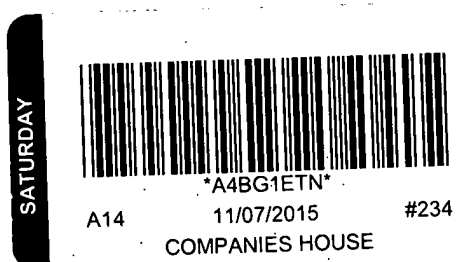


Mercia Healthcare Limited
Annual report and financial statements
for the year ended 31 March 2015

Registration number: 03693524



Mercia Healthcare Limited

Annual report and financial statements for the year ended 31 March 2015

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Mercia Healthcare Limited

Directors and advisors

Directors	A E Birch
	S P Hornby
	H J W Pownall
	T Ryan (Alternate)
	J N E Cowdell
Company secretary	Semperian Secretariat Services Limited
Registered office	Third Floor
	Broad Quay House
	Prince Street
	Bristol
	BS1 4DJ
Independent auditors	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 2015

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

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 were negatively impacted as the Company continued to be in dispute with its customer regarding alleged defects associated with the construction and maintenance of the building which resulted in the customer temporarily making availability deductions from its Unitary payments. In the prior year, the Company resolved one of these disputes through adjudication and the remaining disputes through mediation, in the current year (October 2014), with its customer and subcontractors. Whilst the matters were being resolved any availability deductions being imposed were temporarily recovered from its subcontractors. On the conclusion of the Mediation Agreement, the customer has paid the withheld deductions and resumed paying the unitary payments in full.

The adjudication process for one of these items was completed in the prior 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 adjudication awarded the Company a sum of £1.1 million in respect of the professional fees that it had incurred in resolving this matter, which has been recognised as exceptional income. The mediation process for the remaining items was completed in the current year, with a settlement amount agreed as payable to the customer of £1.0m, of which £0.7m was contributed by the supply chain.

The monthly payments to the Hard FM provider were suspended until the resolution of the initial dispute, however recommenced as this initial dispute was satisfactorily adjudicated. On the conclusion of the mediation, all amounts were paid in full. Additional funding was made available by the shareholders to cover working capital requirements whilst these matters were 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. Repayment is expected to be during 2015. 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

- 2 JUL 2015

Mercia Healthcare Limited

Registration number: 03693524

Directors' report for the year ended 31 March 2015

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

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 (2014: £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 is responsible for managing the ongoing major maintenance replacement of the building and relevant equipment, but the risks associated with this activity are largely borne by the subcontractor.

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 (resigned 25 March 2015)

S P Hornby

H J W Pownall

P J Rout (Alternate) (resigned 18 November 2014)

T Ryan (Alternate)

J N E Cowdell (appointed 25 March 2015)

Mercia Healthcare Limited

Directors' report for the year ended 31 March 2015 (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 Semporian Secretariat Services Limited
Company secretary

- 2 JUL 2015

Mercia Healthcare Limited

Independent auditors' report to the members of Mercia Healthcare Limited

Report on the financial statements

Our opinion

In our opinion, Mercia Healthcare Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit and cashflows 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.

What we have audited

Mercia Healthcare Limited's financial statements comprise:

- the balance sheet as at 31 March 2015;
- 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 significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

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.

Mercia Healthcare Limited

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

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 International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



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

6 July 2015

Mercia Healthcare Limited

Profit and loss account for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Turnover	1	11,020	13,199
Cost of sales		(8,728)	(10,806)
Gross profit		2,292	2,393
Other income	2	-	1,074
Administrative expenses		(1,474)	(1,596)
Operating profit	3	818	1,871
Interest receivable and similar income	4	5,868	5,940
Interest payable and similar charges	5	(4,608)	(4,437)
Profit on ordinary activities before taxation		2,078	3,374
Tax on profit on ordinary activities	6	(491)	100
Profit for the financial year	13	1,587	3,474

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.

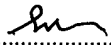
The movements on reserves are shown in note 13 to the financial statements.

Mercia Healthcare Limited

Balance sheet as at 31 March 2015

	Note	31 March 2015 £ '000	31 March 2014 £ '000
Current assets			
Debtors: amounts falling due within one year	7	2,598	3,673
Debtors: amounts falling due after more than one year	8	67,530	69,200
Cash at bank and in hand		18,202	14,711
		88,330	87,584
Creditors: amounts falling due within one year	9	(13,520)	(13,818)
Total assets less current liabilities		74,810	73,766
Creditors: amounts falling due after more than one year	10	(50,902)	(51,936)
Provisions for liabilities	11	(6,794)	(6,303)
Net assets		17,114	15,527
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	17,113	15,526
Total shareholders' funds	13	17,114	15,527

The financial statements on pages 7 to 21 were approved by the Board on 29/06/2015 and signed on its behalf by:


.....
S P Hornby
Director

Mercia Healthcare Limited

Cash flow statement for the year ended 31 March 2015

		31 March 2015 £ '000	31 March 2014 £ '000
Net cash inflow from operating activities	16(a)	1,677	4,522
<i>Returns on investments and servicing of finance</i>			
Interest paid		(1,478)	(2,621)
Interest received		5,868	5,940
Net cash inflow from returns on investments		4,390	3,319
Net cash flow before liquid resources and financing		6,067	7,841
<i>Management of liquid resources</i>			
Decrease/(increase) in cash on deposit		(1,014)	(3,592)
Net cash outflow from liquid resources		(1,014)	(3,592)
<i>Financing</i>			
Repayment of loans	16(b)	(2,576)	(2,277)
Issue of zero coupon loan notes		-	1,000
Net cash outflow from financing activities		(2,576)	(1,277)
Increase/(decrease) in cash during the year	16(c)	2,477	2,972

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015

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 operating costs.

Where appropriate, income received under the PFI contract in respect of services provided during the operational phase of the contract is deferred to future periods in order to match those elements of income with the costs to which they relate. The turnover and cost of sales are recorded in the profit and loss account in the period in which the relevant costs are incurred.

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.

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 2015 (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, incurred in the years ended 31 March 2013 and 31 March 2014, in respect of the resolution of a legal dispute.

3 Operating profit

Administrative expenses for the year ended 31 March 2015 includes an exceptional cost of £622,000 (31 March 2014: £643,000) in respect of professional fees relating to the resolution of contractual disputes.

The company had no employees, other than the directors, during the year (2014: 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 £106,000 (2014: £91,000) to the company in respect of these services.

The audit fee in respect of the company was £7,000 for the year (2014: £7,000). Fees payable to the auditors for non-audit services were £nil (year ended 31 March 2014: £nil). The company also bore the audit fees of its immediate parent undertaking of £2,080 (year ended 31 March 2014: £2,080), during the year.

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

4 Interest receivable and similar income

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Imputed interest receivable on finance debtor	5,803	5,901
Interest receivable on bank deposits	65	39
	5,868	5,940

5 Interest payable and similar charges

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Interest payable on senior debt	2,404	2,553
Interest payable on subordinated debt	2,091	1,809
Interest on other loans	113	75
	4,608	4,437

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

6 Tax on profit on ordinary activities

(a) Analysis of tax charge/(credit) for the year

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Current tax:		
Total current tax	-	-
Deferred tax (note 11)		
Origination and reversal of timing differences	491	845
Impact of tax rate adjustment	-	(945)
Tax charge/(credit) on profit on ordinary activities	491	(100)

(b) Factors affecting current tax charge

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	Year ended 31 March 2015 £ '000	Year ended 31 March 2014 £ '000
Profit on ordinary activities before taxation	2,078	3,374
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	436	776
Effects of:		
Permanent differences	79	69
Movement in accelerated capital allowances	(40)	(107)
(Decrease)/increase in unutilised tax losses carried forward	(239)	(522)
Other short term timing differences	(236)	(216)
Current tax (credit)/charge for the year (note 6(a))	-	-

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

6 Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

The Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 20% with effect from 1 April 2015.

7 Debtors: amounts falling due within one year

	31 March 2015 £ '000	31 March 2014 £ '000
Trade debtors	380	1,910
Finance debtor	1,670	1,368
Prepayments and accrued income	548	395
	2,598	3,673

8 Debtors: amounts falling due after more than one year

	31 March 2015 £ '000	31 March 2014 £ '000
Finance debtor	67,530	69,200

9 Creditors: amounts falling due within one year

	31 March 2015 £ '000	31 March 2014 £ '000
Senior debt	2,650	2,576
Subordinated debt	1,406	1,406
Trade creditors	265	3,151
Accruals and deferred income	2,707	3,877
Amounts owed to group undertakings	5,970	2,759
Other taxation and social security	522	49
	13,520	13,818

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

10 Creditors: amounts falling due after more than one year

(a) Debt

	31 March 2015 £ '000	31 March 2014 £ '000
Senior debt	38,201	40,777
Subordinated debt	11,162	11,162
Less: included in creditors falling due within one year	(4,056)	(3,982)
	45,307	47,957
Accruals and deferred income	5,595	3,979
	50,902	51,936

(b) Maturity of debt

	31 March 2015 £ '000	31 March 2014 £ '000
Less than one year	4,056	3,982
Between one and two years	2,895	2,650
Between two and five years	10,743	9,591
In more than five years	31,669	35,716
	49,363	51,939
Less: included in creditors falling due within one year	(4,056)	(3,982)
	45,307	47,957

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015 (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 were 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 2015 is £(6,908,477) (2014: £(6,759,854)).

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 2015 (continued)

11 Provisions for liabilities

	31 March 2015 £ '000	31 March 2014 £ '000
Deferred taxation	6,794	6,303

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

	31 March 2015 £ '000	31 March 2014 £ '000
At beginning of year	6,303	6,403
(Credit)/charge to the profit and loss account (note 6(a))	491	(100)
At end of year	6,794	6,303

The deferred tax liability consists of:

Accelerated capital allowances	4,996	4,958
Other timing differences	3,163	2,938
Tax losses recognised	(1,365)	(1,593)
	6,794	6,303

12 Called up share capital

	31 March 2015 £ '000	31 March 2014 £ '000
Allotted and fully paid		
1,000 Ordinary shares of £1 each	1	1

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015 (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 2013	1	12,052	12,053
Profit for the financial year	-	3,474	3,474
At 1 April 2014	1	15,526	15,527
Profit for the financial year	-	1,587	1,587
At 31 March 2015	1	17,113	17,114

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 2015 (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 2015 £'000	Year ended 31 March 2014 £'000
Sodexo Investment Services Limited	Support Services and loan interest	716	470
Sodexo Limited	Facilities Management	4,861	5,565
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)	Facilities Management	3,072	4,517
Semperian Senior Funding PLC	Senior Loan interest	687	705
Semperian PPP Investment Partners No2 Limited	Support Services and loan interest	1,643	1,430
Semperian Asset Management Limited	Management Services	470	454
Semperian Capital Management Limited	Support Services	150	214

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015 (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 2015 £'000	Year ended 31 March 2014 £'000
Sodexo Limited	Support services and rental income	26	57
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)	Support Services	33	628

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

Amounts owed to/(from) at:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Sodexo Investment Services Limited	5,572	4,434
Sodexo Limited	(42)	(42)
Sodexo Limited	787	785
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)	-	(73)
Sodexo Property Solutions Limited (formerly Atkins Facilities Management Limited)	675	2,366
Semperian Senior Funding PLC	39,835	41,102
Semperian PPP Investment Partners No2 Limited	11,644	10,027
Semperian Asset Management Limited	13	-
Semperian Capital Management Limited	150	-

Mercia Healthcare Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

16 Notes to the cash flow statement

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

	31 March 2015 £ '000	31 March 2014 £ '000
Operating profit	818	1,871
Decrease in debtors	2,745	2,605
(Decrease)/increase in creditors	(1,886)	46
Net cash inflow from operating activities	1,677	4,522

(b) Analysis of changes in net debt

	At 31 March 2014 £'000	Cashflow £'000	Other non- cash changes £'000	At 31 March 2015 £'000
Cash	8,658	2,477	-	11,135
Term deposits	6,053	1,014	-	7,067
Cash at bank and in hand	14,711	3,491	-	18,202
Loans due within one year	(3,982)	2,576	(2,650)	(4,056)
Loans due after one year	(47,957)	-	2,650	(45,307)
Total	(37,228)		-	(31,161)

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 2015 £ '000	31 March 2014 £ '000
Increase in cash during the year	2,477	2,972
Cash outflow from movement in loans	2,576	1,277
Increase in movement in financing and liquid resources	1,014	3,592
Movement in net debt	6,067	7,841
Net debt at 31 March 2014	(37,228)	(45,069)
Net debt at 31 March 2015	(31,161)	(37,228)