accounting for the service concession contract and finance debtor require an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the PFI contract.
- Financial instruments are held at fair value.

2. Explanation of transition to FRS 102

As stated in note 1, these are the first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the corresponding information presented in these financial statements to the year ended 31 March 2015. This includes a new statement of change in equity.

The last financial statements under previous UK GAAP were for the year ended 31 March 2015, and the date of transition to FRS 102 was therefore 1 April 2014.

There have been no changes to the statement of financial position or the statement of comprehensive income for this company, therefore no additional reconciliation has been prepared.

3. Turnover

The company's turnover is derived from activities in the United Kingdom, represents amounts invoiced, excluding VAT, for services rendered, and is recognised each year as the applicable portions of the amounts receivable relating to finance and operating costs calculated on a consistent basis (see accounting policy note 1).

4. Operating profit

This is stated after charging:

	2016 £'000	2015 £'000
Auditor's remuneration - audit services for the audit of the company accounts	13	10
- tax services - compliance	7	7
Depreciation	7	7

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

5. Directors' emoluments

Directors' emoluments during the year were £6,468 (2015: £28,912) in respect of services rendered in connection with the management of the affairs of this company.

The emoluments of the highest paid director were £6,468 (2015: £28,912).

6. Staff costs

The company does not have any direct employees (2015: none). Staff are seconded from the shareholders of the company's parent undertaking.

7. Interest receivable and similar income

	2016 £'000	2015 £'000
Bank interest	164	150
Interest on the finance receivable	10,889	11,014
	<u>11,053</u>	<u>11,164</u>

Other than interest on the finance receivable, all interest has been earned on loans and receivable category of financial assets.

8. Interest payable and similar charges

	2016 £'000	2015 £'000
Loan stock interest	(2,388)	(2,388)
Payable to fellow subsidiary undertaking	(7,775)	(10,320)
	<u>(10,163)</u>	<u>(12,708)</u>

9. Tax on profit on ordinary activities

The tax charge for the year is made up as follows:

	2016 £'000	2015 £'000
Analysis of tax charge for the year		
Current tax:		
UK corporation tax	-	-
Total current tax (note 8b)	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	41	-
Total deferred tax	<u>41</u>	<u>-</u>
Tax on profit on ordinary activities	<u>41</u>	<u>-</u>

(a) Factors affecting current tax charge

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

9. Tax on profit on ordinary activities (continued)

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	3,862	531
Tax at 20% (2015: 21%)	772	112
Expenses not deductible for tax purposes	364	312
Losses utilised	(1,095)	(424)
Total tax charge (note 8a)	41	-

The Finance Act 2015 which was enacted on 26 October 2015 provides for further rate reductions to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. These rates were substantively enacted after the balance sheet date and have been reflected in the above calculation.

(b) Factors that may affect future tax charges

It is estimated that the company has tax losses arising in the UK of approximately £21 million (2015: £25 million) that are available for offset against future taxable profits.

The company agreed some years ago to surrender a portion of its tax losses to date to the shareholders of its parent company. The company does not consider it appropriate to currently recognise an asset in respect of future possible payments to be made by the shareholders for the remainder of these losses.

The deferred tax (asset)/liability recognised and unrecognised in the financial statements can be analysed as follows:

	Provided		Not provided	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Accelerated capital allowances	728	1,078	-	-
Short term timing differences	3,187	3,711	-	-
Losses carried forward	(3,874)	(4,789)	-	(267)
Total	41	-	-	(267)

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

10. Fixed assets

	Office building and equipment £'000
Cost	
At 1 April 2015	65
Additions	-
Disposals	-
At 31 March 2016	<u>65</u>
Depreciation	
At 1 April 2015	22
Charge for the year	7
At 31 March 2016	<u>29</u>
Net book value	
At 31 March 2016	<u><u>36</u></u>
At 31 March 2015	<u><u>43</u></u>

11. Debtors: amounts falling due within one year

	2016 £'000	2015 £'000
Finance receivable	1,788	1,666
Trade debtors	58	303
Amounts due from fellow subsidiary undertaking	390	426
	<u>2,236</u>	<u>2,395</u>

Finance receivable is classified as a financial asset at fair value.

The directors consider that the carrying amount of trade debtors approximate their fair value.

All the above debtors in both 2016 and 2015 are current and were settled within 30 days.

12. Debtors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Finance receivable	155,202	156,917
	<u>155,202</u>	<u>156,917</u>

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

13. Cash and deposits

	2016 £'000	2015 £'000
Cash at bank	1,524	928
Cash held on deposit	16,450	15,030
	<u>17,974</u>	<u>15,958</u>

14. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	91	309
Accruals and deferred income	4,983	4,756
Other creditors	545	548
Payable to fellow subsidiary undertaking:		
- Guaranteed secured bonds (note 16)	2,236	2,401
- Committed term loan facility (note 17)	3,198	3,073
	<u>11,053</u>	<u>11,087</u>

The directors consider that the carrying amount of trade and other payables approximate their fair value. Trade and other payables are included as part of the financial liabilities.

All the above trade creditors in both 2016 and 2015 are current and were settled within 30 days.

15. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Loan from fellow subsidiary	50	50
Payable to fellow subsidiary undertaking:		
- Guaranteed secured bonds (note 16)	74,844	76,235
- Committed term loan facility (note 17)	70,748	73,123
Loan Stock (note 18)	19,228	19,228
Deferred tax	41	-
	<u>164,911</u>	<u>168,636</u>

Dudley Summit PLC, a fellow subsidiary undertaking, has loaned its external borrowings to the company. The terms of these loans mirror those of the original borrowings with third parties as disclosed in notes 16 and 17 below.

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

16. Long-term bonds

	2016 £'000	2015 £'000
Not wholly repayable within five years:		
3.7772% Index-linked guaranteed secured bonds of £71,000,000, due 2038 and repayable in six monthly instalments commenced March 2005	51,693	53,303
Bond indexation	26,160	26,169
	<u>77,853</u>	<u>79,472</u>
Amounts falling due:		
In less than one year	2,236	2,401
Between one and two years	2,118	2,213
Between two and five years	5,240	5,572
After five years	68,259	69,286
	<u>77,853</u>	<u>79,472</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 2016. The bond is secured under the terms of a Security Trust Deed on the assets and liabilities of the company.

17. Long-term loan

	2016 £'000	2015 £'000
Not wholly repayable within five years:		
3.0716% Index-linked committed term facility of £70,000,000, due 2034, and repayable in six monthly instalments commencing March 2005	49,580	51,641
Indexation on the loan	25,095	25,357
	<u>74,675</u>	<u>76,998</u>
Amounts falling due:		
In less than one year	3,198	3,073
Between one and two years	3,292	3,166
Between two and five years	10,475	10,070
After five years	57,710	60,689
	<u>74,675</u>	<u>76,998</u>

The terms of the loan 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 2016.

The loan is secured under the terms of a Security Trust Deed on the assets and liabilities of the company.

During late 2008 the credit rating of AMBAC (the Monoline Guarantor) declined which led to a 'Loss of Qualifying Status' under the finance agreement and represents a 'Guarantor Event of Default'. As disclosed on page 2, since November 2008 the European Investment Bank, the loan provider, whilst reserving the right to request a replacement guarantor, have not done so and therefore to date there is no default on the loan. EIB continues to make the loan available but have levied additional 'default' interest charges.

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

18. Loan stock

	2016 £'000	2015 £'000
Amounts payable in more than five years:		
13% Subordinated loan notes	9,364	9,364
12.5% Subordinated loan notes	9,364	9,364
Zero coupon subordinated loan notes	500	500
	<u>19,228</u>	<u>19,228</u>

The subordinated loan stock bears fixed interest at the rates detailed above per annum payable six monthly. The loan stock is redeemable on the redemption date (31 May 2041) in whole or in part on such earlier date as the company may decide. The stock is subordinated until all of the secured obligations of the company have been repaid and discharged in full.

19. Called up share capital

	2016 £'000	2015 £'000
Authorised:		
60,000 ordinary shares of £1 each	<u>60</u>	<u>60</u>
Allotted, called up and fully paid:		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>

20. Reconciliation of shareholder's funds and movement on reserves

	Called up share capital £'000	Profit and loss £'000	Fair value reserve £'000	Total £'000
At 1 April 2015	10	(26,485)	22,065	(4,410)
Profit for the year	-	3,821	-	3,821
Fair value adjustments:				
Gain on financial asset (note 21)	-	-	73	73
	<u>10</u>	<u>(22,664)</u>	<u>22,138</u>	<u>(516)</u>
At 31 March 2016				

21. Other financial instruments

An explanation of the company's objectives, policies and strategies for the role of other financial instruments can be found in the Strategic Report and Accounting Policies note 1(i).

The company's fellow subsidiary issued the Guaranteed Secured Bonds in order to finance the design, build and operation of various hospital buildings under the Government's PFI Initiative.

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

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

21. Other financial instruments (continued)

Financial assets

The company's financial assets are its finance receivable of £157 million (2015: £158.6 million) and its cash of £18 million (2015: £15.9 million), both of which are denominated in sterling. The cash asset is a floating rate asset, while the finance receivable is a fixed interest rate asset. The weighted average interest rate for the fixed rate financial asset is 7.7 % (2015: 7.7%). The weighted average period for which the interest rate on the fixed rate financial asset is fixed is 26 years (2015: 27 years).

Financial liabilities

The company's financial liabilities are the amounts owing to its fellow subsidiary for its listed bonds and committed term loan facility as described in notes 16 and 17, and its own issued unsecured loan stock as described in note 18, all of which are denominated in sterling.

The bonds and loan are floating rate financial liabilities comprising a 3.7772% RPI linked guaranteed secured bond, and a 3.0716% RPI linked committed term loan facility.

The unsecured loan notes are a fixed rate financial liability. The weighted average interest rate of the loan notes is 12.42 % (2015: 12.42%), and the weighted average period for which interest rates on the loan notes are fixed is 25 years (2015: 26 years).

Value of financial assets and financial liabilities

	2016		2015	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial assets measured at amortised cost:				
- Finance receivable	156,990	156,990	158,583	158,583
- Trade debtors	58	58	303	303
	<u>157,048</u>	<u>157,048</u>	<u>158,886</u>	<u>158,886</u>
Financial liabilities measured at amortised cost:				
- Listed bonds	(77,020)	(108,080)	(78,569)	(111,895)
- Committed term loan	(73,873)	(82,442)	(76,123)	(85,747)
- Loan stock	(19,228)	(19,228)	(19,228)	(19,228)
- Trade creditors	(91)	(91)	(309)	(309)
	<u>170,212</u>	<u>209,841</u>	<u>174,229</u>	<u>217,179</u>

The fair value of the finance receivable has been calculated by discounting future cash flows relating to the asset using long term interest rates, subject to a floor, plus a risk factor specific to this project. The decrease in value this year is due primarily to a decrease in projected long term interest rates.

Market values have been used to determine the fair value of the listed bonds.

The fair value of the committed term loan facility has been calculated by discounting the expected future cash flows at prevailing interest rates.

The listed bonds, term loan and loan stock are classified as 'other financial liabilities' and have been retained at cost because this is materially similar to amortised cost.

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

21. Other financial instruments (continued)

Fair value measurement recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The finance receivable is accounted for at fair value and is classified as a level 3 financial asset.

	2016
	Level 3
	£'000
Financial asset	
Balance at 1 April 2015	158,583
Repayments in the year	(1,666)
Total gains or losses:	
- in the statement of other comprehensive income	73
Balance at 31 March 2016	<u>156,990</u>

Financial risk management and sensitivities

These have been considered in detail in the financial statements of the parent company Summit Holdings (Dudley) Limited.

22. Parent undertaking and controlling parties

The company is a 100% subsidiary of Summit Holdings (Dudley) Limited, which is the largest and smallest company to consolidate these financial statements.

Summit Holdings (Dudley) Limited is jointly owned and jointly controlled in equal shares by Interserve PFI Holdings Limited (a wholly-owned subsidiary of Interserve PFI Holdings 2014 Limited, which in turn is a subsidiary of Interserve Plc), Aberdeen Infrastructure (No.3) Limited (a subsidiary of Aberdeen Infrastructure Partners LP Inc.) and Crimson Project Investments Limited (an associate of Dalmore Capital Fund LP).

Copies of the financial statements of Summit Holdings (Dudley) Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

Summit Healthcare (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2016

23. Related parties

The following disclosures are required by FRS 8 "Related Party Disclosures":

Parties	Services	Payments during the year to 31 March 2016 £'000	Amounts payable at 31 March 2016 £'000	Payments during the year to 31 March 2015 £'000	Amounts payable at 31 March 2015 £'000
Interserve plc and its subsidiary undertakings	Operational and management services	26,065	80	25,994	270
	Loan stock interest	390	-	390	-
	Loan stock principal	-	3,121	-	3,121
Aberdeen Infrastructure Partners LP Inc. and its subsidiary undertakings	Loan stock interest	1,202	-	1,202	-
	Loan stock principal	-	9,366	-	9,366
Dalmore Capital Fund LP and its associates	Loan stock interest	796	-	796	-
	Loan stock principal	-	6,741	-	6,741

Amounts payable at 31 March 2016 are included within trade creditors, accruals and deferred income, and creditors due after more than one year.