

Company Registration No. 04157380

Summit Holdings (Dudley) Limited

Report and Financial Statements

31 March 2013



Summit Holdings (Dudley) Limited
Report and financial statements 2013

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Summit Holdings (Dudley) Limited

Report and financial statements 2013

Officers and professional advisers

Directors

M C Shelley
S M Jones
R J Marsden
M A Donn
D Poynton
R J Oram
A G Bremner

Secretary

W L Roberts

Registered Office

Interserve House
Ruscombe Park
Twyford
Reading
RG10 9JU

Bankers

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

Auditor

Deloitte LLP
London

Summit Holdings (Dudley) Limited

Directors' report

The directors present their report and the audited group accounts for the year ended 31 March 2013

Business review and principal activities

The company is a holding company operating in the United Kingdom, owned equally by its ultimate controlling companies Interserve Plc, Bank of Scotland Infrastructure Partners LP Inc 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 7, the group's turnover increased by £4.1m in comparison with the prior year, due to both increased variation throughput and inflationary increases

The operating profit increased by £0.8m in comparison with the prior year, due mainly to a decrease in deductions and also the increased variation throughput and inflation in the year

Financing charges were a net charge of £2.3m for the year in comparison with the prior year's net charge of £4.9m, mainly due to a decrease in bond and loan indexation charges

The group balance sheet on page 8 of the financial statements shows a decrease of £4.9m in the net asset position due to this year's trading loss and the loss on the revaluation of the available for sale investment

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

Summit Holdings (Dudley) Limited

Directors' report (continued)

Business review and principal activities (continued)

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

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 £634,000 (2012 loss £4,155,000). The directors do not recommend the payment of a dividend (2012 £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 of 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 a 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 2, 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

Summit Holdings (Dudley) Limited

Directors' report (continued)

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 2013, the group had an average of 15 days' purchases (2012 15 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
S M Jones
R J Marsden
M A Donn
D Poynton
R J Oram
A G Bremner

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

Statement of directors' responsibilities

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 auditor

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

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

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

Auditor

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

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



S M Jones
Director

Date 23 September 2013

Summit Holdings (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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Summit Holdings (Dudley) Limited

We have audited the group financial statements of Summit Holdings (Dudley) Limited for the year ended 31 March 2013 which comprise the Group profit and loss account, the statement of total recognised gains and losses, the Group and Company balance sheets, the consolidated cash flow statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

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

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's and the group's affairs as at 31 March 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

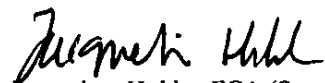
Opinion on matters prescribed in the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Jacqueline Holden FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

Date 23 September 2013

Summit Holdings (Dudley) Limited

Group profit and loss account for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	36,912	32,812
Cost of sales		(34,210)	(31,058)
Gross profit		2,702	1,754
Administrative expenses		(1,067)	(962)
Operating profit	3	1,635	792
Interest receivable	6	11,503	11,523
Interest payable and similar charges	7	(13,772)	(16,470)
		(2,269)	(4,947)
Loss on ordinary activities before taxation		(634)	(4,155)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year	20	(634)	(4,155)

Group statement of total recognised gains and losses Year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Loss for the year		(634)	(4,155)
(Loss)/gain on revaluation of available for sale investments taken to equity	20	(4,251)	2,019
Net (loss)/profit recognised directly in reserves		(4,251)	2,019
Total recognised losses for the year		(4,885)	(2,136)

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

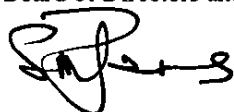
As permitted by section 408 of the Companies Act 2006, the company has not presented its own profit and loss account. The result of the company in the year was £nil (2012: £nil).

Summit Holdings (Dudley) Limited

Group balance sheet at 31 March 2013

	Notes	2013 £'000	2012 £'000
Fixed assets	9	21	17
Current assets			
Debtors amounts falling due within one year	11	1,815	2,269
Debtors amounts falling due after more than one year	12	164,316	169,991
Cash and deposits	13	14,531	13,021
		<u>180,662</u>	<u>185,281</u>
Creditors: amounts falling due within one year	14	<u>(10,125)</u>	<u>(9,583)</u>
Net current assets		<u>170,537</u>	<u>175,698</u>
Total assets less current liabilities		170,558	175,715
Creditors: amounts falling due after more than one year	15	<u>(170,493)</u>	<u>(170,765)</u>
Net assets		<u>65</u>	<u>4,950</u>
Capital and reserves			
Called up share capital	19	60	60
Profit and loss account	20	(26,253)	(25,619)
Fair value reserve	20	26,258	30,509
Shareholders' funds		<u>65</u>	<u>4,950</u>

The financial statements of Summit Holdings (Dudley) Limited, registered number 04157380 were approved by the Board of Directors and authorised for issue on 23 September 2013



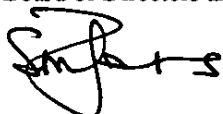
S M Jones
Director

Summit Holdings (Dudley) Limited

Company balance sheet at 31 March 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments	10	<u>60</u>	<u>60</u>
Capital and reserves			
Called up share capital	19	<u>60</u>	<u>60</u>
Profit and loss account		<u>-</u>	<u>-</u>
Shareholders' funds		<u>60</u>	<u>60</u>

The financial statements of Summit Holdings (Dudley) Limited, registered number 04157380 were approved by the Board of Directors and authorised for issue on 23 September 2013



S M Jones
Director

Summit Holdings (Dudley) Limited

Consolidated cash flow statement for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	22(a)	2,374	1,477
Returns on investments and servicing of finance			
Bank interest received		265	159
Interest element of finance receivable repayments		11,238	11,364
Interest paid on bonds		(3,286)	(3,273)
Interest paid on committed term loan facility		(2,989)	(2,978)
Interest paid on loan stock		(2,388)	(2,388)
		<u>2,840</u>	<u>2,884</u>
Net cash inflow before use of liquid resources and financing		<u>5,214</u>	<u>4,361</u>
Management of liquid resources			
Decrease/(increase) in long term deposits		5,525	(1,525)
Financing			
Repayment of secured bond and loan		(5,012)	(4,975)
Capital element of finance receivable repayment		1,316	1,224
Purchase of office equipment		(8)	(10)
		<u>7,035</u>	<u>(925)</u>
Increase/(decrease) in cash		<u>7,035</u>	<u>(925)</u>

Reconciliation of net cash flow to movement in net debt For the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Increase/(decrease) in cash		7,035	(925)
(Decrease)/increase in deposits		(5,525)	1,525
Cash outflow from repayment of debt		<u>5,012</u>	<u>4,975</u>
Change in net debt resulting from cash-flows	22(b)	6,522	5,575
Indexation, amortisation of issue costs and other non-cash movements in the year		<u>(4,954)</u>	<u>(7,673)</u>
		<u>1,568</u>	<u>(2,098)</u>
Net debt as at 1 April		<u>(162,330)</u>	<u>(160,232)</u>
Net debt as at 31 March	22(b)	<u>(160,762)</u>	<u>(162,330)</u>

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

1. Accounting policies

(a) Going concern

The financial statements are prepared on a going concern basis. As disclosed on page 3 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 year 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 decrease shareholders' funds at 31 March 2013 by £4.25 million (2012: increase £2.0 million).

In the current year the group has continued to adopt FRS 29 '*Financial instruments: Disclosures*' thereby expanding its disclosures regarding such instruments (see note 21).

(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 408 of the Companies Act 2006.

(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, New office premises: 20 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 financial statements for the year ended 31 March 2013

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 year

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

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))

3. Operating profit

This is stated after charging

	2013 £'000	2012 £'000
Auditor's remuneration		
- audit services for the audit of the company accounts	2	2
- other services pursuant to legislation, audit of subsidiary accounts	11	12
- taxation services	7	6
Depreciation	4	3

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 £38,045 (2012 £37,552) in respect of services rendered in connection with the management of the affairs of the group

The emoluments of the highest paid director were £38,045 (2012 £37,552)

5. Staff costs

The group does not have any direct employees (2012 none) Staff are seconded from the shareholders of the company

6. Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest	265	159
Interest receivable on available for sale finance receivable	11,238	11,364
	<u>11,503</u>	<u>11,523</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

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

7. Interest payable and similar charges

	2013 £'000	2012 £'000
Guaranteed secured bonds	3,065	3,053
Loan	2,767	2,759
Amortised issue costs	155	160
Indexation of outstanding capital		
Guaranteed secured bond	2,500	3,869
Loan	2,454	3,804
Other finance costs	443	437
Loan stock interest	2,388	2,388
	<u>13,772</u>	<u>16,470</u>

8. Tax on loss on ordinary activities

The tax charge for the year is made up as follows

(a) Analysis of tax charge for year

	2013 £'000	2012 £'000
<i>Current tax</i>		
UK corporation tax	-	-
Total current tax (note 8b)	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed for the year is higher (2012 higher) than the standard rate of corporation tax in the UK of 24 % (2012 26%) The differences are explained below

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	(634)	(4,155)
Tax at 24%	(152)	(1,080)
Expenses not deductible for tax purposes	280	278
Losses (utilised)/ not utilised	(128)	802
Total current tax (note 8a)	<u>-</u>	<u>-</u>

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

8. Tax on loss on ordinary activities (continued)

(c) Factors that may affect future tax charges

It is estimated that the group has tax losses arising in the UK of approximately £29 million (2012 £30 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

	Provided		Not provided	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Accelerated capital allowances	1,695	1,996	-	-
Short term timing differences	4,359	4,783	-	-
Losses carried forward	(6,054)	(6,779)	(2,941)	(3,303)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	-	-	(2,941)	(3,303)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date. It was announced in the March 2013 Budget Statement that the main corporation tax rate will be reduced to 23 percent from 1 April 2013 under the Provisional Collection of Taxes Act 1968.

Further reductions to reduce the rate to 21 percent from 1 April 2014 and 20 percent from 1 April 2015 were substantively enacted on 17 July 2013. These further changes had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements.

9. Fixed assets

Group	Office building and equipment £'000
Cost	
At 1 April 2012	26
Additions	8
Disposals	-
	<u> </u>
At 31 March 2013	34
	<u> </u>
Depreciation	
At 1 April 2012	9
Charge for the year	4
Disposals	-
	<u> </u>
At 31 March 2013	13
	<u> </u>
Net book value	
At 31 March 2013	21
	<u> </u>
At 31 March 2012	17
	<u> </u>

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

10 Investments

Company	Ordinary shares £'000
Investment in subsidiary undertakings At 31 March 2013 and 31 March 2012	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 within one year

Group	2013 £'000	2012 £'000
Finance receivable	1,424	1,316
Trade debtors	245	759
Prepayments and accrued income	146	194
	<u>1,815</u>	<u>2,269</u>

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.

Finance receivable is classified as an available for sale financial asset.

All the above trade debtors in both 2012 and 2013 are current and were settled within 30 days.

12 Debtors: amounts falling due after more than one year

Group	2013 £'000	2012 £'000
Finance receivable	164,316	169,991
	<u>164,316</u>	<u>169,991</u>

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

13. Cash and deposits

	Group	
	2013	2012
	£'000	£'000
Cash at bank and in hand	7,731	696
Cash held on deposit with original maturity of six months or less	6,800	12,325
	<u>14,531</u>	<u>13,021</u>

14. Creditors: amounts falling due within one year

	2013	2012
Group	£'000	£'000
Trade creditors	408	588
Accruals and deferred income	3,941	3,625
Other creditors	511	469
Guaranteed secured bonds (note 16)	2,524	2,321
Committed term loan facility (note 17)	2,741	2,580
	<u>10,125</u>	<u>9,583</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 2012 and 2013 are current and were settled within 30 days.

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

	2013	2012
Group	£'000	£'000
Guaranteed secured bonds (note 16)	77,547	77,623
Committed term loan facility (note 17)	75,640	75,986
Loan stock (note 18)	19,228	19,228
	<u>172,415</u>	<u>172,837</u>
Less: unamortised issue costs	(1,922)	(2,072)
	<u>170,493</u>	<u>170,765</u>

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

16. Long-term bonds

Group	2013 £'000	2012 £'000
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	56,789	58,486
Bond Indexation	23,282	21,458
	<u>80,071</u>	<u>79,944</u>
Amounts falling due		
In one year or less	2,524	2,321
In more than one year but not more than two years	2,390	2,447
In more than two years but not more than five years	6,346	6,547
In more than five years	68,811	68,629
	<u>80,071</u>	<u>79,944</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 2013. The bond is secured under the terms of a Security Trust Deed on the assets and liabilities of the group.

17. Long-term loan

Group	2013 £'000	2012 £'000
Not wholly repayable within five years		
3 0716% index-linked committed term facility of £70,000,000 due 2034, repayable in six monthly instalments commencing March 2005	55,587	57,475
Indexation on the loan	22,794	21,091
	<u>78,381</u>	<u>78,566</u>
Amounts falling due		
In one year or less	2,741	2,580
In more than one year but not more than two years	2,823	2,657
In more than two years but not more than five years	8,982	8,456
In more than five years	63,835	64,873
	<u>78,381</u>	<u>78,566</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 2013.

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

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

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

18 Loan stock

Group	2013 £'000	2012 £'000
Amounts payable in more than five years		
13% Subordinated loan notes	9,364	9,364
12 5% Subordinated loan notes	9,364	9,364
Zero coupon subordinated loan notes	500	500
	<u>19,228</u>	<u>19,228</u>

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

19. Share capital

Group and Company	2013 No.	2013 £'000	2012 No.	2012 £'000
Authorised, allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>60,000</u>	<u>60</u>	<u>60,000</u>	<u>60</u>

20. Reconciliation of shareholders' funds and movement on reserves

Group	Share capital £'000	Profit and loss account £'000	Fair value available for sale asset £'000	Total £'000
At 1 April 2012	60	(25,619)	30,509	4,950
Loss for the year	-	(634)	-	(634)
Fair value adjustments	-	-	-	-
Loss on available for sale financial asset	-	-	(4,251)	(4,251)
At 31 March 2013	<u>60</u>	<u>(26,253)</u>	<u>26,258</u>	<u>65</u>
Company				Share capital £'000
At 31 March 2013 and 31 March 2012				<u>60</u>

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

21. 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 £165.7 million (2012: £171.3 million) and cash of £14.5 million (2012: £13.0 million) both of which are denominated in sterling. The cash asset is a floating rate asset, while the finance receivable is a fixed interest rate asset. The weighted average interest rate for the fixed rate financial asset is currently 7.7% (2012: 7.7%). The weighted average period for which the interest rate on the fixed rate financial asset is fixed is 29 years (2012: 30 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 16, 17 and 18 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% (2012: 12.42%), and the weighted average period for which interest rates on the loan notes are fixed is 28 years (2012: 29 years).

Value of financial assets and financial liabilities

	2013		2012	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Finance receivable	165,740	165,740	171,307	171,307
Cash and deposits	14,531	14,531	13,021	13,021
Trade debtors	245	245	759	759
Listed bonds	(79,024)	(108,313)	(78,908)	(99,240)
Committed term loan	(77,356)	(87,349)	(77,530)	(84,669)
Loan stock	(19,228)	(19,228)	(19,228)	(19,228)
Trade creditors	(408)	(408)	(588)	(588)
Accruals	(3,941)	(3,941)	(3,625)	(3,625)

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

The decrease in value this year is due primarily to an increase 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.

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

21. Derivatives and other financial instruments (continued)

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

Fair value measurement recognised in the balance sheet

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

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

The finance receivable is accounted for as an available for sale financial asset and is classified as a level 3 financial asset

	2013
	Level 3
	£'000
Available for sale financial assets	
Balance at 1 April 2012	171,307
Repayments in the year	(1,316)
Total gains or losses	
- in the statement of total recognised gains and losses	(4,251)
Balance at 31 March 2013	<u>165,740</u>

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

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

21. Derivatives and other financial instruments (continued)

(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.

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.

	2013 £'000	2012 £'000
Finance receivable interest forecast rate –increase by 0.5%	(11,860)	(11,605)
Finance receivable interest forecast rate –decrease by 0.5%	13,086	12,870
Listed Bond RPI forecast rate –increase by 5%	(3,877)	(3,881)
Listed Bond RPI forecast rate –decrease by 5%	3,877	3,881
Term Loan RPI forecast rate –increase by 5%	(3,782)	(3,799)
Term Loan RPI forecast rate –decrease by 5%	3,782	3,799

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 2013 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 16 and 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 20.

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

22. Notes to the cash flow statement

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

	2013 £'000	2012 £'000
Operating profit	1,635	792
Decrease/(increase) in debtors	562	(9)
Decrease in creditors	177	694
Net cash inflow from operating activities	<u>2,374</u>	<u>1,477</u>

(b) Analysis of net debt

	At 31 March 2012 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 March 2013 £'000
Cash at bank	696	7,035	-	7,731
Cash on deposit	12,325	(5,525)	-	6,800
Loan stock	(19,228)	-	-	(19,228)
Guaranteed secured bonds	(78,740)	2,373	(2,500)	(78,867)
Committed term loan facility	(77,383)	2,639	(2,454)	(77,198)
	<u>(162,330)</u>	<u>6,522</u>	<u>(4,954)</u>	<u>(160,762)</u>

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

23. Controlling parties

Summit Holdings (Dudley) Limited is jointly owned in equal shares by Interserve PFI Holdings Limited (a wholly owned subsidiary of Interserve Trustees Limited, which in turn is a subsidiary of Interserve Plc), BOS Infrastructure (No 3) Limited (a subsidiary of Bank of Scotland Infrastructure Partners LP Inc) and Sir Robert McAlpine Capital Ventures Limited (a subsidiary of Newarthill Ltd)

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

Summit Holdings (Dudley) Limited

Notes to the financial statements for the year ended 31 March 2013

24. Related parties

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

Parties	Services	Payments during the year to 31 March 2013 £'000	Amounts payable at 31 March 2013 £'000	Payments during the year to 31 March 2012 £'000	Amounts payable at 31 March 2012 £'000
Interserve plc and its subsidiary undertakings	Operational and management services	27,757	291	26,364	408
	Loan stock interest	390	-	390	-
	Loan stock principal	-	3,121	-	3,121
Newarthill Limited and its subsidiary undertakings	Construction and management services	184	19	105	18
	Loan stock interest	796	-	796	-
	Loan stock principal	-	6,741	-	6,741
Bank of Scotland Infrastructure Partners LP Inc and its subsidiary undertakings	Loan stock interest	1,202	-	1,202	-
	Loan stock principal	-	9,366	-	9,366

Amounts payable at 31 March 2013 are included within trade creditors, accruals and deferred income, and creditors due after more than one year