

SUMMIT HOLDINGS (DUDLEY) LIMITED

Company Registration No. 04157380

Report and Group Accounts

31 March 2009

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COMPANIES HOUSE

Summit Holdings (Dudley) Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M C Shelley
C B Weekley
A L Tennant
S M Jones
R J Marsden
M A Donn
D Poynton

SECRETARY

W L Roberts

AUDITORS

Deloitte LLP
Chartered Accountants
London

BANKERS

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

REGISTERED OFFICE

Interserve House
Ruscombe Park
Twyford
Reading
RG10 9JU

Summit Holdings (Dudley) Limited

DIRECTORS' REPORT

The directors present their report and the audited group accounts for the year ended 31 March 2009.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is a holding company operating in the United Kingdom, owned equally by its ultimate controlling parties Interserve Plc, HBOS plc and Newarthill Ltd, whose sole business is the holding of investments in its wholly owned subsidiaries Summit Healthcare (Dudley) Limited and Dudley Summit PLC.

Summit Healthcare (Dudley) Limited'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.

Dudley Summit PLC's principal activity is to issue and manage the bond and loan finance raised to fund the PFI contract.

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 group'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 group's profit and loss account on page 8, the group's turnover has increased by £2.4 million in comparison with the prior year, mainly due to inflation, together with a slightly increased throughput of contract variations.

The operating profit of £0.6m declined by £1.0m in comparison with last year's £1.6m, mainly due to a re-assessment of the finance receivable apportionments in the period resulting in an increased interest receivable element of £1.6m (see note 6), offset by improvements due to increased income and cost efficiencies.

The tax debit of £2.0m is due to refunding shareholders 50% of the payment of £4.0m received in 2005 for tax losses surrendered (see note 8).

The group balance sheet on page 9 of the financial statements shows an increase of £19.5 million in the net asset position due mainly to this year's £25.2m increase in the fair value of the financial asset (as detailed in Note 1(b)) offset by the trading loss for the year.

There have been no significant events since the balance sheet date.

The group'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 group's directors believe that further key performance indicators for the group 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 group to have reasonable certainty over its income and expenditure for this period. In addition the group has credit agreements in place with its lenders which fix the level of borrowing and repayments due until the loan and bonds are fully repaid by 2038. These agreements subject the Group to various covenants. The Group remains in compliance with all covenants.

However, the decline in the credit rating of AMBAC (the Monoline Guarantor) during November 2008 has led to its 'Loss of Qualifying Status' under the agreement with the European Investment Bank (EIB) and also represents a 'Guarantor Event of Default'. The EIB now holds 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 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.

Summit Holdings (Dudley) Limited

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES (CONTINUED)

The directors have also had prepared detailed model forecasts to completion incorporating the relevant terms of the PFI contract, subcontracts and credit agreements and reasonably prudent economic assumptions including the default interest charges. These forecasts (which are updated regularly) predict that the group will be profitable and will have sufficient cash resources to meet its liabilities, including the additional interest charges, as they fall due.

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

RESULTS AND DIVIDENDS

The group loss for the year, after taxation, amounted to £5,786,000 (2008 loss: £1,998,000). The directors do not recommend the payment of a dividend (2008: £Nil).

PRINCIPAL RISK AND UNCERTAINTIES

The group's principal activities as detailed above are risk averse as its subsidiaries' 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.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

The main risks arising from the group's financial instruments are interest rate, 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 group's main borrowings are at fixed rates of interest with an RPI uplift and it also receives income linked to RPI. The group also invests in cash deposits at floating rate.

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

Liquidity risk

The group 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 3, this is not a major risk area for the group.

Credit risk

The group 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.

ENVIRONMENT

The group 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 group's activities.

EMPLOYEES

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

SUPPLIER PAYMENT POLICY

The directors recognise the importance of good relationships with suppliers and the established payment policy is to:

- agree payment terms in advance of any commitment being entered into;
- ensure suppliers are made aware of these terms by inclusion of the terms of payment on the order of contract; and
- ensure that payments are made in accordance with the terms of the contractor's order providing that the presented documentation is complete and accurate.

At 31 March 2009, the group had an average of 5 days' purchases (2008: 8 days) outstanding in trade creditors.

Summit Holdings (Dudley) Limited

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year, except as noted, were as follows:

M C Shelley	
C B Weekley	
A L Tennant	
S M Jones	
R J Oram	(resigned 27 March 2009)
I Wong	(resigned 30 May 2008)
R J Marsden	
M A Donn	(appointed 30 May 2008)
D Poynton	(appointed 30 January 2009)
R Wotherspoon	(appointed 26 September 2008; resigned 30 July 2009)

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

DTR RESPONSIBILITY STATEMENT

The directors confirm that:

The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and

The directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

INFORMATION TO AUDITORS

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

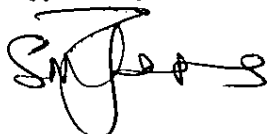
- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

AUDITORS

Deloitte LLP have expressed their willingness to continue in office as auditors and are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985.

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



S M Jones

Director Date: 14 September 2009

Summit Holdings (Dudley) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUMMIT HOLDINGS (DUDLEY) LIMITED

We have audited the group and parent company financial statements of Summit Holdings (Dudley) Limited for the year ended 31 March 2009 which comprise the group profit and loss account, the statement of total recognised gains and losses, the group and company balance sheet, the group cash-flow statement and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

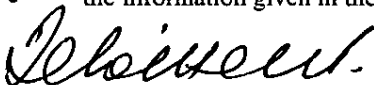
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's and the group's affairs as at 31 March 2009 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom.

Date 18 September 2009

Summit Holdings (Dudley) Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 March 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
TURNOVER	2	28,767	26,361
Cost of sales		(27,361)	(23,878)
GROSS PROFIT		<u>1,406</u>	<u>2,483</u>
Administrative expenses		(850)	(921)
OPERATING PROFIT	3	<u>556</u>	<u>1,562</u>
Interest receivable	6	12,127	10,682
Interest payable and similar charges	7	(16,469)	(14,242)
		<u>(4,342)</u>	<u>(3,560)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(3,786)</u>	<u>(1,998)</u>
Tax on loss on ordinary activities	8	(2,000)	–
LOSS FOR THE FINANCIAL YEAR	19	<u><u>(5,786)</u></u>	<u><u>(1,998)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Gain on available for sale financial asset	19	25,244	27,728
NET GAIN RECOGNISED DIRECTLY IN RESERVES		<u>25,244</u>	<u>27,728</u>
Loss for the year		<u>(5,786)</u>	<u>(1,998)</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR		<u><u>19,458</u></u>	<u><u>25,730</u></u>

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

As permitted by section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. The result of the company in the year was £nil (2008: £nil).

Summit Holdings (Dudley) Limited

GROUP BALANCE SHEET

at 31 March 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
NON-CURRENT ASSETS			
Fixed assets	9	4	8
Debtors: amounts falling due after more than one year	11	193,136	168,907
		<u>193,140</u>	<u>168,915</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	1,471	1,699
Cash at bank and in hand		12,143	13,439
		<u>13,614</u>	<u>15,138</u>
CREDITORS: amounts falling due within one year	13	<u>(8,357)</u>	<u>(8,659)</u>
NET CURRENT ASSETS		<u>5,257</u>	<u>6,479</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>198,397</u>	<u>175,394</u>
CREDITORS: amounts falling due after more than one year	14	<u>(172,065)</u>	<u>(168,520)</u>
NET ASSETS		<u><u>26,332</u></u>	<u><u>6,874</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	60	60
Profit and loss account	19	(23,714)	(17,928)
Fair value reserve	19	49,986	24,742
SHAREHOLDERS' FUNDS		<u><u>26,332</u></u>	<u><u>6,874</u></u>

These financial statements were approved by the Board of Directors and authorised for issue on the 14 September 2009.



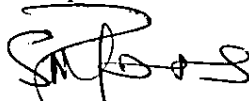
S M Jones
Director

Summit Holdings (Dudley) Limited

COMPANY BALANCE SHEET at 31 March 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
FIXED ASSETS			
Investments	10	60	60
		<u>60</u>	<u>60</u>
CAPITAL AND RESERVES			
Called up share capital	18	60	60
Profit and loss account		-	-
		<u>60</u>	<u>60</u>
SHAREHOLDERS' FUNDS		<u>60</u>	<u>60</u>

These financial statements were approved by the Board of Directors and authorised for issue on the 14 September.



S M Jones
Director

Summit Holdings (Dudley) Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 March 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	21(a)	125	2,940
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Bank interest received		731	865
Interest element of finance receivable repayments		11,396	9,817
Interest paid on bonds		(3,048)	(2,987)
Interest paid on committed term loan facility		(3,053)	(2,833)
Interest paid on loan stock		(2,388)	(2,391)
Taxation/GR refund payable		(2,000)	–
		1,638	2,471
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		1,763	5,411
FINANCING			
Repayment of secured bond and loan		(4,069)	(3,852)
Capital element of finance receivable repayment		1,010	1,188
(DECREASE) /INCREASE IN CASH		(1,296)	2,747
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
(Decrease)/ increase in cash		(1,296)	2,747
Cash outflow from repayment of debt		4,069	3,852
Change in net debt resulting from cash-flows	21(b)	2,773	6,599
Indexation, amortisation of issue costs and other non-cash movements in the year		(7,976)	(6,034)
		(5,203)	565
NET DEBT AS AT 1 APRIL		(158,844)	(159,409)
NET DEBT AS AT 31 MARCH	21(b)	(164,047)	(158,844)

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES

(a) Going concern

The financial statements are prepared on a going concern basis. As disclosed on page 4 the directors believe that the group 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, except for the revaluation of certain financial instruments.

Accounting policies have been consistently applied in the current and prior year.

During the period the group continued to apply FRS 25 *Financial instruments; disclosure and presentation* and FRS 26 *Financial Instruments; measurement*. The effect of adopting these, following the fair valuing of certain of the group's financial assets and derivatives is to increase shareholders' funds at 31 March 2009 by £25.2million (2008: increase £27.7million).

In the current year the group has adopted FRS 29 '*Financial instruments: Disclosures*' thereby expanding its disclosures regarding such instruments (see note 20).

(c) Basis of consolidation

The group's financial statements consolidate the financial statements of Summit Holdings (Dudley) Limited and its subsidiary undertakings Dudley Summit PLC and Summit Healthcare (Dudley) Limited drawn up to 31 March each year.

No separate profit and loss account is presented for Summit Holdings (Dudley) Limited as permitted by Section 230 of the Companies Act 1985.

(d) 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.

(e) Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment.

In the company balance sheet, for investments in subsidiaries acquired for consideration cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

(f) 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 is recorded within turnover. The construction expenditure and associated costs are reallocated to cost of sales. Amounts receivable are classified as an available for sale financial asset.

Revenues received from the customer are apportioned between:

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

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES (CONTINUED)

(g) Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

(h) Financial liabilities and equity

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 group after deducting all of its liabilities.

(i) Bond issues and Bank borrowings

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 accrual basis in the profit or loss account 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.

(j) 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 balance sheet 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.

(k) Financial instruments

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account where there is objective evidence that the asset is impaired.

Trade payables

Trade payables are measured at fair value.

Derivative financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Gains and losses arising from changes in fair value of available for sale 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 period.

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 (f)).

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

3. OPERATING PROFIT

This is stated after charging:

	2009	2008
	£000	£000
Auditors' remuneration		
- audit services for the audit of the company accounts	2	2
- other services pursuant to legislation; audit of subsidiary accounts	12	12
- taxation services	8	16
Depreciation	4	4
	<u>26</u>	<u>34</u>

The audit fees for Summit Holdings (Dudley) Ltd and Dudley Summit PLC were paid by Summit Healthcare (Dudley) Ltd in the current and prior years.

4. DIRECTORS' EMOLUMENTS

Directors' emoluments during the year were £6,922 (2008 – £Nil) in respect of services rendered in connection with the management of the affairs of the group.

The emoluments of the highest paid director were £6,922 (2008 – £Nil).

5. STAFF COSTS

The group does not have any direct employees (2008 – Nil). Staff are seconded from the shareholders of the company.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£000	£000
Bank interest	731	865
Interest receivable on finance receivable	11,396	9,817
	<u>12,127</u>	<u>10,682</u>

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

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£000	£000
Guaranteed secured bonds	3,049	2,987
Loan	2,560	2,396
Amortised issue costs	174	179
Indexation of outstanding capital:		
Guaranteed secured bonds	3,931	2,945
Loan	3,874	2,906
Other finance costs	493	438
Other interest	–	–
Loan stock interest	2,388	2,391
	<u>16,469</u>	<u>14,242</u>

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

8. TAX ON LOSS ON ORDINARY ACTIVITIES

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

	2009 £000	2008 £000
Note a) Analysis of tax charge for year		
Current tax:		
UK corporation tax	-	-
Recognition of payment refunded for prior year tax losses surrendered	2,000	-
<i>Total current tax (note 8b)</i>	<u>2,000</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
<i>Total deferred tax</i>	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>2,000</u>	<u>-</u>

Note b) Factors affecting current tax charge

The tax assessed for the year is higher (2008 – lower) than the standard rate of corporation tax in the UK of 28% (2008 - 30%). The differences are explained below:

	2009 £000	2008 £000
Loss on ordinary activities before tax	(3,786)	(1,998)
Tax at 28%/30%	(1,060)	(600)
Expenses not deductible for tax purposes	285	358
Payment refunded for prior year tax losses surrendered	2,000	-
Losses not utilised	775	242
<i>Total current tax (note 8a)</i>	<u>2,000</u>	<u>-</u>

Note c) Factors that may affect future tax charges

It is estimated that the group has tax losses arising in the UK of approximately £30.8 million (2008: £27.2 million) that are available for offset against future taxable profits.

The group has agreed to surrender a portion of its tax losses to date to its shareholders.

The group 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 accounts can be analysed as follows:

	<i>Provided</i>		<i>Not provided</i>	
	2009 £000	2008 £000	2009 £000	2008 £000
Accelerated capital allowances	2,639	2,772	-	-
Short term timing differences	5,487	5,525	-	-
Losses surrendered not yet recognised	(2,800)	(2,800)	-	-
Losses carried forward	(5,326)	(5,497)	(3,299)	(2,123)
<i>Total</i>	<u>-</u>	<u>-</u>	<u>(3,299)</u>	<u>(2,123)</u>

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

9. FIXED ASSETS

<i>Group</i>	<i>Office equipment £000</i>
Cost	
At 1 April 2008	16
Additions	—
Disposals	—
At 31 March 2009	16
Depreciation	
At 1 April 2008	8
Charge for the year	4
Disposals	—
At 31 March 2009	12
Net book value	
At 31 March 2009	4
At 31 March 2008	8

10. INVESTMENTS

<i>Company</i>	<i>Ordinary Shares £000</i>
Investment in subsidiary undertakings: At 31 March 2009 and 31 March 2008	60

The company owns the entire ordinary issued share capital of Dudley Summit PLC and Summit Healthcare (Dudley) Limited, companies registered in England and Wales. The principal activities of these companies are given in the Directors' Report.

11. DEBTORS: amounts falling due after more than one year

<i>Group</i>	<i>2009 £000</i>	<i>2008 £000</i>
Finance receivable	193,136	168,907
	193,136	168,907

12. DEBTORS: amounts falling due within one year

<i>Group</i>	<i>2009 £000</i>	<i>2008 £000</i>
Finance receivable	1,043	1,040
Trade debtors	214	19
Prepayments and accrued income	214	640
	1,471	1,699

The directors consider that the carrying amount of trade and other receivables approximate their fair value. Trade and other receivables are included as part of the financial assets.
All the above trade debtors in both 2008 and 2009 are current and were settled within 30 days.

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

13. CREDITORS: amounts falling due within one year

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	395	498
Accruals and deferred income	3,333	3,626
Other creditors	334	602
Guaranteed secured bonds (note 15)	2,115	1,918
Committed term loan facility (note 16)	2,180	2,015
	<u>8,357</u>	<u>8,659</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 2008 and 2009 are current and were settled within 30 days.

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

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Guaranteed secured bonds (note 15)	78,359	76,609
Committed term loan facility (note 16)	77,030	75,405
Loan stock (note 17)	19,228	19,228
	<u>174,617</u>	<u>171,242</u>
Less: unamortised issue costs	(2,552)	(2,722)
	<u>172,065</u>	<u>168,520</u>

15. LONG-TERM BONDS

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Not wholly repayable within five years:		
3.7772% Index-Linked Guaranteed Secured Bonds of £71,000,000, due 2038, repayable in six monthly instalments commencing March 2005	63,823	65,422
Bond Indexation	16,651	13,105
	<u>80,474</u>	<u>78,527</u>
Amounts falling due:		
In one year or less	2,115	1,918
In more than one year but not more than two years	2,280	2,013
In more than two years but not more than five years	8,870	6,430
In more than five years	67,209	68,166
	<u>80,474</u>	<u>78,527</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 2009. The bond is secured under the terms of a Security Trust Deed on the assets and liabilities of the group.

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

16. LONG-TERM LOAN

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Not wholly repayable within five years:		
3.0716% index-linked committed term facility of £70,000,000 due 2034, repayable in six monthly instalments commencing March 2005	62,817	64,496
Indexation on the loan	16,393	12,924
	<u>79,210</u>	<u>77,420</u>
Amounts falling due:		
In one year or less	2,180	2,015
In more than one year but not more than two years	2,245	2,075
In more than two years but not more than five years	9,667	6,604
In more than five years	65,118	66,726
	<u>79,210</u>	<u>77,420</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 2009.

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

During the current year the credit rating of AMBAC (the Monoline Guarantor) declined which has led to a 'Loss of Qualifying Status' under the finance agreement and represents a 'Guarantor Event of Default'. As disclosed on page 3, since November 2008 the European Investment Bank, the loan provider, has continued to make the loan available but have levied additional 'default' interest charges.

17. LOAN STOCK

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
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 group may decide. The stock is subordinated until all of the secured obligations of the group have been repaid and discharged in full.

18. SHARE CAPITAL

<i>Group and Company</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2008</i>
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
<i>Authorised, allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	60,000	60	60,000	60

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

<i>Group</i>	<i>Share Capital</i>	<i>Profit and loss account £000</i>	<i>Fair Value Hedge £000</i>	<i>Total £000</i>
At 1 April 2008	60	(17,928)	24,742	6,874
Loss for the year	–	(5,786)	–	(5,786)
Fair value adjustments:				
Profit on available for sale financial asset	–	–	25,244	25,244
At 31 March 2009	<u>60</u>	<u>(23,714)</u>	<u>49,986</u>	<u>26,332</u>
				<i>Share capital £000</i>
At 31 March 2009 and 31 March 2008				<u>60</u>

20. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

An explanation of the group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found in the Directors' Report and Accounting policies note.

The group issued the Guaranteed Secured Bonds in order to finance the design, build and operation of various hospital buildings under the Government's PFI Initiative. There is a further undrawn committed facility consisting of £15 million of variation bonds, which all expire in more than two years.

Financial assets

The group's principal financial assets are its finance receivable of £194,179k (2008: £169,947k) and cash of £12,143k (2008: £13,439k), 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 currently 7.7% (2008: 6.7%). The weighted average period for which the interest rate on the fixed rate financial asset is fixed is 33 years (2008: 34 years).

Financial liabilities

The group's principal financial liabilities are its listed bonds, a committed term loan facility and its unsecured loan stock as described in notes 15, 16 and 17 respectively, 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% (2008: 12.42%), and the weighted average period for which interest rates on the loan notes are fixed is 32 years (2008: 33 years).

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

20. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Value of financial assets and financial liabilities

	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>
	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Finance receivable	194,179	194,179	169,947	169,947
Cash at bank	12,143	12,143	13,439	13,439
Trade debtors	214	214	19	19
Listed bonds	(79,102)	(73,346)	(75,236)	(98,983)
Committed term loan	(77,860)	(76,348)	(74,055)	(79,999)
Loan stock	(19,228)	(19,228)	(19,228)	(19,228)
Trade creditors	395	395	498	498
Accruals	3,503	3,503	3,626	3,626

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 increase in value this year is due primarily to the current decline in long-term forecast 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.

The company has no current intentions to dispose of any of the above financial instruments.

The trade debtors, trade creditors and accruals are stated at their carrying values as these approximate to their fair values.

Paragraph 27 (c) of FRS 29 has not been applied as any changes in fair values are taken to reserves.

Financial risk management

(a) Credit risk

The group's principal financial assets are its finance receivable, bank balance, and trade debtors, which represent the group's maximum exposure to credit risk in relation to financial assets.

The group's primary credit risks are its finance receivable and trade debtors, both of which are payable by the NHS Trust. The group monitors amounts due carefully and does not consider there to be a significant credit risk.

(b) Liquidity risk

The group 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 this is not a major risk area for the group.

(c) Market risks

The group's bond and loan financing is at a fixed interest rate uplifted by RPI and it is therefore not exposed to interest rate fluctuations. Its income is also matched to RPI increases.

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

20. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

The group is exposed to market changes for interest rates used to calculate the discounted values of its finance receivable and future RPI rates used to calculate fair value of its bond and loan, and the potential impact of changes in forecast interest and RPI rates to the Group's results is shown in the table below:

	2009 £'000	2008 £'000
Finance receivable interest forecast rate –increase by 0.5%	(10,897)	(9,157)
Finance receivable interest forecast rate –decrease by 0.5%	11,952	10,031
Listed Bond RPI forecast rate –increase by 5%	(4,024)	(3,833)
Listed Bond RPI forecast rate –decrease by 5%	4,024	3,828
Term Loan RPI forecast rate –increase by 5%	(3,960)	(3,767)
Term Loan RPI forecast rate –decrease by 5%	3,960	3,773

The effect of implementing the above interest rate forecast change would impact on reserves and implementing changes in the RPI forecast rate would affect the profit.

(d) Currency exposures

As at 31 March 2009 the group had no currency exposures.

(e) Capital risk

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 13 and 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 19.

21. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2009 £000	2008 £000
Operating profit	556	1,562
Decrease in debtors	61	275
(Decrease)/ increase in creditors	(492)	1,103
Net cash inflow from operating activities	125	2,940

(b) Analysis of net debt:

	At 31 March 2008 £000	Cash flow £000	Other non-cash movements £000	At 31 March 2009 £000
Cash at bank and in hand	13,439	(1,296)	–	12,143
Loan stock	(19,228)	–	–	(19,228)
Guaranteed secured bonds	(77,069)	1,984	(4,017)	(79,102)
Committed term loan facility	(75,986)	2,085	(3,959)	(77,860)
	(158,844)	2,773	(7,976)	(164,047)

Other non cash movements represent loan issue costs amortised and accrued indexation charges for the year.

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

22. CONTROLLING PARTIES

Summit Holdings (Dudley) Limited is jointly owned in equal shares by Uberior Infrastructure Investments (No.3) Limited (a subsidiary of HBOS plc), PFI Investors Limited (a subsidiary of Newarthill Limited) and Interserve PFI Holdings Limited (a subsidiary of Interserve plc).

In the directors' opinion there is no ultimate controlling party, as no shareholder has a majority shareholding.

23. RELATED PARTIES

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

Parties	Services	Purchases during the year to 31 March 2009 £'000	Amounts payable at 31 March 2009 £'000	Purchases during the year to 31 March 2008 £'000	Amounts payable at 31 March 2008 £'000
Interserve plc and its subsidiary undertakings	Operational and management services	21,687	307	20,782	406
Newarthill Limited and its subsidiary undertakings	Construction and management services	134	353	108	353

Amounts payable at 31 March 2009 are included within trade creditors and accruals and deferred income.