

Summit Holdings (Wishaw) Limited
Annual Report and Consolidated Financial
Statements
31 March 2018



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Summit Holdings (Wishaw) Limited
Annual Report and Consolidated Financial Statements
Year Ended 31 March 2018

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Summit Holdings (Wishaw) Limited

Officers and Professional Advisers

The Board of Directors

Andrew Tennant
David Gilmour
John Cavill
Christopher Solley

Company Secretary

Infrastructure Managers Limited

Registered Office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Independent Auditors

Johnston Carmichael LLP
Chartered Accountants & Statutory Auditors
7-11 Melville Street
Edinburgh
EH3 7PE

Bankers

Lloyds Bank Plc
32 Oxford Street
London
W1R 2BS

Summit Holdings (Wishaw) Limited

Strategic Report

Year Ended 31 March 2018

The directors present their strategic report on the Company and Group for the year ended 31 March 2018.

Principal Objectives and Strategies

The principal activity of the Group is that of financing and operating a new district general hospital at Wishaw, Lanarkshire for what is now the Lanarkshire Acute Hospitals NHS Trust under the Government's Private Finance Initiative ("PFI"). The project is currently in year 17 of its 30 year term.

Performance Review

The profit for the financial year, after taxation, amounted to £2,994,625 (2017: £3,466,254).

The profit for the financial year will be transferred to reserves.

The directors are satisfied with the overall performance of the Group and do not foresee any significant change in the Groups activities in the coming financial year.

Review of the Business

As the Group is in the full operational phase it faces operational risks and actively monitors financial performance against loan covenants. During the year the Group was fully compliant with the contractual terms and incurred no penalty points. From a financial perspective the Group has been performing well and has been compliant with the covenants laid out in the group loan agreement. The Group is also forecasting compliance with the covenants laid out in the group loan agreement for the next 12 months.

The directors expect the future performance of the Group to be profitable and in line with the forecasting model.

Future Developments

The directors intend for the Group to continue to operate in line with the financial forecast model, contractual terms and do not expect any strategic changes.

Financial instruments

The Company's principal financial instruments comprise subordinated debt, cash at bank and short term deposits. The main purpose of these financial instruments is to ensure, via the terms of the various financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the concession contract.

Key Performance Indicators

The performance of the Group from a cash perspective is assessed six monthly on a group basis by the testing of the covenants of the senior debt provider, the key indicator being the debt service cover ratio, which is the ratio of the Company's net cash inflows available for debt service relative to actual debt service payments. At the year end this ratio was 1.23. The Company has been performing well and has been compliant with the covenants laid out in the group loan agreement.

Summit Holdings (Wishaw) Limited

Strategic Report *(continued)*

Year Ended 31 March 2018

Principal Risk and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The principal risk and uncertainties facing the Group are: interest rate risk, price risk and cash flow risk, as detailed below:

Interest rate risk

The Group mitigated its interest rate risk at the inception of the project by ensuring that its debt is at a fixed rate. The Group's exposure to interest fluctuations will continue to be monitored.

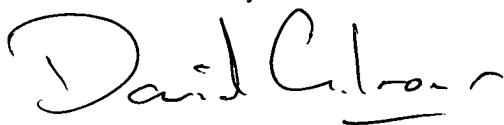
Price Risk

The Group's price risk is managed through a project agreement with the NHS providing for payments that are fixed subject to performance and inflation indexation and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with the NHS.

Cash flow Risk

Cash flows are generated on the availability of the hospital and from the operational management and maintenance of the facility. The project concession cash-flows are secured under contract from the NHS, a government body and the nature of the project is such that cashflows are reasonably predictable.

This report was approved by the board of directors on 31/07/18 and signed on behalf of the board by:



David F Gilmour
Director

Summit Holdings (Wishaw) Limited

Directors' Report

Year Ended 31 March 2018

The directors present their report and the audited Annual Report and Consolidated Financial Statements of the group for the year ended 31 March 2018.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

Andrew Tennant
David Gilmour
John Cavill
Christopher Solley

Dividends

Particulars of dividends paid are detailed in note 10 to the financial statements.

Financial Instruments

Details of the financial instruments are noted in the Strategic Report.

Future Developments

No significant changes are expected to the Company's activities, as set out in the Strategic Report, in the foreseeable future.

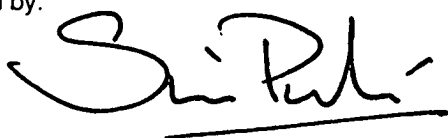
Qualifying Indemnity Provision

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disclosure of Information to Auditors

A resolution to reappoint Johnston Carmichael LLP as auditors will be proposed at the forthcoming annual general meeting.

This report was approved by the board of directors on 31/07/18 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

Summit Holdings (Wishaw) Limited

Directors' Responsibilities Statement

Year Ended 31 March 2018

The directors are responsible for preparing the Strategic Report, Directors' Report and the Annual Report and Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Consolidated Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Consolidated Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law).

Under company law the directors must not approve the Annual Report and Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the Group for that period.

In preparing the Annual Report and Consolidated Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Consolidated Financial Statements; and
- prepare the Annual Report and Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

Summit Holdings (Wishaw) Limited

Independent Auditors' Report to the Members of Summit Holdings (Wishaw) Limited

Opinion

We have audited the financial statements of Summit Holdings (Wishaw) Limited (the 'company') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018, and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

Summit Holdings (Wishaw) Limited

Independent Auditors' Report to the Members of Summit Holdings (Wishaw) Limited *(continued)*

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Summit Holdings (Wishaw) Limited

Independent Auditors' Report to the Members of Summit Holdings (Wishaw) Limited *(continued)*

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Summit Holdings (Wishaw) Limited

Independent Auditors' Report to the Members of Summit Holdings (Wishaw) Limited *(continued)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Use of our report

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

Johnston Carmichael LLP

Irvine Spowart (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor

31 July 2018

7-11 Melville Street
Edinburgh
EH3 7PE

Summit Holdings (Wishaw) Limited

Consolidated Income Statement

Year Ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	17,732,392	16,453,153
Cost of sales		(15,211,827)	(14,079,138)
Gross profit		2,520,565	2,374,015
Administrative expenses		(411,046)	(425,655)
Operating profit	5	2,109,519	1,948,360
Other interest receivable and similar income	7	9,677,564	10,046,517
Interest payable and similar expenses	8	(7,856,046)	(8,222,634)
Profit before taxation		3,931,037	3,772,243
Tax on profit	9	(936,412)	(305,989)
Profit for the financial year and total comprehensive income		<u>2,994,625</u>	<u>3,466,254</u>

All the activities of the Group are from continuing operations.

The notes on pages 16 to 28 form part of the Annual Report and Consolidated Financial Statements.

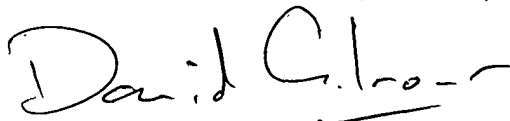
Summit Holdings (Wishaw) Limited

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	2018 £	2017 £
Current assets			
Debtors: amounts falling due within one year	12	3,962,276	4,360,021
Debtors: amounts falling due after more than one year	12	102,578,364	105,155,527
Cash at bank and in hand		<u>12,325,948</u>	<u>14,165,162</u>
		118,866,588	123,680,710
Creditors: amounts falling due within one year	13	<u>(12,038,516)</u>	<u>(13,617,504)</u>
Net current assets		<u>106,828,072</u>	<u>110,063,206</u>
Total assets less current liabilities		<u>106,828,072</u>	<u>110,063,206</u>
Creditors: amounts falling due after more than one year	14	<u>(82,315,634)</u>	<u>(87,633,959)</u>
Provisions for liabilities			
Taxation including deferred taxation	15	<u>(11,154,064)</u>	<u>(11,304,498)</u>
Net assets		<u>13,358,374</u>	<u>11,124,749</u>
Capital and reserves			
Called up share capital	18	100,000	100,000
Retained earnings	19	<u>13,258,374</u>	<u>11,024,749</u>
Total shareholders' funds		<u>13,358,374</u>	<u>11,124,749</u>

The Annual Report and Consolidated Financial Statements were approved by the board of directors and authorised for issue on 31.03.18, and are signed on behalf of the board by:



David F Gilmour
Director

Company registration number: SC173083

The notes on pages 16 to 28 form part of these Annual Report and Consolidated Financial Statements.

Summit Holdings (Wishaw) Limited

Company Statement of Financial Position

As at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	11	11,859,000	11,859,000
Current assets			
Debtors: amounts falling due within one year	12	–	1,055,411
Creditors: amounts falling due within one year	13	–	(1,055,411)
Total assets less current liabilities		<u>11,859,000</u>	<u>11,859,000</u>
Creditors: amounts falling due after more than one year	14	<u>(11,759,000)</u>	<u>(11,759,000)</u>
Net assets		<u>100,000</u>	<u>100,000</u>
Capital and reserves			
Called up share capital	18	<u>100,000</u>	<u>100,000</u>
Total shareholders' funds		<u>100,000</u>	<u>100,000</u>

The profit for the financial year of the parent company was £761,000 (2017: £1,288,955).

The Annual Report and Consolidated Financial Statements were approved by the board of directors and authorised for issue on 31/03/18....., and are signed on behalf of the board by:



David F Gilmour
Director

Company registration number: SC173083

The notes on pages 16 to 28 form part of these Annual Report and Consolidated Financial Statements.

Summit Holdings (Wishaw) Limited
Consolidated Statement of Changes in Equity
Year Ended 31 March 2018

		Called up share capital £	Retained earnings £	Total £
At 1 April 2016		100,000	8,847,450	8,947,450
Profit for the financial year			3,466,254	3,466,254
Total comprehensive income for the financial year		–	3,466,254	3,466,254
Dividends paid and payable	10	–	(1,288,955)	(1,288,955)
Total investments by and distributions to owners		–	(1,288,955)	(1,288,955)
At 31 March 2017		100,000	11,024,749	11,124,749
Profit for the financial year			2,994,625	2,994,625
Total comprehensive income for the financial year		–	2,994,625	2,994,625
Dividends paid and payable	10	–	(761,000)	(761,000)
Total investments by and distributions to owners		–	(761,000)	(761,000)
At 31 March 2018		<u>100,000</u>	<u>13,258,374</u>	<u>13,358,374</u>

The notes on pages 16 to 28 form part of the Annual Report and Consolidated Financial Statements.

Summit Holdings (Wishaw) Limited
Company Statement of Changes in Equity
Year Ended 31 March 2018

		Called up share capital £	Retained earnings £	Total £
At 1 April 2016		100,000	–	100,000
Profit for the financial year			1,288,955	1,288,955
Total comprehensive income for the financial year		–	1,288,955	1,288,955
Dividends paid and payable	10	–	(1,288,955)	(1,288,955)
Total investments by and distributions to owners		–	(1,288,955)	(1,288,955)
At 31 March 2017		100,000	–	100,000
Profit for the financial year			761,000	761,000
Total comprehensive income for the financial year		–	761,000	761,000
Dividends paid and payable	10	–	(761,000)	(761,000)
Total investments by and distributions to owners		–	(761,000)	(761,000)
At 31 March 2018		<u>100,000</u>	<u>–</u>	<u>100,000</u>

The notes on pages 16 to 28 form part of the Annual Report and Consolidated Financial Statements.

Summit Holdings (Wishaw) Limited

Consolidated Statement of Cash Flows

Year Ended 31 March 2018

	Note	2018 £	2017 £
Cash generated from operations	20	4,902,950	4,841,012
Interest paid		(8,521,402)	(7,802,129)
Interest received		9,677,566	10,046,517
Tax paid		(1,786,665)	(892,000)
Net cash from operating activities		<u>4,272,449</u>	<u>6,193,400</u>
Cash flows from financing activities			
Proceeds from borrowings		78,257	390,056
Repayments of borrowings		(5,428,920)	(5,093,402)
Dividends paid		(761,000)	(1,288,955)
Net cash used in financing activities		<u>(6,111,663)</u>	<u>(5,992,301)</u>
Net (decrease)/increase in cash and cash equivalents		(1,839,214)	201,099
Cash and cash equivalents at beginning of year		<u>14,165,162</u>	<u>13,964,063</u>
Cash and cash equivalents at end of year		<u>12,325,948</u>	<u>14,165,162</u>

The notes on pages 16 to 28 form part of the Annual Report and Consolidated Financial Statements.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements

Year Ended 31 March 2018

1. General Information

Summit Holdings (Wishaw) Limited ('the Company' and 'the Group') is a private company limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

The principal activity of the Group is that of financing and operating a new district general hospital at Wishaw, Lanarkshire for what is now the Lanarkshire Acute Hospitals NHS Trust under the Government's Private Finance Initiative. The hospital opened in May 2001.

The Company and Group's functional and presentation currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest pound.

2. Statement of Compliance

The individual and consolidated financial statements of Summit Holdings (Wishaw) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting Policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

(b) Disclosure exemptions

The Company has taken advantage of from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

The Company has also taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned member of a group.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

3. Accounting Policies *(continued)*

(c) Consolidation

The consolidated financial statements include the Company and all its subsidiary undertakings. Where subsidiary undertakings are acquired during the period their results are included in the consolidated financial statements from the date of acquisition up to the date of the financial period end.

The parent Company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual Statement of Comprehensive Income, the profit of the Company was £761,000 (2017: £1,288,955).

(d) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

i) Deferred taxation

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Judgement is required in the case of the recognition of deferred taxation assets, the Directors have to form an opinion as to whether it is probable that the deferred taxation asset recognised is recoverable against future taxable profits arising. This exercise of judgement requires the Directors to consider forecast information over a long time horizon having regard to the risks that the forecasts may not be achieved and then form a reasonable opinion as to the recoverability of the deferred taxation asset.

ii) Market rate of interest

The directors have reviewed the interest rates applied to the unsecured subordinated loan stock and consider these to be at a market rate.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

3. Accounting Policies *(continued)*

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Group's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

ii) Accounting for service concession arrangements

Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract. These were forecast initially within the operating model at financial close and are closely monitored throughout the duration of the project.

(e) Revenue recognition

Turnover represents the services' share of the management services income received by the Group for the provision of a PFI (Private Finance Initiative) asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

3. Accounting Policies *(continued)*

(f) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case tax is also recognised in Other Comprehensive Income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(g) Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

(h) Finance debtor

The Group has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Group to continue the service concession arrangement accounting policies from previous UK GAAP.

The Group is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Group on the design and construction of the assets have been treated as a finance debtor within these financial statements.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

3. Accounting Policies *(continued)*

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(j) Guaranteed secured bonds

The bond creditor was initially recognised at the value of the net proceeds raised on issue. The finance cost is calculated as the difference between the net carrying amount and the total payments the Group is required to make in respect of the bond. Finance costs are allocated to periods over the term of the bond at a constant rate on the carrying amount and charged in the profit and loss account. The bond interest is recognised as accruing on a day to day basis.

Issue costs associated with the bond have been capitalised in accordance with FRS102 and are being amortised over the life of the bonds.

(k) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities

(l) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are initially recognised at the present value of cash payable to the lender and are subsequently measured at amortised cost using the effective interest rate method, less impairment. 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. The effective interest rate amortisation is included in interest payable and similar charges in the Statement of Comprehensive Income.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

3. Accounting Policies *(continued)*

Financial instruments *(continued)*

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4. Turnover

Turnover arises from:

	2018	2017
	£	£
Rendering of services	<u>17,732,392</u>	<u>16,453,153</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging:

	2018	2017
	£	£
Fees payable for the audit of the annual report and consolidated financial statements	<u>16,250</u>	<u>20,150</u>

Auditors' remuneration is borne by Summit (Wishaw) Limited. Included in the fee above is £4,750 (2017: £6,650) for taxation compliance services. Auditors remuneration is payable to Johnston Carmichael LLP (2017: Pricewaterhouse Coopers LLP).

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2017: nil). The directors did not receive any remuneration from the Company during the year (2017: £nil).

7. Other Interest Receivable and Similar Income

	2018	2017
	£	£
Interest on cash and cash equivalents	30,585	75,328
Finance receivable interest	9,646,979	9,971,189
	<u>9,677,564</u>	<u>10,046,517</u>

8. Interest Payable and Similar Expenses

	2018	2017
	£	£
Interest on bank loans and overdrafts	5,349,990	5,685,509
Interest due to Group undertakings	2,116,000	2,116,620
Other interest payable and similar expenses	390,056	420,505
	<u>7,856,046</u>	<u>8,222,634</u>

9. Tax on Profit

Major components of tax expense

	2018	2017
	£	£
Current tax:		
UK current tax expense	1,086,846	1,315,945
Adjustments in respect of prior periods	–	12,373
Total current tax	<u>1,086,846</u>	<u>1,328,318</u>
Deferred tax:		
Origination and reversal of timing differences	(150,434)	(373,668)
Impact of change in tax rate	–	(637,578)
Adjustments in respect of prior periods	–	(11,083)
Total deferred tax	<u>(150,434)</u>	<u>(1,022,329)</u>
Tax on profit	<u>936,412</u>	<u>305,989</u>

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

9. Tax on Profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 20%).

	2018 £	2017 £
Profit before taxation	3,931,037	3,772,243
Profit by rate of tax	746,897	754,448
Adjustment to tax charge in respect of prior periods	(79,750)	12,373
Effect of expenses not deductible for tax purposes	548,804	176,746
Effect of revenue exempt from tax	(13,919)	–
Other timing differences	(283,315)	–
Effects of changes in tax rates	17,695	(637,578)
Total tax charge	936,412	305,989

10. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2018 £	2017 £
Dividend £7.61 per share (2017: £12.89)	761,000	1,288,955

11. Investments

The Group has no investments.

Company	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost			
At 1 April 2017 and 31 March 2018	<u>100,000</u>	<u>11,759,000</u>	<u>11,859,000</u>
Impairment			
At 1 April 2017 and 31 March 2018	<u>–</u>	<u>–</u>	<u>–</u>
Carrying amount			
31 March 2018	<u>100,000</u>	<u>11,759,000</u>	<u>11,859,000</u>
At 31 March 2017	<u>100,000</u>	<u>11,759,000</u>	<u>11,859,000</u>

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

11. Investments *(continued)*

Subsidiaries, associates and other investments

The Company owns 100% of the issued share capital of Summit Healthcare (Wishaw) Limited who owns 100% of the issued share capital of Summit Finance (Wishaw) plc. Both companies have a registered office of 11 Thistle Street, Edinburgh, EH2 1DF.

	2018 £	2017 £
Aggregate capital and reserves		
Summit Healthcare (Wishaw) Limited	13,358,374	11,124,749
Summit Finance (Wishaw) plc	50,000	50,000
Profit/(Loss) for the year		
Summit Healthcare (Wishaw) Limited	2,994,625	3,466,254
Summit Finance (Wishaw) plc	—	—

The carrying value of the investment is supported by the net assets of the subsidiaries.

12. Debtors

Debtors amounts falling due within one year are as follows:

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Trade debtors	350,337	277,680	—	—
Amounts owed by Group undertakings	—	—	—	1,055,411
Prepayments and accrued income	1,205,059	1,156,986	—	—
Finance receivable	2,547,954	2,859,231	—	—
Other debtors	(141,074)	66,124	—	—
	<u>3,962,276</u>	<u>4,360,021</u>	<u>—</u>	<u>1,055,411</u>

Debtors amounts falling due after more than one year are as follows:

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Finance receivable	<u>102,578,364</u>	<u>105,155,527</u>	<u>—</u>	<u>—</u>

The movement in the finance debtor is analysed as follows:

	2018 £000	2017 £000
At beginning of year	108,014,758	110,815,708
Repayments	<u>(2,888,440)</u>	<u>(2,800,950)</u>
At end of year	<u>105,126,318</u>	<u>108,014,758</u>

The amounts due from Group undertakings are trading balances, they are unsecured, non interest bearing and are repayable on demand.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

13. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Secured Bonds	5,786,644	5,428,926	—	—
Trade creditors	350,325	874,077	—	—
Accruals and deferred income	5,385,357	5,086,851	—	—
Corporation tax	432,523	1,132,342	—	—
Taxation and social security	551,980	429,953	—	—
Coupon bearing investment sums (CBIS) interest	—	1,055,411	—	1,055,411
Other creditors	(468,313)	(390,056)	—	—
	<u>12,038,516</u>	<u>13,617,504</u>	<u>—</u>	<u>1,055,411</u>

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Coupon bearing investment sums (CBIS)	11,759,000	11,759,000	11,759,000	11,759,000
Secured Bonds	72,584,294	78,415,933	—	—
Other creditors	(2,027,660)	(2,540,974)	—	—
	<u>82,315,634</u>	<u>87,633,959</u>	<u>11,759,000</u>	<u>11,759,000</u>

Group

On 25 June 1998 the Group issued at par value £136,556,000 6.484% Guaranteed Secured Bonds which are repayable in 6 monthly instalments to 31 March 2028.

The bond has been secured by:-

(i) a first ranking floating charge over the whole property, assets and undertakings of the Group;

and

(ii) an assignment in security of all rights of the Group under the intercompany loan agreement, all bank accounts, if any, of the Group and the proceeds thereof and all rights to which the company may be entitled from time to time in relation to the proceeds of any insurance policies.

Other creditors relates entirely to loan issue costs.

Company

The Coupon Bearing Investment Sums (CBIS) are amounts owed to immediate parent undertakings, Elbon Holdings (2) Limited and Aberdeen Infrastructure (No.3) Limited. The CBIS bear a coupon of 18% per annum, and have a remaining term ending 17 June 2028.

The coupon on the principal amount outstanding accrues from day to day and is payable in cash on 30 September and 31 March annually subject to meeting certain financial criteria (targets). If the coupon is unable to be paid due to failure to meet these criteria then there shall be issued Preferred Investment Sums with a principal equal to the coupon due. The term date for each series of Preferred Investment Sums shall be the first coupon payment date after the allotment.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

15. Provisions for Liabilities

Group	Deferred tax (note 16) £
At 1 April 2017	11,304,498
Charge against provision	(150,434)
At 31 March 2018	<u>11,154,064</u>

The Company does not have any provisions.

16. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Included in provisions for liabilities (note 15)	<u>11,154,064</u>	<u>11,304,498</u>	<u>—</u>	<u>—</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Accelerated capital allowances	<u>11,154,064</u>	<u>11,304,498</u>	<u>—</u>	<u>—</u>

The deferred tax liability expected to reverse in 2018 is £210,794, this primarily relates to the reversal of timing differences on capital allowances.

17. Financial Instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group	
	2018	2017
	£	£
Financial assets that are debt instruments measured at amortised cost	<u>106,510,693</u>	<u>109,486,438</u>

Financial liabilities measured at amortised cost

	Group	
	2018	2017
	£	£
Financial liabilities measured at amortised cost	<u>89,359,894</u>	<u>94,713,210</u>

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

18. Called Up Share Capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

19. Reserves

Retained Earnings - This reserve records retained earnings and accumulated losses.

20. Cash Generated from Operations

	2018	2017
	£	£
Profit for the financial year	2,994,625	3,466,254
<i>Adjustments for:</i>		
Other interest receivable and similar income	(9,677,563)	(10,046,517)
Interest payable and similar expenses	7,856,046	8,222,634
Tax on profit	936,412	305,989
<i>Changes in:</i>		
Trade and other debtors	2,974,906	3,429,868
Trade and other creditors	(181,476)	(537,216)
	<u>4,902,950</u>	<u>4,841,012</u>

21. Related Party Transactions

Company

The following disclosures are with entities in the Group that are not wholly owned:

Aberdeen Infrastructure (No.3) Limited is a 40% shareholder in the Company. Aberdeen Infrastructure (No.3) Limited is the holder of £2,939,750 (2017: £2,939,750) in subordinated loan notes due from the company. Interest paid in the year was £529,000 (2017: £529,155). Fees paid for the provision of directors, staff and technical support services were £40,000 (2017: £40,000). As at 31 March 2018, trade creditors and accruals included £nil (2017: £40,000) due to Aberdeen Infrastructure (No.3) Limited.

Elbon Holdings (2) Limited a 60% shareholder in the Company also is the holder of £8,819,250 (2017: £8,819,250) in subordinated loan notes due from the company. Interest paid in the year was £1,587,000 (2017: £1,587,465). BIIF Bidco Limited, an intermediate parent company, provided the company with its directors, staff and technical support services, the value of the work undertaken in the year was £238,808 (2017: £233,080). As at 31 March 2018, trade creditors and accruals included £nil (2017: £40,000) due to BIIF Bidco Limited.

Summit Holdings (Wishaw) Limited

Notes to the Annual Report and Consolidated Financial Statements *(continued)*

Year Ended 31 March 2018

22. Controlling Party

The Company has no ultimate controlling party. The Directors consider the Company's ultimate joint controlling parties to be Aberdeen Infrastructure (No.3) Limited (who own 40% of the share capital of the company) and BIIF L.P. (who own 60% of the share capital of the company).