

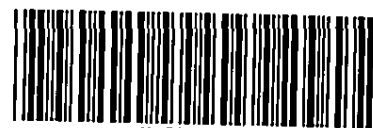
SUMMIT HOLDINGS (DUDLEY) LIMITED

Company Registration No 04157380

Report and Group Accounts

31 March 2008

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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 Oram
R J Marsden
M A Donn

SECRETARY

W L Roberts

AUDITORS

Deloitte & Touche 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 2008

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 company's turnover has decreased by £31 million in comparison with the prior year, mainly due to the prior year including an exceptional receipt of £28.75 million in settlement of historical construction and service related issues

The operating profit of £1.5m declined by £1.0m in comparison with last year's £2.5m, also mainly due to the prior year net credit received by the company of £2.0m of this settlement, with the balance of the improvement due to increased income and cost efficiencies

There is no tax charge or credit for the current year as detailed in note 8

The Group balance sheet on page 9 of the financial statements shows an increase of £25.7 million in the net asset position due mainly to this year's £27.7m increase in the fair value of the financial asset (as detailed in Note 1(a)) 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

RESULTS AND DIVIDENDS

The group loss for the year, after taxation, amounted to £1,998,000 (2007 loss £211,000). The directors do not recommend the payment of a dividend (2007 £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

Summit Holdings (Dudley) Limited

DIRECTORS' REPORT (CONTINUED)

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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 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 company 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 2008, the group had an average of 4 days' purchases (2007: 4 days) outstanding in trade creditors.

DIRECTORS AND THEIR INTERESTS

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

M C Shelley	
J M Thompson	(resigned 31 October 2007)
C B Weekley	
A L Tennant	
C Richards	(resigned 29 June 2007)
S M Jones	
R J Oram	
I Wong	(appointed 29 June 2007, resigned 30 May 2008)
R J Marsden	(appointed 25 January 2008)
M A Donn	(appointed 30 May 2008)

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

Summit Holdings (Dudley) Limited

DIRECTORS' REPORT (CONTINUED)

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 are 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

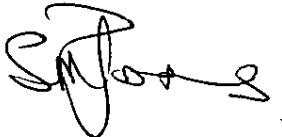
(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

AUDITORS

Deloitte & Touche 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 25 July 2008

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 2008 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

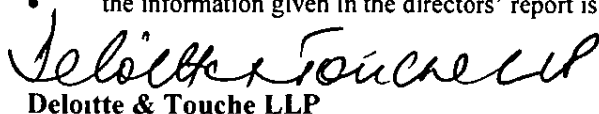
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the 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 2008 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 & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

Date

28 July 2008

Summit Holdings (Dudley) Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
TURNOVER	2	26,361	57,453
Cost of sales		(23,878)	(53,773)
GROSS PROFIT		<u>2,483</u>	<u>3,680</u>
Administrative expenses		(921)	(1,150)
OPERATING PROFIT	3	<u>1,562</u>	<u>2,530</u>
Interest receivable	6	10,682	10,995
Interest payable and similar charges	7	(14,242)	(13,736)
		<u>(3,560)</u>	<u>(2,741)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,998)</u>	<u>(211)</u>
Tax credit on loss on ordinary activities	8	–	–
LOSS FOR THE FINANCIAL YEAR	19	<u><u>(1,998)</u></u>	<u><u>(211)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Gain/ (Loss) on available for sale financial asset	19	<u>27,728</u>	<u>(3,489)</u>
NET GAIN / (LOSS) RECOGNISED DIRECTLY IN RESERVES		<u>27,728</u>	<u>(3,489)</u>
Loss for the year		<u>(1,998)</u>	<u>(211)</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR		<u><u>25,730</u></u>	<u><u>(3,700)</u></u>

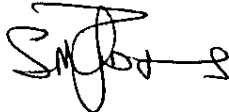
All results in the current and prior years derive from continuing operations

Summit Holdings (Dudley) Limited

GROUP BALANCE SHEET at 31 March 2008

	Notes	2008 £000	2007 £000
NON-CURRENT ASSETS			
Fixed assets	9	8	12
Debtors amounts falling due after more than one year	11	168,907	142,219
		<u>168,915</u>	<u>142,231</u>
CURRENT ASSETS			
Debtors amounts falling due within one year	12	1,699	2,120
Cash at bank and in hand		13,439	10,692
		<u>15,138</u>	<u>12,812</u>
CREDITORS amounts falling due within one year	13	(8,659)	(7,370)
NET CURRENT ASSETS		<u>6,479</u>	<u>5,442</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>175,394</u>	<u>147,673</u>
CREDITORS amounts falling due after more than one year	14	(168,520)	(166,529)
NET ASSETS / (LIABILITIES)		<u>6,874</u>	<u>(18,856)</u>
CAPITAL AND RESERVES			
Called up share capital	18	60	60
Profit and loss account	19	(17,928)	(15,930)
Fair value reserve	19	24,742	(2,986)
SHAREHOLDERS' FUNDS / (DEFICIT)		<u>6,874</u>	<u>(18,856)</u>

These financial statements were approved by the Board of Directors and authorised for issue on
25 July 2008



S M Jones
Director

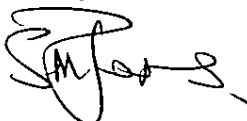
Summit Holdings (Dudley) Limited

COMPANY BALANCE SHEET

at 31 March 2008

	<i>Notes</i>	<i>2008</i> <i>£000</i>	<i>2007</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
25 July 2008



S M Jones
Director

Summit Holdings (Dudley) Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 March 2008

	<i>Notes</i>	<i>2008</i> <i>£000</i>	<i>2007</i> <i>£000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	21(a)	2,940	1,648
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Bank interest received		865	787
Other interest received		–	315
Interest element of finance receivable repayments		9,817	9,983
Interest paid on bonds		(2,987)	(2,942)
Interest paid on committed term loan facility		(2,833)	(2,577)
Interest paid on loan stock		(2,391)	(5,623)
		<u>2,471</u>	<u>(57)</u>
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>5,411</u>	<u>1,591</u>
FINANCING			
Repayment of secured bond and loan		(3,852)	(3,688)
Capital element of finance receivable repayment		1,188	1,112
		<u>2,747</u>	<u>(985)</u>
INCREASE/ (DECREASE) IN CASH		<u><u>2,747</u></u>	<u><u>(985)</u></u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/ (decrease) in cash		2,747	(985)
Cash outflow from repayment of debt		3,852	3,688
Change in net debt resulting from cash-flows	21(b)	<u>6,599</u>	<u>2,703</u>
Indexation, amortisation of issue costs and other non-cash movements in the year		(6,034)	(5,144)
		<u>565</u>	<u>(2,441)</u>
NET DEBT AS AT 1 APRIL		<u>(159,409)</u>	<u>(156,968)</u>
NET DEBT AS AT 31 MARCH	21(b)	<u><u>(158,844)</u></u>	<u><u>(159,409)</u></u>

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

1 ACCOUNTING POLICIES

(a) 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 2008 by £27,728k (2007 decrease £3,489k)

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

(b) 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

(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

(d) 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 including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored

(e) 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

(f) 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

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) 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.

(i) 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.

(j) 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 (c)).

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

3. OPERATING PROFIT

This is stated after charging

	2008	2007
	£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	9
- taxation services	16	26
	<u>28</u>	<u>37</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 £Nil (2007 – £41,917) in respect of services rendered in connection with the management of the affairs of the group

The emoluments of the highest paid director were £Nil (2007 – £41,917)

5. STAFF COSTS

The group does not have any direct employees (2007 – Nil) Staff are seconded from the shareholders of the company

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008	2007
	£000	£000
Bank interest	865	787
Other interest	–	315
Interest receivable on finance receivable	9,817	9,893
	<u>10,682</u>	<u>10,995</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

	2008	2007
	£000	£000
Guaranteed secured bonds	2,987	2,942
Loan	2,396	2,360
Amortised issue costs	179	188
Indexation of outstanding capital		
Guaranteed secured bonds	2,945	2,495
Loan	2,906	2,461
Other finance costs	438	431
Other interest	–	299
Loan stock interest	2,391	2,560
	<u>14,242</u>	<u>13,736</u>

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

8. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit for the year is made up as follows

	2008 £000	2007 £000
Note a) Analysis of tax charge for year		
<i>Current tax</i>		
UK corporation tax	-	-
<i>Total current tax (note 8b)</i>	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
<i>Total deferred tax</i>	-	-
Tax on loss on ordinary activities	-	-

Note b) Factors affecting current tax charge

The tax assessed for the year is lower (2007 – lower) than the standard rate of corporation tax in the UK of 30% (2007 - 30%) The differences are explained below

	2008 £000	2007 £000
Loss on ordinary activities before tax	(1,998)	(211)
Tax at 30%	(600)	(63)
Expenses not deductible for tax purposes	358	335
Capital allowances claimed	-	(272)
Recognition of payment received for prior year tax losses surrendered	-	-
Losses not utilised	242	-
<i>Total current tax (note 8a)</i>	-	-

Note c) Factors that may affect future tax charges

It is estimated that the group has tax losses arising in the UK of approximately £27.2 million (2007 £26.5 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>	
	2008 £000	2007 £000	2008 £000	2007 £000
Accelerated capital allowances	2,772	6,055	-	-
Short term timing differences	5,525	-	-	-
Losses surrendered not yet recognised	(2,800)	-	-	-
Losses carried forward	(5,497)	(6,055)	(2,123)	(1,614)
<i>Total</i>	-	-	(2,123)	(1,614)

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

9. FIXED ASSETS

<i>Group</i>	<i>Office equipment £000</i>
Cost	
At 1 April 2007	16
Additions	-
Disposals	-
At 31 March 2008	16
Depreciation	
At 1 April 2007	4
Additions	4
Disposals	-
At 31 March 2008	8
Net book value	
At 31 March 2008	8
At 31 March 2007	12

10. INVESTMENTS

<i>Company</i>	<i>Ordinary Shares £000</i>
Investment in subsidiary undertakings	
At 31 March 2008 and 31 March 2007	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>2008 £000</i>	<i>2007 £000</i>
Finance receivable	168,907	142,219
	168,907	142,219

12. DEBTORS: amounts falling due within one year

<i>Group</i>	<i>2008 £000</i>	<i>2007 £000</i>
Finance receivable	1,040	1,188
Trade debtors	19	257
Prepayments and accrued income	640	675
	1,699	2,120

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 2007 and 2008 are current and were settled within 30 days.

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

13. CREDITORS: amounts falling due within one year

<i>Group</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	498	258
Accruals and deferred income	3,626	2,944
Other creditors	602	417
Guaranteed secured bonds (note 15)	1,918	1,866
Committed term loan facility (note 16)	2,015	1,885
	<u>8,659</u>	<u>7,370</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 2007 and 2008 are current and were settled within 30 days

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

<i>Group</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Guaranteed secured bonds (note 15)	76,609	75,631
Committed term loan facility (note 16)	75,405	74,566
Loan stock (note 17)	19,228	19,228
	<u>171,242</u>	<u>169,425</u>
Less unamortised issue costs	(2,722)	(2,896)
	<u>168,520</u>	<u>166,529</u>

15. LONG-TERM BONDS

<i>Group</i>	<i>2008</i>	<i>2007</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	65,422	67,036
Bond Indexation	13,105	10,461
	<u>78,527</u>	<u>77,497</u>
Amounts falling due		
In one year or less	1,918	1,866
In more than one year but not more than two years	2,013	1,848
In more than two years but not more than five years	6,430	6,170
In more than five years	68,166	67,613
	<u>78,527</u>	<u>77,497</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 2008. 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 2008

16. LONG-TERM LOAN

<i>Group</i>	<i>2008</i> <i>£000</i>	<i>2007</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	64,496	66,127
Indexation on the loan	12,924	10,324
	<u>77,420</u>	<u>76,451</u>
Amounts falling due		
In one year or less	2,015	1,885
In more than one year but not more than two years	2,075	1,941
In more than two years but not more than five years	6,604	6,177
In more than five years	66,726	66,448
	<u>77,420</u>	<u>76,451</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 2008. The loan is secured under the terms of a Security Trust Deed on the assets and liabilities of the group.

17. LOAN STOCK

<i>Group</i>	<i>2008</i> <i>£000</i>	<i>2007</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 company have been repaid and discharged in full.

18. SHARE CAPITAL

<i>Group and Company</i>	<i>2008</i> <i>No</i>	<i>2008</i> <i>£000</i>	<i>2007</i> <i>No</i>	<i>2007</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 2008

19. RECONCILIATION OF SHAREHOLDERS' (DEFICIT)/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 2007	60	(15,930)	(2,986)	(18,856)
Profit for the year	-	(1,998)	-	(1,998)
Fair value adjustments	-	-	27,728	27,728
Profit on available for sale financial asset	-	-	27,728	27,728
At 31 March 2008	60	(17,928)	24,742	6,874

<i>Company</i>	<i>Share capital £000</i>
At 31 March 2008 and 31 March 2007	60

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 £168,907k (2007 £143,407k) and cash of £13,439k (2007 £10,692k), 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 6.7% (2007 6.7%). The weighted average period for which the interest rate on the fixed rate financial asset is fixed is 34 years (2007 35 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% (2007 12.42%), and the weighted average period for which interest rates on the loan notes are fixed is 33 years (2007 34 years).

Summit Holdings (Dudley) Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

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>2008</i>	<i>2008</i>	<i>2007</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Finance receivable	169,947	169,947	143,407	143,407
Cash at bank	13,439	13,439	10,692	10,692
Trade debtors	19	19	257	257
Listed bonds	(75,236)	(98,983)	(74,173)	(95,060)
Committed term loan	(74,055)	(79,999)	(73,128)	(80,125)
Loan stock	(19,228)	(19,228)	(19,228)	(19,228)
Trade creditors	498	498	258	258
Accruals	3,626	3,626	2,944	2,944

The fair value of the finance receivable has been calculated by discounting future cash flows relating to the asset using forecast 30 year LIBOR rates. The increase in value this year is due primarily to an update in the modelled cash flow allocation of finance receivable income resulting in an increase in the element apportioned to interest income.

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 2008

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

	2008 £'000	2007 £'000
Finance receivable interest forecast rate –increase by 0.5%	(9,157)	(8,006)
Finance receivable interest forecast rate –decrease by 0.5%	10,031	8,788
Listed Bond RPI forecast rate –increase by 5%	(3,833)	(3,784)
Listed Bond RPI forecast rate –decrease by 5%	3,828	3,779
Term Loan RPI forecast rate –increase by 5%	(3,767)	(3,725)
Term Loan RPI forecast rate –decrease by 5%	3,773	3,731

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 2008 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

	2008 £000	2007 £000
Operating profit	1,562	2,230
Decrease / (increase) in debtors	275	(346)
Increase / (decrease) in creditors	1,103	(236)
Net cash inflow from operating activities	2,940	1,648

(b) Analysis of net debt

	At 31 March 2007 £000	Cash flow £000	Other non-cash movements £000	At 31 March 2008 £000
Cash at bank and in hand	10,692	2,747	–	13,439
Loan stock	(19,228)	–	–	(19,228)
Guaranteed secured bonds	(75,949)	1,916	(3,036)	(77,069)
Committed term loan facility	(74,924)	1,936	(2,998)	(75,986)
	(159,409)	6,599	(6,034)	(158,844)

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 2008

22 CONTROLLING PARTIES

Summit Holdings (Dudley) Limited is jointly owned in equal shares by Uberior Infrastructure Investments 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

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

Interservefm Limited

During the year £20.6 million was paid to Interservefm Limited for reimbursement of costs and work performed on behalf of the company (2007 – £25.7 million).

At the year end £0.389 million was owed to Interservefm Limited (2007 – £0.046) as outstanding invoices and is included within creditors at the year end.

Interserve Investments Limited

During the year £0.182 million was paid to Interserve Investments Limited for reimbursement of costs and work performed on behalf of the company (2007 – £0.162 million).

At the year end £0.017 million was owed to Interserve Investments Limited (2007 – £0.016 million) as outstanding invoices and is included within creditors.

Sir Robert McAlpine Limited

During the year £0.108 million was paid to Sir Robert McAlpine Limited for reimbursement of costs and work performed on behalf of the company (2007 – £26.5 million).

At the year end £0.011 million was owed to Sir Robert McAlpine Limited (2007 – £0.02 million) as outstanding invoices and is included within creditors.

In addition £0.3 million (2007 – £0.3 million) was accrued but not yet invoiced by the year end and is included within accruals.