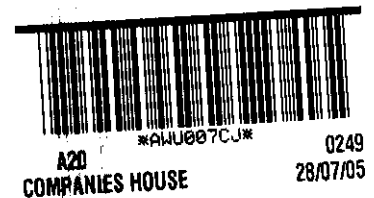


NU Local Care Centres (Chichester No. 3) Limited

Report and financial statements

for the year ended 31 December 2004



NU Local Care Centres (Chichester No. 3) Limited

Report and financial statements for the year ended 31 December 2004

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NU Local Care Centres (Chichester No. 3) Limited

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

Principal activity and business review

The company's principal activity is to provide facilities management services to a mental health unit constructed by the company under a Private Financial Initiative ("PFI") with West Sussex Health and Social Care NHS Trust ("NHS Trust").

The directors have reviewed the activities of the business for the year and the position as at 31 December 2004 and consider them to be satisfactory.

The directors expect the level of activity to be maintained in the foreseeable future.

Results and dividends

The profit and loss account for the period is set out on page 5.

The directors do not recommend the payment of a dividend for the year (2003: £nil).

Directors and their interests

The directors of the company who held office during the year and to the date of this report are listed below:

C J W Laxton
P J Clark
P F Ellis

None of the directors held any disclosable beneficial interests in the company at 31 December 2004, or at any time during the year.

Policy on the payment of creditors

It is the company's policy that payments to suppliers for goods and services to the company are made in accordance with the policies of Mill Properties Limited, the company's operations manager, and currently represents 30 days from receipt of a valid invoice.

NU Local Care Centres (Chichester No. 3) Limited

Directors' report for the year ended 31 December 2004 (continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

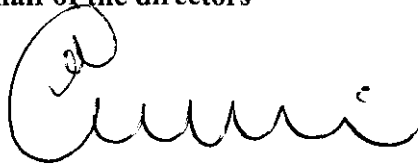
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Signed on behalf of the directors

Director



Approved by the directors on 6 July 2005

Independent auditors' report to the member of NU Local Care Centres (Chichester No. 3) Limited

We have audited the company's financial statements for the year ended 31 December 2004 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

**Independent auditors' report to the members of
NU Local Care Centres (Chichester No. 3) Limited
(continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

**Ernst & Young LLP
Registered Auditor
London**

6 July 2005

NU Local Care Centres (Chichester No. 3) Limited

Profit and loss account for the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover	1	676,826	671,167
Cost of sales		<u>(317,027)</u>	<u>(316,081)</u>
Gross profit		359,799	355,086
Administrative expenses		<u>(38,233)</u>	<u>(31,131)</u>
Operating profit	2	321,566	323,955
Interest receivable and similar income	4	11,163	7,459
Interest payable and similar charges	5	<u>(251,714)</u>	<u>(251,735)</u>
Profit on ordinary activities before taxation		81,015	79,679
Tax on profit on ordinary activities	6	-	709
Profit for the year	11	<u>81,015</u>	<u>80,388</u>

All results are in respect of continuing activities.

The company has no recognised gains or 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.

NU Local Care Centres (Chichester No. 3) Limited

Balance sheet as at 31 December 2004

	Notes	2004 £	2003 £
Current assets			
Debtors			
- due after more than one year	7	2,912,637	2,900,910
- due within one year	7	410,688	422,997
Cash at bank and in hand		599,006	479,169
		<u>3,922,331</u>	<u>3,803,076</u>
Current liabilities			
Creditors: amounts falling due within one year	8	<u>(208,184)</u>	<u>(174,598)</u>
Net current assets		3,714,147	3,628,478
Creditors: amounts falling due after more than one year	9	<u>(4,109,164)</u>	<u>(4,104,510)</u>
Net liabilities		<u>(395,017)</u>	<u>(476,032)</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	<u>(395,018)</u>	<u>(476,033)</u>
Equity shareholder's deficit	12	<u>(395,017)</u>	<u>(476,032)</u>

The financial statements on pages 5 to 14 were approved by the board of directors on
6 July 2005 and signed on its behalf by:

Director



NU Local Care Centres (Chichester No. 3) Limited

Notes to the financial statements for the year ended 31 December 2004

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, the accounting policies set out below, and in accordance with applicable accounting standards.

Private Finance Initiative ("PFI")

When the company enters the operational phase of the project to build and provide facilities management services to the mental health care unit, the property is leased under the PFI agreement to the NHS Trust. The company recognises the amount due from the NHS Trust in debtors after deducting finance charges allocated to future periods. The value of the receivable from PFI concession is based upon the expected repayments receivable from the NHS Trust after taking into account the residual value of the property at the end of the primary lease term.

The interest earned under the PFI agreement is calculated using the actuarial method to give a constant rate of return on the net cash investment. The interest is recognised in the profit and loss account over the primary term of the lease, which is thirty years.

The directors consider the key risk underlying the PFI agreement to be the recoverability of the amounts due from the NHS Trust. This risk, however, is mitigated, as the repayments are fixed under the terms of the PFI agreement, after including an annual indexation factor.

The company has implemented the Finance & Leasing Association's Statement of Recommended Accounting Practice "Accounting Issues in the Asset Finance and Leasing Industry". This change has had no effect on profit before tax or the balance sheet.

Going concern

At the balance sheet date the company had net liabilities. The company is supported by The Norwich Union Public Private Partnership Fund to carry out long term investments and the directors are confident that funding will be made available to enable the company to meet its obligations as they fall due. Accordingly the financial statements have been drawn up on a going concern basis.

Cash flow statement

The company is an indirect wholly owned subsidiary of The Norwich Union Public Private Partnership Fund and is included in the consolidated financial statements of that entity. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised).

NU Local Care Centres (Chichester No. 3) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

1 Principal accounting policies (continued)

Turnover

Turnover, which excludes value added tax, represents amounts invoiced to the NHS Trust in respect of facilities management services provided and other income earned under the PFI concession agreement. The amounts received under this PFI concession agreement include an element of service charge which will be recognised on a straight line basis over the 30 year term of the agreement.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Finance costs

Finance costs incurred in relation to the raising of loan finance are amortised to the profit and loss account over the period of the loan facility.

2 Operating profit

During the years ended 31 December 2004 and 2003, the auditors' remuneration for audit services was borne by NU 3Ps Limited, the parent company of the immediate parent, NUPPP (Care Technology and Learning Centres) Limited.

No staff were directly employed by the company during the year (2003: nil).

NU Local Care Centres (Chichester No. 3) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

3 Directors' emoluments

Directors' fees amounted to £nil (2003: £nil) in respect of services to this company, the five other NU Local Care Centres (Chichester) companies and NU Technology and Learning Centres (Hackney) Limited.

4 Interest receivable and similar income

	2004 £	2003 £
Bank interest	<u>11,163</u>	<u>7,459</u>

5 Interest payable and similar charges

	2004 £	2003 £
Bank interest and similar charges	(61)	(82)
Interest payable on loans due to group undertakings	(247,000)	(247,000)
Amortisation of issue costs of loans due to group undertakings	(4,653)	(4,653)
	<u>(251,714)</u>	<u>(251,735)</u>

NU Local Care Centres (Chichester No. 3) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

6 Tax on profit on ordinary activities

There is no tax charge for the year due to the losses brought forward.

	2004 £	2003 £
Adjustment in respect of previous periods	-	(709)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2003: lower) than the standard rate of corporation tax in the UK of 30 %, (2003: 30%). The differences are explained below.

	2004 £	2003 £
Current tax reconciliation		
Profit on ordinary activities before tax	81,015	79,679
Current tax at 30% (2003: 30%)	24,305	23,904
Effects of:		
Tax losses carried forward	-	54,802
Tax losses utilised in group relief	27,055	-
Capital allowances in excess of finance lease repayment	(57,542)	(76,684)
Short term timing differences	6,182	(2,022)
Adjustments with respect to prior periods	-	(709)
Total current tax charge/(credit) (see above)	-	(709)

	Not recognised 2004 £	Not recognised 2003 £
Deferred tax		
Accelerated capital allowances	(221,033)	(163,491)
Tax losses carried forward	275,067	275,126
Short term timing differences	37,344	31,162
Deferred tax asset not provided	91,378	142,797

The above deferred tax assets have not been recognised because, given the current tax losses, there is insufficient evidence under FRS 19 as to the availability of suitable taxable profits in the foreseeable future.

NU Local Care Centres (Chichester No. 3) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 Debtors

	2004 £	2003 £
Due after more than one year		
Receivable from PFI concession (see below)	<u>2,912,637</u>	<u>2,900,910</u>
Due within one year		
Trade debtors	-	72,955
Amounts owed by group undertaking	1	1
Receivable from PFI concession (see below)	132,194	131,748
Other debtors	182,000	182,000
Prepayments and accrued income	96,493	36,293
	<u>410,688</u>	<u>422,997</u>
Receivable from PFI concession		
The net amount receivable from PFI concession comprises:		
Total amount receivable	7,035,121	7,229,110
Less: interest allocated to future periods	(3,990,290)	(4,196,452)
	<u>3,044,831</u>	<u>3,032,658</u>

The receivable from PFI concession due after more than one year includes an amount of £494,838 (2003: £350,917) in respect of timing differences between the amounts invoiced to the NHS Trust and the amounts required to achieve a constant rate of return on the net cash investment.

Amounts received during the year under this agreement amounted to £337,909 (2003: £336,325).

The total amount receivable from PFI concession comprises the amount due from the NHS Trust under the terms of the PFI agreement for the acquisition of the property from the company. This balance takes into account the residual value of the property at the end of the primary lease term, which is deemed to be £nil.

NU Local Care Centres (Chichester No. 3) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

8 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	(33,760)	(36,892)
Amounts owed to group undertaking	(84,278)	(63,417)
Other taxation and social security	(5,128)	(15,288)
Other creditors	(83,438)	(55,841)
Accruals and deferred income	(1,580)	(3,160)
	<u>(208,184)</u>	<u>(174,598)</u>

9 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Loans due to Investors Finance Company Plc		
Bond	(3,800,000)	(3,800,000)
Unamortised issue costs	<u>112,836</u>	<u>117,490</u>
	(3,687,164)	(3,682,510)
Loans due to NU 3Ps Limited	(422,000)	(422,000)
	<u>(4,109,164)</u>	<u>(4,104,510)</u>
Gross loans	(4,222,000)	(4,222,000)
Unamortised issue costs	<u>112,836</u>	<u>117,490</u>
	<u>(4,109,164)</u>	<u>(4,104,510)</u>

The loans provided by Investors Finance Company Plc are unsecured and repayable in full on 31 March 2029. Interest is charged on these loans at an annual rate of 6.5% (2003: 6.5%). Investors Finance Company Plc is a group undertaking by virtue of it being a quasi-subsiidiary of NUPPP (Care Technology and Learning Centres) Limited (see note 13).

The loan from NU 3Ps Limited of £422,000 (2003: £422,000) is in respect of subordinated debt. In the event of the company being wound up, no amount will be paid in respect of this subordinated debt until all other creditors have been repaid in full. This loan is unsecured, interest free and repayable in full on 31 March 2029.

NU Local Care Centres (Chichester No. 3) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

10 Called up share capital

	2004 £	2003 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued, allotted and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

11 Profit and loss account

	£
At 1 January 2004	(476,033)
Profit for the year	81,015
Retained loss at 31 December 2004	<u>(395,018)</u>

12 Reconciliation of movements in shareholder's deficit

	2004 £	2003 £
Opening shareholder's deficit	(476,032)	(556,420)
Profit for the year	81,015	80,388
Closing shareholder's deficit	<u>(395,017)</u>	<u>(476,032)</u>

13 Immediate parent undertaking

The directors regard NUPPP (Care Technology and Learning Centres) Limited as the immediate parent undertaking.

NU Local Care Centres (Chichester No. 3) Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

14 Ultimate controlling party

At 31 December 2004 the ultimate controlling party is Aviva plc. Aviva plc is a company registered in England No.2468686. The registered office is situated at St Helen's, 1 Undershaft, London EC3P 3DQ.

In June 2004 Uberior Infrastructure Investments Limited, a subsidiary of HBOS plc, sold its interests in Norwich Union Public Private Partnership to the other limited partner, Norwich Union Life and Pensions Limited. On 1 July 2004 Norwich Union Life and Pensions Limited exchanged its interest in Norwich Union Public Private Partnership for a share in a new fund, The Lime Property Fund. The ultimate controlling party remained Aviva plc.

15 Related party transactions

The company, being a wholly owned subsidiary of The Norwich Union Public Private Partnership Fund, has taken advantage of the exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the group headed by The Norwich Union Public Private Partnership Fund.

There were no other related party transactions entered into by the company during the year.