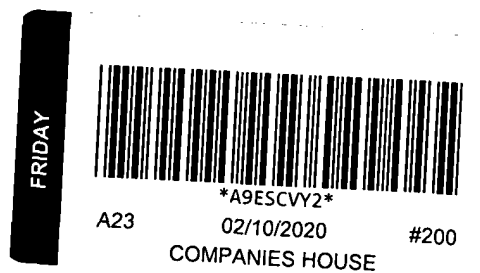


**Company Registration No. 04157362**

**Summit Healthcare (Dudley) Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2020**



# **Summit Healthcare (Dudley) Limited**

## **Annual report and financial statements for the year ended 31 March 2020**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisors</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>5</b>
<b>Directors' responsibility statement</b>	<b>6</b>
<b>Independent auditor's report</b>	<b>7</b>
<b>Statement of comprehensive income</b>	<b>10</b>
<b>Statement of financial position</b>	<b>11</b>
<b>Statement of changes in equity</b>	<b>12</b>
<b>Notes to financial statements</b>	<b>13</b>

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# **Summit Healthcare (Dudley) Limited**

## **Annual report and financial statements for the year ended 31 March 2020**

### **Officers and professional advisers**

#### **Directors**

M T Smith  
R M Thompson  
J S Gordon  
C T Solley

#### **Company Secretary**

W L Rapley

#### **Bankers**

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

#### **Registered Office**

C/O Albany SPC Services Limited,  
3rd Floor,  
3-5 Charlotte Street,  
Manchester,  
England,  
M1 4HB

#### **Auditor**

Johnston Carmichael LLP  
7-11 Melville Street  
Edinburgh  
EH3 7PE  
United Kingdom

# Summit Healthcare (Dudley) Limited

## Strategic report

The directors present their strategic report for the company for the year ended 31 March 2020. These financial statements have been prepared under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

### Business review and principal activities

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 completed 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 10, the company's turnover decreased by £0.5m (2019: decreased by £0.38m), mainly due to reduced variations.

The operating profit increased by £4.3m in the year (2019: increased by £0.28m). The increase in the year, is due to a review of the lifecycle accruals made in prior years and the release of those accruals no longer required for previous periods.

Financing charges were a net charge of £1.9m for the year (2019: charge £2.9m).

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 financial 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 loan agreements in place with its lenders via its fellow subsidiary company, Dudley Summit PLC, which state the level of borrowing and repayments due, subject to Retail Price Index (RPI) movements published by Office of National Statistics, 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 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 will be exercised and do not believe this will be exercised in foreseeable future.

As the underlying contract 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 loans 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, lenders and subcontractors 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 under the contract.

One of the risks of the company is that services may not continue due to the financial failure of one of company's subcontractors. The financial stability of the facilities management company is being monitored. The directors have reviewed the benchmarking information on the facilities management contract service fee and are comfortable that this is a market rate which would enable replacement of the subcontractor for a similar fee.

### Impact of Brexit

Britain exited from the European Union on 31 January 2020 and is in a transition period until 31 December 2020. The terms on which the United Kingdom may withdraw are not clear and it is difficult to evaluate all the potential implications on the company's trade, customers, suppliers and the wider economy. However, the company is not affected by the continued uncertainty surrounding the United Kingdom's membership of the European Union, as the cash flows generated from the PFI concession assets are secured under a contract with the client, which is a government body.

### Covid-19

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project Agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the COVID-19 outbreak, the Trust have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

### Financial instruments and financial risk management

The company's principal financial instruments comprise its finance contract debtor 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 (PFI). 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 adjusted by RPI movements 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 RPI fluctuations will continue to be monitored.

#### *Liquidity risk*

The company adopts a prudent approach to liquidity management by maintaining enough cash and liquid resources to meet its obligations. As the contract cash flows are reasonably predictable and, 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.

# Summit Healthcare (Dudley) Limited

## Strategic report (continued)

### *Credit risk*

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

### Statement in respect of Section 172(1) of the Companies Act 2006

The board of directors of the company, both individually and collectively, consider they have acted appropriately and in such a way as to promote the long-term success of the company for the benefit of its members.

The company has no direct employees as the company is managed under a Managed Service Agreement. The board of Directors is satisfied that those people employed under the MSA are appropriately qualified and have the support systems in place to carry out their role. The Directors are engaged with each team under the MSA to ensure the ongoing management of the underlying contracts of the company and they work collaboratively with the teams to achieve success.

The company is a special purpose company which has a finite lifespan with a defined set of obligations under Concession Agreements. The company delivers its objectives through effective relationships with its stakeholders including suppliers and customers. This is affected by regular reporting and reviews with suppliers and customers to ensure delivery of the company's objectives, whilst considering those stakeholders' needs. The Directors of the company meet regularly to review strategies for effective risk mitigation and service delivery in the context its impact on all stakeholder interests, including shareholders, suppliers, customers and the wider community.

Due to the nature of the company's operations, their impact on the community and environment is of paramount importance to the company's success. Operating safely is the company's primary objective and is as such integrated in everything the company undertakes. A safe environment is managed through effective leadership, implementation of robust policies, procedures and instructions, safety management review processes both internally and externally with relevant stakeholders, reporting, audit and monitoring. An independent safety advisor is appointed by each of the companies within the company, who reports directly to the Board of Directors.

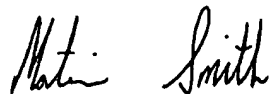
The company delivers contracts to support essential services to the public sector and takes its responsibility for ensuring that an appropriate environment is managed and maintained extremely seriously, ensuring the highest quality service is delivered from the assets under the company's management.

### Events

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

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



M T Smith  
Director

Date: 30 September 2020

# **Summit Healthcare (Dudley) Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

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

### **Environment**

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

### **Employees**

The company has no direct employees as detailed in note 5.

### **Results and dividends**

The results of the company are as set out in the statement of comprehensive income on page 10.

The directors do not recommend the payment of a dividend (2019: £nil).

### **Directors and their interests**

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

M T Smith  
R M Thompson  
J S Gordon  
C T Solley

None of the directors at 31 March 2020 held any interests 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 ought to have taken as a director in order to be made 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**

Johnston Carmichael LLP were appointed as auditors to the company and in accordance with Section 485 of Companies Act 2006, a resolution proposing they be reappointed will be put to a general meeting.

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



M T Smith  
Director

Date: 30 September 2020

## **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 of the company and of the statement of comprehensive income 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 being 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**

### **Opinion**

We have audited the financial statements of Summit Healthcare (Dudley) Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020, 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

## **Independent auditor's report to the members of Summit Healthcare (Dudley) Limited**

### **Matters on which we are required to report by exception (continued)**

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the Statement of directors' responsibilities statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## **Independent auditor's report to the members of Summit Healthcare (Dudley) Limited**

### ***Auditor's responsibilities for the audit of the financial statements (continued)***

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Use of our report**

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's members as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Roger (Senior Statutory Auditor)  
For and on behalf of Johnston Carmichael LLP  
Chartered Accountants  
Statutory Auditors  
7-11 Melville Street  
Edinburgh  
30 September 2020

## Summit Healthcare (Dudley) Limited

### Statement of comprehensive income for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000 Restated
Turnover	2	33,562	34,040
Cost of sales		(25,594)	(30,400)
<b>Gross profit</b>		<u>7,968</u>	<u>3,640</u>
Administrative expenses		(755)	(1,055)
<b>Operating profit</b>	3	<u>7,213</u>	<u>2,585</u>
Interest receivable and similar income	6	10,607	10,453
Interest payable and similar charges	7	(12,547)	(13,356)
		<u>(1,940)</u>	<u>(2,903)</u>
<b>Profit /(Loss) before taxation</b>		5,273	(318)
Tax charge	8	(1,311)	(56)
<b>Profit /(Loss) after taxation</b>		<u>3,962</u>	<u>(374)</u>
<b>Other comprehensive income for the year</b>			
Loss for the year on revaluation of financial contract debtor asset taken to equity		-	-
<b>Total comprehensive income/(expense) for the year</b>		<u>3,962</u>	<u>(374)</u>

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

## Summit Healthcare (Dudley) Limited

### Statement of financial position for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000 Restated
<b>Fixed Assets</b>			
Tangible Assets	9	34	30
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	3,461	8,785
Debtors: amounts falling due after more than one year	11	124,404	126,777
Cash and deposits	12	29,321	26,599
		<u>157,186</u>	<u>162,161</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(12,119)</u>	<u>(20,581)</u>
<b>Net current assets</b>		<u>145,066</u>	<u>141,580</u>
<b>Total assets less current liabilities</b>		<u>145,101</u>	<u>141,610</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(161,849)</u>	<u>(162,320)</u>
<b>Net liabilities</b>		<u>(16,748)</u>	<u>(20,710)</u>
<b>Capital and reserves</b>			
Called up share capital	18	10	10
Profit and loss account		(16,758)	(20,720)
Fair value reserve		-	-
<b>Shareholder's deficit</b>		<u>(16,748)</u>	<u>(20,710)</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 30 September 2020.

Signed on behalf of the Board of Directors



M T Smith  
Director

## Summit Healthcare (Dudley) Limited

### Statement of financial position for the year ended 31 March 2020

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Fair value reserve £'000</b>	<b>Total equity £'000</b>
<b>At 31 March 2018</b>	10	(20,346)	21,921	1,585
Loss for the year	-	(374)	-	(374)
Loss on financial asset	-	-	(240)	(240)
Total comprehensive expense	-	(374)	(240)	(614)
<b>At 1 April 2019 as previously reported</b>	10	(20,720)	21,681	971
Prior period adjustments	-	-	(21,681)	(21,681)
<b>At 1 April 2020 as restated</b>	10	(20,720)	-	(20,710)
Profit for the year	-	3,962	-	3,962
Total comprehensive expense	-	(16,758)	-	(16,748)
<b>At 31 March 2020</b>	10	(16,758)	-	(16,748)

# Summit Healthcare (Dudley) Limited

## Notes to the financial statements for the year ended 31 March 2020

### 1. Accounting policies

Summit Healthcare (Dudley) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1.

The company's functional and presentational currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest thousand.

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards and in accordance with Financial Reporting Standard 102 (FRS 102).

The accounting policies adopted are described below and have been applied consistently in the current and prior years, except as noted below.

#### (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.

The directors have prepared a detailed forecast to contract completion incorporating the relevant terms of the PFI contract, subcontracts, loan agreements and reasonably prudent economic assumptions. This forecast, which is updated regularly, predicts that the company will be profitable and will have sufficient cash resources to operate within the terms of the PFI contract, subcontracts and loan agreements. Therefore, the directors, having considered the financial position of the company and its expected future cash flows, have prepared the financial statements on a going concern basis. The directors confirm that they do not intend to liquidate the company or cease trading as they consider they have realistic alternatives to doing so.

The directors confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including plans for future actions.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project Agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020.

Since the COVID-19 outbreak, the Trust have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

#### (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 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 parent and controlling companies are detailed in note 20 below.

# Summit Healthcare (Dudley) Limited

## Notes to the financial statements for the year ended 31 March 2020

### 1. Accounting policies (Continued)

#### *(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 contract debtor 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 contract debtor asset.

A review has been made by the Board regarding the fair value accounting on the finance debtor under FRS 102. The decision has been made that this accounting treatment is not required as the asset is not deemed available for sale, instead this asset is used to ensure the availability of future cashflows. The financial modelling of the company shows that the financial asset returns to nil by the end of the concession period.

The financial contract debtor asset is recorded in the statement of financial position in the prior and cost 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.

#### *(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.

No 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 (2019: £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 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.



## **Summit Healthcare (Dudley) Limited**

### **Notes to the financial statements for the year ended 31 March 2020**

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 statement of comprehensive income for the year.

#### ***(j) 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 rate method unless the arrangement constitutes a financing transaction, when the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

#### ***(k) 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 rate method, less any impairment.

Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial. The effective interest rate 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.

#### ***(l) Impairment of financial assets***

Financial assets, other than those held at fair value through the statement of comprehensive income 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 statement of comprehensive income.

#### ***(m) Derecognition of financial assets***

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

#### ***(n) 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 rate method.

#### ***(o) 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 the statement of comprehensive income under finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

#### ***(p) Derecognition of financial liabilities***

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

# Summit Healthcare (Dudley) Limited

## Notes to the financial statements for the year ended 31 March 2020

### 1. Accounting policies (continued)

#### *(q) 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 rate 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.

#### *(r) 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 date of the statement of financial position.

Deferred tax is provided in full on timing differences which result in an obligation at date of the statement of financial position 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.

#### *(s) Critical Accounting Judgements and Key Sources of Estimation uncertainty*

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.

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

- Accounting for the service concession contract and finance contract 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.

#### *(t) Estimates*

The estimates and associated assumptions are based on 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.

#### *(u) Effective interest rate method*

Interest payable on the indexed secured bond and indexed loan is calculated using the effective interest rate method.

Effective interest rate method calculations are based on assumptions regarding future RPI rates, which are based on management's best estimates where there is a level of uncertainty.

#### *(v) Prior Period Adjustments*

A review has been made by the Board regarding the fair value accounting on the finance debtor under FRS 102. The decision has been made that this accounting treatment is not required as the asset is not deemed available for sale, instead this asset is used to ensure the availability of future cashflows. The financial modelling of the company shows that the financial asset returns to nil by the end of the concession period. A prior period adjustment has been processed for 2019 which has reduced the opening fair value reserve by £21.9m this has reduced the financial asset greater than 1 year by £26.7m and the deferred tax liability by £4.8m.

## Summit Healthcare (Dudley) Limited

### Notes to the financial statements for the year ended 31 March 2020

#### 2. 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).

#### 3. Operating profit

This is stated after charging:

	2020 £'000	2019 £'000
Auditor's remuneration - audit services for the audit of the company accounts	19	19
Tax services – compliance (not provided by auditors)	9	9
Depreciation (note 9)	8	8

#### 4. Directors' emoluments

Directors' emoluments during the year were £nil (2019: nil) in respect of services rendered in connection with the management of the affairs of this company.

The emoluments of the highest paid director were £nil (2019: nil).

#### 5. Staff costs

The company does not have any direct employees (2019: none). Any staff working for the company are seconded from other companies in accordance with the management services agreement.

#### 6. Interest receivable and similar income

	2020 £'000	2019 £'000
Bank interest	160	126
Interest on the finance receivable	10,607	10,327
	<u>10,607</u>	<u>10,453</u>

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

#### 7. Interest payable and similar charges

	2020 £'000	2019 £'000
Loan stock interest	(2,615)	(2,540)
Payable to fellow subsidiary undertaking	(9,932)	(10,816)
	<u>(12,547)</u>	<u>(13,356)</u>

## Summit Healthcare (Dudley) Limited

### Notes to the financial statements for the year ended 31 March 2020

#### 8. Tax charge

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

	2020 £'000	2019 £'000
Analysis of tax charge for the year		
Current tax:		
UK corporation tax	-	-
Prior year adjustments	-	-
Total current tax (note 8b)	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Prior year restatement	1,311	56
Total deferred tax	1,311	56
Total tax charge for the year	1,311	56

#### (a) Factors affecting current tax charge

The tax assessed for the year is at the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
(Loss) / Profit before tax	5,273	(318)
Tax at 19% (2019: 19%)	1,002	(60)
Prior year adjustments	-	-
Other adjustments	-	-
Expenses not deductible for tax purposes	131	123
Effect of changes in the tax rate	178	(7)
Total tax charge for the year (note 8a)	1,311	56

A change to the future UK Corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

#### (b) Factors that may affect future tax charges

It is estimated that the company has gross tax losses arising in the UK of approximately £8.3 million (2019: £13.2 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 directors are considering the implications of the new regulations on interest deductibility. Their initial view is the company will not be affected. However, a detailed review is ongoing and will be completed in due course.

## Summit Healthcare (Dudley) Limited

### Notes to the financial statements for the year ended 31 March 2020

#### 8. Tax charge (Continued)

##### (b) Factors that may affect future tax charges (Continued)

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

	Provided		Not provided	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
	Restated			
Accelerated capital allowances	4,411	3,780	-	-
Short term timing differences	(9)	(5)	-	-
Losses carried forward	(1,574)	(2,259)	-	-
	<u>2,828</u>	<u>1,516</u>	<u>-</u>	<u>-</u>
Total	<u>2,828</u>	<u>1,516</u>	<u>-</u>	<u>-</u>

#### 9. Fixed assets

	Office building and equipment £'000
<b>Cost</b>	
At 1 April 19	80
Additions	12
Disposals	-
At 31 March 2020	<u>92</u>
<b>Depreciation</b>	
At 1 April 19	(50)
Charge for the year	(8)
At 31 March 2020	<u>(58)</u>
<b>Net book value</b>	
At 31 March 2020	<u>34</u>
At 31 March 2019	<u>30</u>

## Summit Healthcare (Dudley) Limited

### Notes to the financial statements for the year ended 31 March 2020

#### 10. Debtors: amounts falling due within one year

		2020 £'000	2019 £'000 Restated
	Note		
Finance contract debtor receivable	19	2,409	2,264
Trade debtors		821	609
Prepayments		231	247
Intercompany balances		-	5,665
		<u>3,461</u>	<u>8,785</u>

Finance contract debtor receivable is classified as a financial asset.

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

#### 11. Debtors: amounts falling due after more than one year

		2020 £'000	2019 £'000 Restated
	Note		
Finance contract debtor receivable	19	124,404	126,777
		<u>124,404</u>	<u>126,777</u>

#### 12. Cash and deposits

		2020 £'000	2019 £'000
Cash at bank		29,321	26,599
		<u>29,321</u>	<u>26,599</u>

The balance includes restricted maintenance and senior debt reserve balances of £22,363k (2019: £15,804k).

#### 13. Creditors: amounts falling due within one year

		2020 £'000	2019 £'000
Trade creditors		1,508	3,072
Accruals and deferred income		467	5,507
Other creditors		563	494
Payable to fellow subsidiary undertaking:			
- Guaranteed secured bonds (note 15)*		1,611	3,085
- Committed term loan facility (note 16)*		4,162	5,662
- Accrued interest		3,809	2,761
		<u>12,120</u>	<u>20,581</u>

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

## Summit Healthcare (Dudley) Limited

### Notes to the financial statements for the year ended 31 March 2020

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

	2020 £'000	2019 as restated £'000
Loan from fellow subsidiary	50	50
Payable to fellow subsidiary undertaking:		
- Guaranteed secured bonds (note 15)*	75,777	75,276
- Committed term loan facility (note 16)*	63,966	66,250
Loan Stock (note 17)	19,288	19,228
Deferred tax	2,828	1,516
	<u>161,849</u>	<u>162,320</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 15 and 16 below. The amounts payable to fellow subsidiary undertaking include deferred FRS4 costs. These are £586k for secured bonds (2019 - £601k) and £501k for loan facility (2019 - £530k).

#### 15. Long-term bonds

	2020 £'000	2019 £'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	45,660	47,485
Bond indexation	31,728	31,476
	<u>77,388</u>	<u>78,961</u>
Amounts falling due:		
In less than one year	1,611	3,085
Between one and two years	1,877	1,514
Between two and five years	5,935	4,769
After five years	67,965	69,593
	<u>77,388</u>	<u>78,961</u>

The bonds are in the name of Dudley Summit PLC. 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 2020. The bond is secured under the terms of a Security Trust Deed on the assets and liabilities Dudley Summit PLC.

## Summit Healthcare (Dudley) Limited

### Notes to the financial statements for the year ended 31 March 2020

#### 16. Long-term loan

	2020 £'000	2019 £'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	40,706	44,154
Indexation on the loan	27,926	28,288
	<u>68,128</u>	<u>72,422</u>
Amounts falling due:		
In less than one year	4,162	5,662
Between one and two years	4,527	3,915
Between two and five years	16,099	12,459
After five years	43,340	50,406
	<u>68,128</u>	<u>72,422</u>

The loan is in the name of Dudley Summit PLC. 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 2020.

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.

#### 17. Loan stock

	2020 £'000	2019 £'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 interest at fixed rates detailed above per annum, payable in six monthly intervals subject to consent of lenders. 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 the secured obligations of the company have been repaid and discharged in full.



## Summit Healthcare (Dudley) Limited

### Notes to the financial statements for the year ended 31 March 2020

#### 18. Called up share capital

	2020 £'000	2019 £'000
<b>Authorised:</b>		
60,000 ordinary shares of £1 each	60	60

The company has 60,000 shares at £1 each which carry no rights to fixed income.

<b>Allotted, called up and fully paid:</b>		
10,000 ordinary shares of £1 each	10	10

The company has 10,000 shares at £1 each which carry no rights to fixed income.

#### 19. Other reserves

The profit and loss reserve represent cumulative profit or losses.

#### 20. Parent undertaking and controlling parties

In the directors' opinion there is no ultimate controlling party. At the date of statement of financial position, the company is a 100% subsidiary of Summit Holdings (Dudley) Limited, which is the largest and smallest company to consolidate these financial statements. The registered office is the same as the company and is shown on Page 1.

Summit Holdings (Dudley) Limited is jointly owned and jointly controlled by:

- Browning PFI Holdings Limited (33.33%),
- Aberdeen Infrastructure (No.3) Limited (33.33%),
- Crimson Project Investments Limited (33.33%).

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 2020

21. Related parties

The following disclosures are required by FRS 102 Section 33 "Related Party Disclosures":

Parties	Services	Payments during the year to 31 March 2020 £'000	Amounts payable at 31 March 2020 £'000	Payments during the year to 31 March 2019 £'000	Amounts payable at 31 March 2019 £'000
Interserve plc and its subsidiary undertakings	Operational and management services	-	-	27,249	2,534
	Loan stock interest	-	-	630	219
	Loan stock principal	-	-	-	3,121
Aberdeen Infrastructure Partners LP Inc. and its subsidiary undertakings	Loan stock interest	-	1,806	1,860	657
	Loan stock principal	-	9,366	-	9,366
Dalmore Capital Fund LP and its associates	Loan stock interest	-	1,782	1,245	437
	Loan stock principal	-	9,862	-	6,741

On 15th March 2019, Interserve Investments Ltd sold its remaining indirect legal interests in Interserve PFI Holdings Limited, shareholder of Summit Holdings (Dudley) Limited, which owns this company.

Amounts payable at 31 March 2020 are included within trade creditors, accruals and deferred income, and creditors due after more than one year. Terms in relation to the Loan stock are shown in note 17.