

**Mercia Healthcare Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2014**

Registration number: 03693524

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## **Mercia Healthcare Limited**

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# **Mercia Healthcare Limited**

## **Directors and advisors**

<b>Directors</b>	A E Birch
	M C Hennessy-Gibbs
	S P Hornby
	H J W Pownall
	P J Rout (Alternate)
	T Ryan (Alternate)
<b>Company secretary</b>	Semperian Secretariat Services Limited
<b>Registered office</b>	Third Floor
	Broad Quay House
	Prince Street
	Bristol
	BS1 4DJ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP
	Chartered Accountants and Statutory Auditors
	31 Great George Street
	Bristol
	BS1 5QD

# **Mercia Healthcare Limited**

## **Strategic report**

### **for the year ended 31 March 2014**

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

#### **Results, principal activities and review of business**

The company is engaged in a 30-year contract, expiring in 2029, with Wye Valley NHS Trust (formerly Hereford Hospitals NHS Trust) for the design and construction of an Acute Care Facility, and in the provision of certain non-clinical support services at Hereford County Hospital.

The profit for the year is set out in the profit and loss account on page 7. The results of the Company for the year have been negatively impacted as the Company continues to be in dispute with its customer regarding alleged defects associated with the construction and maintenance of the building which have resulted in the customer making availability deductions from its Unitary payments. The Company is in the process of resolving these disputes through arbitration with its customer and subcontractors and in the meantime any availability deductions being imposed are being temporarily recovered from its subcontractors until the disputes can be resolved and the level of deductions decided through the arbitration process. The directors expect that any final assessment of deductions levied against the Company will be fully recoverable from its subcontractors, and hence there is no net profit impact from these deductions reflected in these financial statements.

The arbitration process for one of these items was completed in the year and the amount of deductions payable to the customer was agreed at £3.5 million, which the Company recovered from its supply chain. In addition the arbitration awarded the Company a sum of £1.1 million in respect of the professional fees that it had incurred in resolving this matter, recognised as other income.

The monthly payments to the Hard FM provider were suspended until the resolution of the initial dispute, however have recommenced as this initial dispute has been satisfactorily adjudicated and the Hard FM contractor is currently funding the deductions arising from the further matters which have arisen during the current year. Additional funding has been made available by the shareholders to cover working capital requirements whilst these matters are being resolved. £1.0 million "E" loan notes were issued in April 2013, on which interest is charged at 10% per annum from 1 July 2013, and which only become repayable once the disputes have been satisfactorily resolved, which is expected to be during 2014. Hence the directors believe that the Company has sufficient financial resources to meet its debts as they fall due for the foreseeable future. Accordingly the directors believe that it continues to be appropriate to prepare the financial statements on a going concern basis.

#### **Principal risks and uncertainties**

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

#### **Key performance indicators ('KPIs')**

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities. 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.

**By order of the Board**



On behalf of Semperian Secretariat Services Limited  
Company secretary  
27 AUG 2014

# **Mercia Healthcare Limited**

## **Registration number: 03693524 Directors' report for the year ended 31 March 2014**

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

### **Future developments**

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

### **Dividends and transfers to reserves**

No dividend was paid during the year, (2013: £nil).

### **Financial risk management**

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The directors have policies for managing each of these risks and they are summarised below:

#### ***Interest rate risk***

The senior and subordinated debt interest has been fixed through the use of fixed funding rates, plus a margin, as set out in note 10.

#### ***Inflation risk***

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

#### ***Liquidity risk***

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

#### ***Credit risk***

The company receives the majority of its revenue from Wye Valley NHS Trust (formerly Hereford Hospitals NHS Trust) and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

#### ***Major maintenance replacement risk***

The company takes the risk that its projections for ongoing major maintenance replacement of the building and relevant equipment are adequate. These projections have been agreed with third parties and are subject to regular review by the directors.

### **Directors of the company**

The directors of the company during the year, and up to the date of signing the financial statements, are set out below:

A E Birch

M C Hennessy-Gibbs

S P Hornby

H J W Pownall

P J Rout (Alternate)

T Ryan (Alternate)

## **Mercia Healthcare Limited**

### **Directors' report for the year ended 31 March 2014 (continued)**

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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.

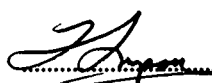
#### **Statement of disclosure of information to auditors**

In the case of each director in office at the date the directors' report is approved, so far as the director is aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ('PwC') are unaware, and the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information, and to establish that PwC are aware of that information.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

#### **By order of the Board**



On behalf of Semperian Secretariat Services Limited  
Company secretary

27 AUG 2014

# **Mercia Healthcare Limited**

## **Independent auditors' report to the members of Mercia Healthcare Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit and cashflow 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.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by Mercia Healthcare Limited comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account for the year then ended;
- the cashflow statement for the year then ended; and
- the notes to the financial statements, which include a summary of principal accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Mercia Healthcare Limited**

### **Independent auditors' report to the members of Mercia Healthcare Limited (continued)**

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

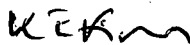
#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Katharine Finn (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

5 September 2014



## Mercia Healthcare Limited

### Profit and loss account for the year ended 31 March 2014

	Note	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
<b>Turnover</b>	1	<b>13,199</b>	12,561
Cost of sales		<b>(10,806)</b>	(10,402)
<b>Gross profit</b>		<b>2,393</b>	2,159
Other income	2	<b>1,074</b>	-
Administrative expenses		<b>(1,596)</b>	(2,004)
<b>Operating profit</b>	3	<b>1,871</b>	155
Interest receivable and similar income	4	<b>5,940</b>	6,049
Interest payable and similar charges	5	<b>(4,437)</b>	(4,305)
<b>Profit on ordinary activities before taxation</b>		<b>3,374</b>	1,899
Tax on profit on ordinary activities	6	<b>100</b>	(233)
<b>Profit for the financial year</b>	13	<b>3,474</b>	1,666

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

There are no material differences between the profit for the period on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.


The movements on reserves are shown in note 13 to the financial statements.

# Mercia Healthcare Limited

## Balance sheet as at 31 March 2014

	Note	31 March 2014 £ '000	31 March 2013 £ '000
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	3,673	4,910
Debtors: amounts falling due after more than one year	8	69,200	70,569
Cash at bank and in hand		14,711	8,147
		<b>87,584</b>	<b>83,626</b>
<b>Creditors: amounts falling due within one year</b>	<b>9</b>	<b>(13,818)</b>	<b>(11,323)</b>
<b>Total assets less current liabilities</b>		<b>73,766</b>	<b>72,303</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>10</b>	<b>(51,936)</b>	<b>(53,847)</b>
<b>Provisions for liabilities</b>	<b>11</b>	<b>(6,303)</b>	<b>(6,403)</b>
<b>Net assets</b>		<b>15,527</b>	<b>12,053</b>
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Profit and loss account	13	15,526	12,052
<b>Total shareholders' funds</b>	<b>13</b>	<b>15,527</b>	<b>12,053</b>

The financial statements on pages 7 to 20 were approved by the Board on 21-08-2014 and signed on its behalf by:

  
 .....  
 H J W Pownall  
 Director

# Mercia Healthcare Limited

## Cash Flow Statement for the year ended 31 March 2014 for the Year Ended 31 March 2014

		31 March 2014 £ '000	31 March 2013 £ '000
Net cash inflow from operating activities	16(a)	4,522	459
<i>Returns on investments and servicing of finance</i>			
Interest paid		(2,621)	(4,261)
Interest recieved		5,940	6,049
Net cash inflow from returns on investments		3,319	1,788
Net cash flow before liquid resources and financing		7,841	2,247
<i>Management of liquid resources</i>			
Decrease/(increase) in cash on deposite		(3,592)	5,844
Net cash inflow / (outflow) from liquid resources		(3,592)	5,844
<i>Financing</i>			
Repayment of loans	16(b)	(2,277)	(2,766)
Issue of zero coupon loan notes		1,000	-
Net cash outflow from financing activities		(1,277)	(2,766)
Increase/(decrease) in cash during the year	16(c)	2,972	5,325

# **Mercia Healthcare Limited**

## **Notes to the financial statements for the year ended 31 March 2014**

### **1 Principal accounting policies**

A summary of the company's principal accounting policies, which have been consistently applied, is set out below:

#### **Basis of preparation of financial statements**

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting and financial reporting standards in the United Kingdom.

#### **Turnover**

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 – Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and cost of sales.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

#### **Finance debtor and interest receivable**

In accordance with Financial Reporting Standard (FRS) 5 - Application Note F, the costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within the application note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

#### **Major maintenance replacement**

As noted in the directors' report, the company is responsible for the major maintenance replacement risk associated with its principal activity. Where appropriate, income is deferred to future periods, based on a forecast of the future major maintenance expenditure, in order to match that element of income with the costs to which it relates. The turnover and costs of sales are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

#### **Debt issue costs**

Debt issue costs directly incurred have been offset against the related debt and will be charged to the profit and loss account at a constant rate on the carrying value of the debt.

# **Mercia Healthcare Limited**

## **Notes to the financial statements for the year ended 31 March 2014 (continued)**

### **1 Principal accounting policies (continued)**

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

#### **Interest rate swaps**

Interest rate swaps are used to hedge the company's exposure to movements on interest rates. The interest payable on such swaps is accrued in the same way as interest arising on the related borrowings. Interest rate swaps are valued using market value, for disclosure purposes.

### **2 Other income**

Other income, for the year ended 31 March 2014 consists of the exceptional recovery of professional fees of £1,074,000 (2013: £nil) in respect of the resolution of a legal dispute.

### **3 Operating profit**

Administrative expenses for the year ended 31 March 2014 includes an exceptional cost of £643,000 (2013: £1,384,000) in respect of professional fees relating to an on-going legal dispute.

The company had no employees, other than the directors, during the year (2013: none). The emoluments of the directors are paid by the controlling parties. The directors services to this company and to a number of fellow group companies are primarily of a non executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £91,000 (2013: £94,000) to the company in respect of these services.

The audit fee in respect of the company was £7,000 for the year (2013: £7,000). Fees payable to the auditors for non-audit services were £nil (year ended 31 March 2013: £nil). The company also bore the audit fees of its immediate parent undertaking of £2,080 (year ended 31 March 2013: £2,000), during the year.

# Mercia Healthcare Limited

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 4 Interest receivable and similar income

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Imputed interest receivable on finance debtor	5,901	5,979
Interest receivable on bank deposits	39	70
	<b>5,940</b>	<b>6,049</b>

### 5 Interest payable and similar charges

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Interest payable on senior debt	2,553	2,701
Interest payable on subordinated debt	1,809	1,604
Interest on other loans	75	-
	<b>4,437</b>	<b>4,305</b>

### 6 Tax on profit on ordinary activities

#### (a) Analysis of tax charge for the year

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
<b>Current tax:</b>		
Total current tax	-	-
<b>Deferred tax (note 11)</b>		
Origination and reversal of timing differences	845	511
Impact of tax rate adjustment	(945)	(278)
<b>Tax (credit)/charge on profit on ordinary activities</b>	<b>(100)</b>	<b>233</b>

## Mercia Healthcare Limited

### Notes to the financial statements for the year ended 31 March 2014 (continued)

#### 6 Tax on profit on ordinary activities (continued)

##### (b) Factors affecting current tax charge

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Profit on ordinary activities before taxation	3,374	1,899
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	776	456
Effects of:		
Permanent differences	69	56
Movement in accelerated capital allowances	(107)	(184)
(Decrease)/increase in unutilised tax losses carried forward	(522)	(143)
Other short term timing differences	(216)	(185)
Current tax (credit)/charge for the year (note 6(a))	-	-

##### (c) Factors that may affect future tax charges

In 2012 the main rate of UK corporation tax was reduced to 23% effective from 1 April 2013 and applicable to accounts with year ended 31 March 2014.

Finance Act 2013 included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The deferred tax liability at 31 March 2014 has been re-measured accordingly.

# Mercia Healthcare Limited

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 7 Debtors: amounts falling due within one year

	31 March 2014 £ '000	31 March 2013 £ '000
Trade debtors	1,910	336
Finance debtor	1,368	1,095
Prepayments and accrued income	395	3,479
	<b>3,673</b>	<b>4,910</b>

### 8 Debtors: amounts falling due after more than one year

	31 March 2014 £ '000	31 March 2013 £ '000
Finance debtor	69,200	70,569

### 9 Creditors: amounts falling due within one year

	31 March 2014 £ '000	31 March 2013 £ '000
Senior debt	2,576	2,277
Subordinated debt	1,406	406
Trade creditors	3,151	1,956
Accruals and deferred income	3,877	4,939
Amounts owed to group undertakings	2,759	1,445
Other taxation and social security	49	300
	<b>13,818</b>	<b>11,323</b>



# Mercia Healthcare Limited

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 10 Creditors: amounts falling due after more than one year

#### (a) Debt

	31 March 2014 £ '000	31 March 2013 £ '000
Senior debt	40,777	43,053
Subordinated debt	11,162	10,163
Less: included in creditors falling due within one year	(3,982)	(2,683)
	47,957	50,533
Accruals and deferred income	3,979	3,314
	51,936	53,847

#### (b) Maturity of debt

	31 March 2014 £ '000	31 March 2013 £ '000
Less than one year	3,982	2,683
Between one and two years	2,650	2,577
Between two and five years	9,591	8,635
In more than five years	35,716	39,321
	51,939	53,216
Less: included in creditors falling due within one year	(3,982)	(2,683)
	47,957	50,533

## **Mercia Healthcare Limited**

### **Notes to the financial statements for the year ended 31 March 2014 (continued)**

#### **10 Creditors: amounts falling due after more than one year (continued)**

##### **Senior debt - Term Loan Facility**

The tenure of the Term Loan is 25 years and it is repayable in 43 semi-annual instalments commencing on 16th April 2003. Interest charged on amounts drawn under the facility is based on the floating LIBOR rate, plus a margin of 1.10%. The Term Loan Facility has been syndicated to a consortium of banks. All amounts drawn under the Term Loan Facility are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets.

##### **Subordinated debt**

On the 16th April 2002, the stockholders subscribed for £8,496,320 subordinated loan notes in the company. The loan notes are to mature in full in 2029. The loan notes are unsecured and bear interest at 15%. Interest was rolled up on the loan notes until 16th October 2003, and thereafter the interest is paid 6 monthly. Where interest is not paid on the due date, penalty interest of 15% is applied to the unpaid interest.

In addition, Sodexo Investment Services Limited subscribed for £541,666 subordinated loan notes in the company on 1st March 2006. The loan notes are unsecured and bear no interest. They are due for repayment in four equal repayments from June 2012 to December 2013, subject to the rights of the providers of the Senior debt.

In addition, Sodexo Investment Services Limited subscribed for £1,000,000 of subordinated loan notes in the company on 10th April 2013. The loan notes are unsecured and bear interest, from 1 July 2013, at a rate of 10%. They were due for repayment by 10th April 2014, but remain outstanding as this right is subordinated to the rights of the providers of the Senior debt.

##### **Swap arrangements**

The company has entered into interest rate swap agreements under the Term Loan, with a fixed rate of 5.0605% plus margin, which expires on 10th April 2024. The only derivative financial instruments held are the interest rate swaps, which convert the borrowings from rates linked to LIBOR to the fixed rates above. The fair value of this class of derivative financial instruments at 31 March 2014 is £(6,759,854) (2013: £(10,264,494)).

All other amounts owed to or owed by group undertakings are interest free, unsecured and repayable on demand.

# Mercia Healthcare Limited

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 11 Provisions for liabilities

	31 March 2014 £ '000	31 March 2013 £ '000
Deferred taxation	6,303	6,403

The movements in deferred taxation during the year are as follows:

	31 March 2014 £ '000	31 March 2013 £ '000
At beginning of year	6,403	6,170
(Credit)/charge to the profit and loss account (note 6(a))	(100)	233
<b>At end of year</b>	<b>6,303</b>	<b>6,403</b>

The deferred tax liability consists of:

Accelerated capital allowances	4,958	5,594
Other timing differences	2,938	3,163
Tax losses recognised	(1,593)	(2,354)
	<b>6,303</b>	<b>6,403</b>

### 12 Called up share capital

	31 March 2014 £ '000	31 March 2013 £ '000
<b>Allotted and fully paid</b>		
1,000 Ordinary shares of £1 each	1	1

## Mercia Healthcare Limited

### Notes to the financial statements for the year ended 31 March 2014 (continued)

#### 13 Reconciliation of movements in total shareholders' funds and reserves

	Share capital £ '000	Profit and loss account £ '000	Total Shareholders' funds £ '000
At 1 April 2012	1	10,386	10,387
Profit for the financial year	-	1,666	1,666
At 1 April 2013	1	12,052	12,053
Profit for the financial year	-	3,474	3,474
At 31 March 2014	1	15,526	15,527

#### 14 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Mercia Healthcare (Holdings) Limited, registered in England and Wales.

Mercia Healthcare (Holdings) Limited's shares are held by each of the following, both of which are registered in the United Kingdom:

	Percentage Holding (%)
Semperian PPP Investment Partners No.2 Limited	75
Sodexo Investment Services Limited	25

The ultimate parent undertaking and controlling party is Semperian PPP Investment Partners Holdings Limited which is registered in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited.

Consolidated financial statements for Semperian PPP Investment Partners Holdings Limited can be obtained from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.

## Mercia Healthcare Limited

### Notes to the financial statements for the year ended 31 March 2014 (continued)

#### 15 Related party transactions

The following companies are fellow group undertakings of the shareholders of the immediate parent undertaking and together with undertakings within the individual groups of companies, are considered to be related parties to the company, as defined in Financial Reporting Standard 8 - 'Related Party Disclosures'.

Sodexo Investment Services Limited  
Sodexo Limited  
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)  
Semperian Asset Management Limited  
Semperian Senior Funding PLC  
Semperian PPP Investment Partners No2 Limited  
Semperian Capital Management Limited.

The company incurred the following costs in respect of the provision of staff and support services:

#### Costs incurred:

	Type of expense	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Sodexo Investment Services Limited	Support Services and loan interest	470	425
Sodexo Limited	Facilities Management	5,565	5,633
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)	Facilities Management	4,517	4,131
Semperian Senior Funding PLC	Senior Loan interest	705	953
Semperian PPP Investment Partners No2 Limited	Support Services and loan interest	1,430	1,274
Semperian Asset Management Limited	Management Services	454	451
Semperian Capital Management Limited	Support Services	214	-

# Mercia Healthcare Limited

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 15 Related party transactions (continued)

The company earned the following income in respect of the provision of staff and support services:

#### Income earned:

	Type of income	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Sodexo Limited	Support services and rental income	57	32
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)	Support Services	628	75

All transactions with Related Parties were carried out on arms length terms.

#### Amounts owed to/(from) at:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Sodexo Investment Services Limited	4,434	3,320
Sodexo Limited	(42)	(50)
Sodexo Limited	785	724
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)	(73)	(466)
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)	2,366	1,436
Semperian Senior Funding PLC	41,102	43,434
Semperian PPP Investment Partners No2 Limited	10,027	8,762

# Mercia Healthcare Limited

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 16 Notes to the cash flow statement

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

	31 March 2014 £ '000	31 March 2013 £ '000
Operating profit	1,871	155
(Decrease)/increase in debtors	2,605	(2,080)
Increase in creditors	46	2,384
<b>Net cash inflow from operating activities</b>	<b>4,522</b>	<b>459</b>

#### (b) Analysis of changes in net debt

	At 31 March 2013 £'000	Cashflow £'000	Other non- cash changes £'000	At 31 March 2014 £'000
Cash	5,686	2,972	-	8,658
Term deposits	2,461	3,592	-	6,053
Cash at bank and in hand	8,147	6,564	-	14,711
Loans due within one year	(2,683)	1,277	(2,576)	(3,982)
Loans due after one year	(50,533)	-	2,576	(47,957)
<b>Total</b>	<b>(45,069)</b>	<b>7,841</b>	<b>-</b>	<b>(37,228)</b>

Non cash movements represent changes in the classification of between less than and greater than one year.

#### (c) Reconciliation of net cash flow to movement in net debt

	31 March 2014 £ '000	31 March 2013 £ '000
Increase in cash during the year	2,972	5,325
Cash outflow from movement in loans	1,277	2,766
(Decrease)/increase in movement in financing and liquid resources	3,592	(5,884)
Movement in net debt	7,841	2,247
Net debt at 31 March 2013	(45,069)	(47,316)
<b>Net debt at 31 March 2014</b>	<b>(37,228)</b>	<b>(45,069)</b>