

South Manchester Healthcare (Holdings) Limited
Annual report and consolidated financial statements
for the year ended 31 March 2009

Registered number: 03502452

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South Manchester Healthcare (Holdings) Limited

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South Manchester Healthcare (Holdings) Limited

Directors' report for the year ended 31 March 2009

The directors present their report and the audited financial statements of the company and its group for the year ended 31 March 2009.

Principal activities

The company is a holding company with a single subsidiary, South Manchester Healthcare Limited (SMHL). SMHL is engaged in a 35 year contract with University Hospitals of South Manchester Foundation Trust, previously South Manchester University Hospitals NHS Trust, for the design and construction of a Mental Health Care Facility and an Acute Care Facility, and in the provision of certain non-clinical support services at Wythenshawe and Withington Hospitals under the UK Government's Private Finance Initiative (the "PFI Contract").

The profit of the group for the year after taxation was £2,648,000 (2008: £2,934,000). The directors consider the performance of the company, and the group, during the year, the financial position at the end of the year and the prospects for the future to be satisfactory.

Dividends

Dividends of £1,568,000 (2008:£1,979,000) were paid during the year.

Directors

The following directors held office during the year and up to the date of signing the accounts:

S Carter
N Crowther (resigned 2 July 2009)
B Semple (resigned 18 August 2009)
P Bachmann (resigned 30 January 2009)
J Cowdell
W Doughty (appointed 30 January 2009)
I Hudson (appointed 2 July 2009)
S Hornby (appointed 18 August 2009)

Principal risks and uncertainties

The group 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 and other contracts. In extreme circumstances, the group 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 following section.

Financial risk management

The group 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 debt interest has been fixed through use of fixed funding rates, plus a margin. Details of this can be found on page 13.

Inflation risk

The group'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 group 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 group receives the bulk of its revenue from the Foundation Trust and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

In addition the holding company also takes the risk of impairment of its investment in the subsidiary. This risk is directly related to the performance of the subsidiary.

South Manchester Healthcare (Holdings) Limited

Directors' report for the year ended 31 March 2009 (continued)

Major maintenance replacement risk

The group 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.

Key performance indicators ('KPIs')

The group'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 group's directors believe that further key performance indicators for the group are not necessary or appropriate for an understanding of the performance or position of the business.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 directors are aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ('PwC') are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that PwC are aware of that information.

Auditors

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

By order of the board


On behalf of Semporian Secretariat Services Limited
Secretary

18 AUGUST 2009

Independent auditors' report to the members of South Manchester Healthcare (Holdings) Limited

We have audited the group and parent company financial statements (the "financial statements") of South Manchester Healthcare (Holdings) Limited for the year ended 31 March 2009 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt, the analysis of net debt and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 March 2009 and of the group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

25 August 2009

South Manchester Healthcare (Holdings) Limited

Consolidated profit and loss account for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Turnover	1	19,902	18,284
Cost of sales		(18,128)	(16,501)
Gross profit		1,774	1,783
Administrative expenses		(706)	(850)
Operating profit	2	1,068	933
Interest payable and similar charges	3	(5,609)	(5,838)
Interest receivable and similar income	3	8,071	8,229
Profit on ordinary activities before taxation		3,530	3,324
Tax charge on profit on ordinary activities	4	(882)	(390)
Profit for the financial year	12	2,648	2,934

The profit for the year under review relates solely to continuing activities in a single class of business within the United Kingdom.

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

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

South Manchester Healthcare (Holdings) Limited

Consolidated balance sheet as at 31 March 2009

	Note	2009 £'000	2008 £'000
Current assets			
Debtors:			
- falling due within one year	7	1,374	1,468
- falling due after more than one year	7	79,443	79,747
Cash at bank and in hand		5,589	5,596
Total current assets		86,406	86,811
Creditors - amounts falling due within one year	8	(4,429)	(4,266)
Net current assets		81,977	82,545
Creditors - amounts falling due after more than one year	9	(69,181)	(71,711)
Provision for liabilities and charges	10	(5,497)	(4,615)
Net assets		7,299	6,219
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	7,298	6,218
Total shareholders' funds	13	7,299	6,219

The financial statements on pages 4 to 16 were approved by the board of directors on 18 August 2009 and were signed on its behalf by:



Director

J. Cowden

18 August 2009

South Manchester Healthcare (Holdings) Limited

Consolidated cash flow statement for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	16	1,438	1,382
Net cash inflow from investment and servicing of finance	17	2,631	2,561
Tax paid		-	-
Dividends paid		(1,568)	(1,979)
Financing			
Repayment of bank loans		(2,508)	(2,349)
Decrease in cash in the year		(7)	(385)
Reconciliation of net cash flow to movement in net debt:			
Decrease in cash in the year		(7)	(385)
Movement in borrowings		2,508	2,349
Change in net debt resulting from cash flows:		2,501	1,964
Non-cash items			
Amortisation of bank loan issue costs		(169)	(169)
Movement in net debt in the year		2,332	1,795
Net debt brought forward		(68,454)	(70,249)
Net debt carried forward		(66,122)	(68,454)

Analysis of net debt:	1 April 2008 £'000	Cash flow £'000	Non-cash items £'000	31 March 2009 £'000
Cash	5,596	(7)	-	5,589
<i>Borrowings:</i>				
Term Loan	(67,423)	2,508	(169)	(65,084)
Loan notes	(6,627)	-	-	(6,627)
Net debt	(68,454)	2,501	(169)	(66,122)

South Manchester Healthcare (Holdings) Limited

Company balance sheet as at 31 March 2009

	Note	2009 £'000	2008 £'000
Fixed assets:			
Investment in subsidiary at cost	6	1	1
		<u>1</u>	<u>1</u>
Current assets:			
Debtors:			
- Loan notes interest – due within one year		35	57
- Intercompany loan notes – falling due after more than one year		6,627	6,627
Cash at bank		-	-
		<u>6,662</u>	<u>6,684</u>
Creditors due within one year:			
Taxation due within one year			-
Loan notes – interest due within one year		(35)	(57)
Net current assets		<u>6,627</u>	<u>6,627</u>
Total assets less current liabilities		<u>6,628</u>	<u>6,628</u>
Creditors due after one year:			
Loan notes – falling due after more than one year	9	(6,627)	(6,627)
Net assets		<u>1</u>	<u>1</u>
Capital and reserves:			
Called up share capital	11	1	1
Profit and loss account	12	-	-
Total shareholders' funds		<u>1</u>	<u>1</u>

The financial statements on pages 4 to 16 were approved by the board on 18 AUGUST 2009 and were signed on its behalf by:



Director

J. COWDELL

18 AUGUST 2009

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009

1 Accounting policies

These financial statements are prepared on the going concern basis, and in accordance with the Companies Act 1985 and applicable accounting standards and financial reporting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of consolidation

The Group accounts set out on pages 4 to 16 which comprise a consolidation of the Parent Company and its subsidiary, have been prepared in accordance with the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards in the United Kingdom.

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 March 2009. The acquisition method of accounting has been adopted.

As permitted by Section 230 of the Companies Act 1985 the Parent Company has not presented its own profit and loss account.

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 (FRS) 5 Reporting the substance of transactions – 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.

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.

Interest rate swaps

Interest rate swaps are used to hedge the group'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.

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

1 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.

Major maintenance replacement

As noted in the directors' report, the company is responsible for the major maintenance replacement risk associated with its principal activity. The costs are recorded as cost of sales, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

Investments

Investments in subsidiary undertakings are stated at cost less an appropriate provision to reflect any impairment in the value of the investments.

2 Operating profit

The average number of persons employed by the group (excluding directors) during the year, analysed by category, was as follows:

	Number of employees	
	2009	2008
Management and administration	1	1
	2009	2008
The aggregate payroll costs of these persons were as follows:	£'000	£'000
Wages and salaries	82	98
Social security costs	9	11
	91	109

Recharges in respect of wages and salaries for seconded staff (including directors) totalled £394,000 (2008: £371,000). The remuneration of the directors is paid by the controlling parties and their services to the company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the controlling parties. The controlling parties charged £79,000 (2008: £73,000) to the company in respect of these services.

The audit fee in respect of the group was £10,000 for the year (2008: £13,000). Fees payable to the auditors for non-audit services (tax) were £16,000 (2008: £12,000).

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

3 Interest and similar items

	2009 £'000	2008 £'000
Interest payable and similar charges comprises:		
Bank loan interest	(4,812)	(4,988)
Subordinated debt interest	(628)	(681)
Amortisation of loan issue costs	(169)	(169)
	(5,609)	(5,838)
Interest receivable and similar income comprises:		
Finance income	7,702	7,772
Interest receivable	369	457
	8,071	8,229

4 Tax on profit on ordinary activities

	2009 £'000	2008 £'000
<i>Current taxation</i>		
UK Corporation tax charge at 28% (2008: 30%)	-	-
Adjustments made in respect of prior years	-	(106)
Current tax charge for the year	-	(106)
<i>Deferred taxation</i>		
Deferred taxation charge	882	824
Change of rate on deferred tax liability	-	(274)
Adjustments made in respect of prior years	-	(54)
Deferred tax charge for the year (Note 10)	882	496
Tax charge on profit on ordinary activities	882	390

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

4 Tax on profit on ordinary activities (continued)

The tax charge assessed for the year is lower (2008: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities before taxation	3,530	3,324
Tax charge at UK Corporation Tax rate of 28% (2008: 30%)	988	998
Effects of:		
Deduction for notional lease premium	(106)	(115)
Accelerated capital allowances and other timing differences	(882)	(883)
Adjustments made in respect of prior years	-	(106)
Current tax charge for the year	-	(106)

Factors that may affect future tax charges

The current tax charge will continue to be affected by timing differences on the project asset, although these timing differences will have an opposite impact on the deferred tax charge so there should be no overall impact on the tax charge.

5 Dividends paid

	2009 £'000	2008 £'000
Dividend on equity share £1,568 per share (2008: £1,979 per share)	1,568	1,979

6 Investments

	Company	
	2009 £'000	2008 £'000
Company investment in subsidiary undertaking at cost	1	1

The company holds 100% of the issued ordinary share capital of South Manchester Healthcare Limited ('SMHL'), a company incorporated in England & Wales. SMHL is engaged in a 35 year contract with University Hospitals of South Manchester Foundation Trust for the design and construction of a Mental Health Care Facility and an Acute Care Facility, and in the provision of certain non-clinical support services at Wythenshawe and Withington Hospitals under the UK Government's Private Finance Initiative.

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

7 Debtors

	Group	
	2009 £'000	2008 £'000
Amounts falling due within one year:		
Trade debtors	751	489
Prepayment and other debtors	319	150
Finance debtor	304	829
	1,374	1,468
Amounts falling due after more than one year:		
Finance debtor	79,443	79,747

8 Creditors – amounts falling due within one year

	Group	
	2009 £'000	2008 £'000
Bank loans	2,530	2,339
Trade creditors	661	509
Taxation and social security	313	414
Corporation tax payable	-	-
Other creditors	378	414
Accruals	547	590
	4,429	4,266

9 Creditors – amounts falling due after more than one year

	Group	
	2009 £'000	2008 £'000
Bank loans	62,554	65,084
Loan notes	6,627	6,627
	69,181	71,711

Included within bank loans and overdrafts are un-amortised issue costs of £741,000 (2008: £910,000).

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

9 Creditors – Amounts falling due after more than one year (continued)

The principal terms and conditions relating to the company's borrowing facilities are summarised below.

	Group 2009 term loan	Group 2009 loan notes	Group 2008 term loan	Group 2008 loan notes
	£'000	£'000	£'000	£'000
Repayable within one year	2,699	-	2,508	-
Repayable between one and two years	2,882	-	2,699	-
Repayable between two and five years	10,042	-	9,344	-
Repayable after five years	50,202	6,627	53,782	6,627
Total loans outstanding	65,825	6,627	68,333	6,627
Loan issue costs	(741)	-	(910)	-
Total	65,084	6,627	67,423	6,627

Term loan facility

The tenure of the Term Loan is 25 years and it is repayable in 42 semi-annual instalments commencing on 12 February 2003. Interest charged on amounts drawn under the facility is based on the floating LIBOR rate plus a margin. 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 the Group and by a floating charge over the Company and Group's undertakings and assets.

Loan Notes

The Related Parties hold tranches, in proportion to their shareholdings, of £6,627,000 South Manchester Healthcare (Holdings) Limited Loan Notes. South Manchester Healthcare (Holdings) Limited subscribed for a total of £6,627,000 Loan Notes in South Manchester Healthcare Limited; South Manchester Healthcare Limited applied the proceeds of the Loan Notes to the repayment of the Shareholder Credit Facility. The Loan Notes are unsecured and bear interest at a floating rate based on LIBOR plus 4%. The Loan Notes are due for repayment in 2023.

Swap arrangements

South Manchester Healthcare Limited has entered into interest rate swap agreements under the Term Loan for a notional principal amount of £65,767,000 (2008: £68,271,000) maturing in 2013. The fair value of the interest rate swap agreement as at 31 March 2009 is £(8,036,000) (2008: £2,928,000). A fixed rate of 5.98%, plus a margin, applies to all amounts drawn under the Term Loan until 31st August 2013 when the swap agreement matures. The swap agreements operate by semi-annual exchanges of payments between SMHL and its banks. The amounts exchanged represent the difference between floating and fixed interest rates calculated on pre-determined notional principal amounts.

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

10 Provision for liabilities and charges

Deferred taxation - Group

	2009 £'000	2008 £'000
At 1 April	4,615	4,119
Profit and loss account charge (note 4)	882	496
At 31 March	5,497	4,615

	Provided	
	31 March 2009 £'000	31 March 2008 £'000
Accelerated capital allowances	9,580	9,359
Unutilised corporation tax losses	(4,083)	(4,744)
Deferred tax liability	5,497	4,615

11 Share capital

	2009 £'000	2008 £'000
Authorised:		
50,000 ordinary shares of £1 each	50	50
Allotted, issued and fully paid:		
1,000 ordinary shares of £1 each	1	1

12 Reserves

Profit and loss account

	Company £'000	Group £'000
As 1 April 2008	-	6,218
Profit for the financial year	1,568	2,648
Dividend paid	(1,568)	(1,568)
At 31 March 2009	-	7,298

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

13 Reconciliation of movement in total shareholders' funds

	2009 £'000	2008 £'000
Profit for the year	2,648	2,934
Dividends paid	(1,568)	(1,979)
Retained profit for the financial year	1,080	955
Opening shareholders' funds	6,219	5,264
Closing shareholders' funds	7,299	6,219

14 Related Party Disclosures

During the year, the company incurred the following expenditure with the following related parties. The amounts outstanding at the end of the year are also set out below.

Related party	Class of transaction	2009 Expenditure £'000	2008 Expenditure £'000	2009 Balance £'000	2008 Balance £'000
Sodexo Investment Services Limited and Sodexo Limited	Services, advisory and loan	13,241	11,706	2,007	1,697
Innisfree M&G PPP LP	Advisory and loan	177	189	1,671	1,673
Semperian PPP Investment Partners No 2 Limited	Advisory and loan	353	378	3,341	3,346
Semperian Asset Management Limited (formerly Trillium Asset Management Limited)	Advisory	91	35	20	62

15 Ultimate parent undertaking and controlling party

The current shareholders are Innisfree Nominees Limited, acting as nominee for Innisfree M&G PPP LP, a UK Limited Partnership (25%), Sodexo Investment Services Limited (25%), and Semperian PPP Investment Partners No.2 Ltd (formerly Trillium PPP Investment Partners No.2 Ltd) (50%). The directors consider that there is no single ultimate controlling party at the year end.

South Manchester Healthcare (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2009 (continued)

16 Reconciliation of operating profit to net cash inflow from operating activities

	2009	2008
	£'000	£'000
Operating profit	1,068	933
Decrease in debtors	398	730
Decrease in creditors	(28)	(281)
Net cash inflow from operating activities	1,438	1,382

17 Net cash inflow from investment and servicing of finance

Returns on investment and servicing of finance

	2009	2008
	£'000	£'000
Bank interest received	369	457
Finance income received	7,702	7,772
Bank loan interest paid	(5,440)	(5,668)
Net cash inflow from investment and servicing of finance	2,631	2,561