

**Company Registration No. 04180439**

**Dudley Summit PLC**

**Annual Report and Financial Statements**

**For the year ended**

**31 March 2020**

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# **Dudley Summit PLC**

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

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# **Dudley Summit PLC**

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

### **Officers and professional advisers**

#### **Directors**

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

#### **Company Secretary**

W L Rapley

#### **Registered Office**

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

#### **Bankers**

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

#### **Auditor**

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

# Dudley Summit PLC

## Strategic report

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

### Business review and principal activities

The company was established on 15 March 2001 to issue £71,000,000 Index-linked guaranteed secured bonds due September 2038 and to borrow funds from the European Investment Bank for the purpose of lending funds to Summit Healthcare (Dudley) Limited. These funds were arranged to fund 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.

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

As shown in the company's statement of comprehensive income on page 12, the company made no profit or loss in the year and this result was unchanged from last year. The statement of financial position on page 13 of the financial statements also shows that the company's financial position at the year-end has not changed significantly.

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

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

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

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

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

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

### Principal risk and uncertainties

The company's principal activity as detailed above is risk averse as its trading relationships with its customer and funders are determined by the terms of their respective detailed PFI contracts. Its main exposure is to financial risks as detailed in the following section.

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

# Dudley Summit PLC

## Strategic report

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

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

Neither the company nor Summit Healthcare Dudley Limited (project company) have any direct employees as the company's are managed under a Managed Service Agreement. The board of Directors is satisfied that those people employed under the MSA are appropriately qualified and have the support systems in place to carry out their role. The Directors are engaged with each team under the MSA to ensure the ongoing management of the underlying contracts of the company and they work collaboratively with the teams to achieve success.

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

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

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

### **Financial instruments and financial risk management**

The company's financial instruments comprise guaranteed secured bonds and a committed term loan facility. The proceeds of both the bonds and the loan, net of issue costs, were loaned to Summit Healthcare (Dudley) Limited, a fellow subsidiary undertaking of Summit Holdings (Dudley) Limited. The main purpose of these investments is to finance the design, build and operation of various hospital buildings under the Government's Private Finance Initiative.

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

#### *Interest rate and liquidity risk*

The company has mitigated its interest rate and liquidity risk by the loan of the proceeds to its fellow subsidiary company. The company borrows at a fixed rate of interest, subject to RPI inflation, and receives interest at the same rate from its fellow subsidiary. Due to the nature of the project cash flows are reasonably predictable and so, subject to the matter regarding the downgraded credit rating of AMBAC and the impact on the EIB loan as detailed on page 2, this is not a major risk area for the company.

### **Events**

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

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



M T Smith  
Director

Date: 30 September 2020

# Dudley Summit PLC

## Directors' Report

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

### Principal activities

The principal activities of the company are to provide finance to other group companies and operate certain facilities and to provide non-clinical services at hospital facilities in Dudley, West Midlands.

### Employees

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

### Results

The results of the company are as set out in the statement of comprehensive income on page 12.

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

### Directors and their interests

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

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

None of the directors at 31 March 2020 held any interests in the share capital of the company.

### Impact of Brexit

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

### Covid-19

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

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

### Statement as to disclosure of information to auditors

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.

## **Dudley Summit PLC**

### **Directors' Report**

#### **Auditor**

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

A handwritten signature in black ink, appearing to read 'M T Smith', written in a cursive style.

M T Smith  
Director

Date: 30 September 2020

# **Dudley Summit PLC**

## **Directors' responsibilities statement**

### **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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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



## **Dudley Summit PLC**

### **Independent auditor's report to the members of Dudley Summit PLC**

#### **Opinion**

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020, and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

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

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

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

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Dudley Summit PLC

### Independent auditor's report to the members of Dudley Summit PLC

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of long-term debtors</b></p> <p>Recoverability of debtors from group undertakings has been identified as a key audit matter. The long-term debtor from group undertakings is from Summit Healthcare (Dudley) Limited ('Projectco'), the operational company in the group, amounting to £146m (2019: £155m) (see note 7).</p> <p>Summit Healthcare (Dudley) Limited will service the debt with cash flows generated from the availability of the hospital and from the operational management and maintenance of the facility.</p> <p>The project operational and maintenance cash flows of the facility are secured under contract from the Dudley Group of Hospitals NHS Trust.</p>	<p>To assess the underlying project's outlook for the remainder of the concession period we reviewed the operating model and predicted cash flows at 31 March 2020. This indicated that sufficient income is forecast to be received to ensure the recoverability of the long-term debtor. Additionally, a review was performed of the reasonableness of the Dudley Group of Hospitals NHS Trust's ability to continue to pay the monthly service income, its settlement performance date and whether any issues have arisen over recovery of the amounts due. At Projectco level no issues were identified:</p> <ul style="list-style-type: none"> <li>- Project forecasts in general show Projectco will have sufficient income to pay the balance;</li> <li>- Review of Dudley NHS Trust's ability to pay the monthly service income to ProjectCo and no issues were identified;</li> <li>- ProjectCo has been paying the balance in line with the agreement.</li> </ul>
<p><b>Carrying value of debt, being a listed bond</b></p> <p>The company has £77.3m (2019: £78.9m) of listed bonds (see notes 8, 9 and 10) which mature between 2005 and 2038.</p> <p>The bond is accounted for as a basic financial instrument.</p> <p>The bond is initially recognised at the present value of cash payable to the lender and subsequently measured at amortised cost using the effective interest rate. The effective interest rate method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. Given the significance of the carrying value in the financial statements, we consider this to be a key area of focus.</p>	<p>We performed a recalculation of the carrying value of the listed bond which has been amortised using the effective interest rate of 3.7772% being the coupon interest rate and amortisation of loan issue costs. We were able to agree all relevant details about the bond to bible documentation. We did not note any issues from our testing.</p> <p>A comparison to FRS 102 was also completed which examined the criteria for the financial liability to be considered a basic instrument. No issues were noted, and we are satisfied the treatment of the bond as a basic financial instrument remains appropriate.</p>

#### Our application of materiality

The scope of our audit was influenced by the application of materiality. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

## Dudley Summit PLC

### Independent auditor's report to the members of Dudley Summit PLC

Materiality was determined as follows:

Materiality Measure	Entity
Financial statements as a whole  (Overall materiality)	£728,000  This was based on 0.5% of the gross assets of the company. This is considered to be the most appropriate benchmark given the nature of the business and is a generally accepted auditing benchmark.
Performance materiality used to drive the extent of testing	50% of financial statement materiality.
Communication of misstatements to the Directors	£36,400 (5% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

#### An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all audits, we also considered the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

#### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We completed a statutory audit of the company. All work was undertaken by the company audit team.

#### Other information

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

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

We have nothing to report in this regard.

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

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

## **Dudley Summit PLC**

### **Independent auditor's report to the members of Dudley Summit PLC**

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

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

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

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

#### **Responsibilities of the Directors**

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

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

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

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

The objectives of our audit, in respect of fraud are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and have a direct impact on the preparation of the financial statements. We determined that the most significant are:
  - Companies Act 2006;
  - Listing rules – continuing obligations (Chapters 14,17,18,19,20);
  - Applicable Financial Conduct Authority (FCA) rules; and
  - Tax Legislation (governed by HM Revenue and Customs).
- Based on our understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management as to any known instances of non-compliance or suspected non-compliance with laws and regulations, reviewing any correspondence with regulators and reports.
- We assessed the susceptibility of the company's financial statement to material misstatement, including how fraud might occur by holding discussions with key management and directors.
- As part of our audit procedures, we were aware of the risk of fraud, especially around areas of judgement and those areas assessed as having the risk of management override.

## Dudley Summit PLC

### Independent auditor's report to the members of Dudley Summit PLC

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi](http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi). This description forms part of our auditor's report.

#### Other matters which we are required to address

We were appointed by the directors of Dudley Summit PLC on 2nd May 2019 and reconfirmed on 28<sup>th</sup> May 2020 to audit the financial statements for the year ending 31 March 2020. This is our second year on this engagement.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the directors.

#### Use of our report

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



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

## **Dudley Summit PLC**

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

	<b>Note</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Interest receivable from group undertakings		9,932	10,816
Interest payable and similar expenses	3	(9,932)	(10,816)
<b>Result before and after taxation</b>		<u>-</u>	<u>-</u>

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

## Dudley Summit PLC

### Statement of financial position as at 31 March 2020

	Notes	2020 £'000	2019 £'000
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	5,974	11,720
Amounts due from fellow subsidiary undertaking	7	139,793	142,706
Cash at bank		-	5,665
		<u>145,767</u>	<u>160,091</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(5,974)</u>	<u>(17,385)</u>
<b>Net current assets</b>		<u>139,793</u>	<u>142,706</u>
<b>Total assets less current liabilities</b>		139,793	142,706
<b>Creditors: amounts falling due after more than one year</b>	9	<u>(139,743)</u>	<u>(142,656)</u>
<b>Net assets</b>		<u>50</u>	<u>50</u>
<b>Capital and reserves</b>			
Called up share capital	12	<u>50</u>	<u>50</u>
<b>Shareholder's funds</b>		<u>50</u>	<u>50</u>

The financial statements of Dudley Summit PLC, registered number 04180439, were approved by the Board of Directors and authorised for issue on the 30 September 2020.

Signed on behalf of the Board of Directors



M T Smith  
Director

## **Dudley Summit PLC**

### **Statement of changes in equity for the year ended 31 March 2020**

	<b>Called up share capital £'000</b>	<b>Total equity £'000</b>
<b>At 1 April 2018</b>	50	50
Result for the year	-	-
	<hr/>	<hr/>
Total comprehensive income	-	-
	<hr/>	<hr/>
<b>At 31 March 2019</b>	50	50
	<hr/>	<hr/>
<b>At 1 April 2019</b>	50	50
Result for the year	-	-
	<hr/>	<hr/>
Total comprehensive income	-	-
	<hr/>	<hr/>
<b>At 31 March 2020</b>	50	50
	<hr/>	<hr/>



# Dudley Summit PLC

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

### 1. Accounting policies

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

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

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

#### *(a) Going concern*

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

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

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

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

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

#### *(b) Accounting convention*

The financial statements have been prepared in accordance with applicable UK law and accounting standards, and in accordance with the historical cost basis and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, mainly in relation to the presentation of a cash flow statement, reconciliation of any share movements in the year, key management personnel compensation and financial instruments. The parent and controlling companies are detailed in note 14 below.

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

#### *(c) Finance costs*

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

#### *(d) Capital Commitments*

There are no capital commitments (2019: £nil).

# Dudley Summit PLC

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

### 1. Accounting policies (continued)

#### *(e) Financial instruments*

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

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

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

#### *(f) Basic financial assets*

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

#### *(g) Loans and receivables*

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

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

#### *(h) Impairments of financial assets*

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

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

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

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

#### *(j) Classification of financial liabilities*

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

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

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

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

# Dudley Summit PLC

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

### 1. Accounting policies (continued)

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

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

#### *(l) Bank debt policy*

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

#### *(m) 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.

#### *(n) Critical accounting policies and key judgements*

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

#### *(o) Estimates*

The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

#### *(p) Effective Interest Rate*

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

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

### 2. Administrative expenses

The £8k fee (2019: £4k) for the statutory audit of these financial statements is payable by Summit Healthcare (Dudley) Limited in both the current and prior years. Auditor's remuneration is paid to Johnston Carmichael LLP (2019: Johnston Carmichael LLP).

## Dudley Summit PLC

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

#### 3. Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest payable on bonds	(2,970)	(2,980)
Interest payable on loans	(2,456)	(2,947)
Indexation of outstanding capital:		
- Guaranteed secured bonds	(2,133)	(2,481)
- Loan	(1,911)	(2,283)
Other finance costs	(462)	(125)
	<u>(9,932)</u>	<u>(10,816)</u>

#### 4. Taxation

There is no current or deferred tax liability for the year as the company incurred neither a profit nor a loss (2019: £nil).

#### 5. Directors' emoluments

No director received any payment during the year in respect of their services to the company (2019: £nil).

#### 6. Staff Costs

The company had no employees during the year (2019: none).

#### 7. Debtors

	2020 £'000	2019 £'000
<b>Debtors: amounts falling due within one year</b>		
Prepayments and accrued income	200	211
Amounts due from fellow subsidiary undertaking	5,774	11,509
	<u>5,974</u>	<u>11,720</u>
<b>Debtors: amounts falling due within one year</b>		
Amounts due from fellow subsidiary undertaking	139,793	142,706

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

	2020 £'000	2019 £'000
Amounts due to fellow subsidiary undertaking	201	5,877
Accruals	-	2,761
Guaranteed secured bonds (note 10)	1,611	3,085
Committed term loan facility (note 11)	4,162	5,662
	<u>5,974</u>	<u>17,385</u>

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

	2020 £'000	2019 £'000
Guaranteed secured bonds (note 10)	75,777	75,876
Committed term loan facility (note 11)	63,966	66,780
	<u>139,743</u>	<u>142,656</u>

# Dudley Summit PLC

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

### 10. Long-term bonds

	2020 £'000	2019 £'000
Not wholly repayable within five years:		
3.7772% Index-linked guaranteed secured bonds of £71,000,000, due 2038, repayable in six monthly instalments commencing March 2005	45,660	47,485
Bond indexation	31,728	31,476
	<u>77,388</u>	<u>78,961</u>
Amounts falling due:		
In less than one year	1,611	3,085
Between one and two years	1,877	1,514
Between two and five years	5,935	4,769
After five years	67,965	69,593
	<u>77,388</u>	<u>78,961</u>

### 10. Long-term bonds (continued)

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 at 31 March 2020. The bond is secured under the terms of a Security Trust Deed on the assets and liabilities of the group.

### 11. Long-term loan

	2020 £'000	2019 £'000
Not wholly repayable within five years:		
3.0716% Index-linked committed term facility of £70,000,000 due 2034, repayable in six monthly instalments commencing March 2005	40,703	43,021
Indexation on the loan	27,926	29,421
	<u>68,629</u>	<u>72,442</u>
Amounts falling due:		
In less than one year	4,192	5,662
Between one and two years	4,527	3,915
Between two and five years	16,195	12,459
After five years	43,685	50,406
	<u>68,829</u>	<u>72,442</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 2020. The loan is secured under the terms of a Security Trust Deed on the assets and liabilities of the company.

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

## Dudley Summit PLC

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

#### 12. Called up share capital

	2020 £'000	2020 £'000
<b>Authorised:</b>		
60,000 ordinary shares of £1 each	60	60
The company has 60,000 shares at £1 each which carry no rights to fixed income.		
<b>Allotted, called up and fully paid</b>		
50,000 ordinary shares of £1 each	50	50
The company has 50,000 shares at £1 each which carry no rights to income.		

#### 13. Other financial instruments

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

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

##### *Financial assets*

The company's financial asset is the outstanding balance on its loan to its fellow subsidiary undertaking of £139.8million (2019: £142.7 million). The floating rate financial asset comprise a 3.7772% RPI linked guaranteed secured bond and a 3.0716% RPI linked committed term loan facility. Indexation is applied to the outstanding bond and loan balance in March and September of each year.

##### *Financial liabilities*

The company's financial liabilities are its listed bonds and a committed term loan facility as described in notes 10 and 11 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.

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

##### *Financial risk management*

The book value of the listed bonds and committed term loan are matched against the amount due from a fellow subsidiary undertaking. Credit, liquidity, market, currency and capital risks for the group have been considered in detail in the financial statements of the parent company Summit Holdings (Dudley) Limited.

#### 14. Parent undertaking and controlling parties

The company is a 100% subsidiary of Summit Holdings (Dudley) Limited, which is the largest and smallest company to consolidate the financial statements of the company. The registered office of the parent company is shown on Page 1.

Summit Holdings (Dudley) Limited is jointly owned and jointly controlled in equal shares by Browning PFI Holdings Limited, Aberdeen Infrastructure (No.3) Limited and Crimson Project Investments Limited.

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

#### 15. Related parties

The company has taken advantage of the exemptions available to subsidiary undertakings under FRS 102 by not disclosing transactions with entities of the group qualifying as related parties.