NU Local Care Centres (Chichester No.3) Limited

Registered in England No: 3649529

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

Contents

Directors and Officers

Directors

P F Ellis
C J W Laxton
I B Womack

Officer – Company Secretary

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Bank of Scotland
London Chief Office
38 Threadneedle Street
London
EC2P 2EH

Registered Office

No 1 Poultry
London
EC2R 38EJ

Company Number

Registered in England and Wales No 3649529

Other Information

NU Local Care Centres (Chichester No 3) Limited (the 'Company') is a member of the Aviva plc group of companies (the 'Group')

Directors' Report
For the year ended 31 December 2011

The directors present their annual report and the audited financial statements for the Company for the year ended 31 December 2011

Directors
The current directors and those in office during the year are as follows

P F Ellis
C J W Laxton
I B Womack

Principal Activities

The Company's principal activity is to provide facilities management services to a mental health unit constructed under a private finance initiative ("PFI") with the Sussex Partnership NHS Foundation Trust ("NHS Trust")

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 directors have reviewed the activities of the business for the period and the position as at 31 December 2011 and consider them to be satisfactory

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

Business Review

Financial Position and Performance

The financial position of the Company at 31 December 2011 is shown in the Balance Sheet on page 9, with trading results shown in the Profit and Loss account on page 8

Results and Dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements

The Directors do not recommend the payment of a dividend for the financial year ending 31 December 2011 (2010 £nil)

Risk and Capital Management Policies

(a) Approach to risk and capital management
The Company operates within the governance structure and priority framework of the Group Details of Aviva plc's governance framework are contained in the financial statements of Aviva plc

(b) Management of financial and non-financial risks
Credit risk is reduced by the Company having a fixed long term PFI agreement with the Sussex Partnership NHS Trust

Operational risk would arise as a result of inadequate or failed internal processes, people or systems, or from external events Details of Aviva plc's approach to operational risk are set out in the financial statements of Aviva plc

As with other risk catergories, line management of business areas have primary responsibility for the effective identification, management, monitoring and reporting of risks in accordance with Aviva Group policies The Company's risk management function provides support and independent challenge on the completeness, accuracy and consistency of risk assessments, and the adequacy of mitigating action plans

(c) Capital management
Aviva plc maintains an efficient capital structure, which is consistent with its risk profile and the regulatory and market requirements of it business Details of the Aviva plc capital management process are contained in the financial statements of Aviva plc

The Directors do not believe that there are any material risks facing the Company

Creditor Payment Policy

It is the Company's policy that payment to suppliers for goods and services to the Company are made approximately 30 days from receipt of valid invoice unless agreed otherwise as part of a contractual agreement

Employees

The Company has no employees

Disclosure of Information to Auditors

Each person who was a director of the Company on the date that this report was approved, confirms that so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

Following a competitive tender process by Aviva plc, PricewaterhouseCoopers LLP are to be proposed as auditor to the Company Ernst & Young LLP will resign as auditor with effect from the signing of the Company's annual report and financial statements for the year ended 31 December 2011, and the General Partner will appoint PricewaterhouseCoopers LLP as auditor to the Company in accordance with the provisions of the Companies Act 2006 and the partnership deed The change of auditor for the Company may require investor consent and therefore board approval will be conditional on that investor consent being obtained

Directors' Liabilities

Aviva plc, the Company's ultimate parent, has granted an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007

This indemnity was granted in 2004 and the provisions in the Company's article4s of association constitute "qualifying third party indemnities" for the purposes of sections 309A to 309C of the Companies Act 1985

These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No 3, Consequential Amendments, Transitional Provisions and savings) Order 2007

Statement of Directors' Responsibilities

The directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Company's Act 2006 and in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), and which present fairly the financial position, financial performance and cash flows of the Company at the end of the accounting period A fair presentation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice requires directors to

- select suitable accounting policies and verify they are applied consistently in preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in United Kingdom Generally Accepted Accounting Practice is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state that the Company has complied with applicable United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for maintaining adequate accounting records which are intended to disclose with reasonable accuracy, the financial position of the Company at that time They are also ultimately responsible for the systems of internal control maintained for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities

By the Board 3 July 2012

Director
CJW LAXTON

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

We have audited the financial statements of NU Local Care Centres (Chichester No 3) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generall Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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 Director's Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Opinion Matters on which we are required to report by exception

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

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

James Stuart (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London, United Kingdom
5/7/2012

Profit and Loss account
For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	556,578	554,505
Cost of sales		(193,222)	(170,536)
Gross profit		363,356	383,969
Administrative expenses	3	(7,560)	(23,259)
Operating profit		355,796	360,710
Interest receivable and similar income	4	8,880	57
Interest payable and similar charges	5	(251,992)	(251,920)
Profit on ordinary activities before taxation		112,684	108,847
Taxation	6	(11,629)	(42,017)
Profit for the financial year	14	101,055	66,830

All amounts relate to continuing operations

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

The notes on pages 10 to 17 form part of these financial statements

NU Local Care Centres (Chichester No 3) Limited
Company No 3649529

Balance sheet

As at 31 December 2011

	Note	2011 £	2010 £
Non-current assets			
Debtors amounts falling due after more than one year	7	2,859,256	2,884,763
Current assets			
Debtors amounts falling due within one year	7	310,903	324,464
Other current assets	8	59,073	58,888
Cash at bank and in hand	9	1,557,131	1,440,523
		1,927,107	1,823,875
Creditors: amounts falling due within one year	10	(374,924)	(386,796)
Net current assets		1,552,183	1,437,079
Total assets less current liabilities		4,411,439	4,321,842
Creditors: amounts falling due after more than one year	11	(4,141,757)	(4,137,108)
Provision for liabilities			
Deferred tax	12	(228,085)	(244,192)
Net assets/(liabilities)		41,597	(59,458)
Capital and reserves			
Called up share capital	13	1	1
Retained earnings		41,596	(59,459)
Equity shareholders' funds/(deficit)	14	41,597	(59,458)

The financial statements of were approved and authorised for issue by the Board on 3 July 2012 and signed on its behalf by

Director
CJW LAXTON

The notes on pages 10 to 17 form part of these financial statements

Notes to the financial statements
For the year ended 31 December 2011

1. Principal accounting policies

1.1. Basis of preparation
The financial statements have been prepared under the historical cost convention, the accounting policies set out below, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards

1 2. Going concern
At the balance sheet date the Company had net assets £41,597 (2010 net liabilities £59,458) 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

1.3. Cash flow statement
The Company is a 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)

1 4 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 profits will be available against which they can be realised

1.5. Finance lease receivables
Finance lease receivables represent outstanding amounts due under finance lease agreements less finance charges allocated to future periods Unitary payments receivable are allocated between turnover and the reimbursement of the finance lease receivable This basis of allocation is also integral in generating a constant rate of return on the net cash investment over the contract period

1.6. Receivables and other financial assets
Receivables are recognised and carried at the lower of their originally invoiced value and recoverable amount Where the time value of money is material the receivables are carried at amortised cost Provisions are made where there is objective evidence that the amount will not be recovered in full

1.7. Other payables
Other payables are recognised on an accruals basis

1 8 Interest payable on loans
Interest payable on loans is charged to the profit and loss account on an accruals basis

1 9 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

Notes to the financial statements
For the year ended 31 December 2011

2. **Turnover**
Turnover, which excludes value added tax, represents amounts derived from the financial model established in accordance with the PFI concession agreement dated 24 June 1999, together with amounts in respect of facilities management services provided The amounts 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 on an accruals basis

3. **Administrative expenses**
Auditors' remuneration for audit services was £4,500 (2010 £4,410)

No staff were directly employed by the Company (2010 £nil)

The Directors received no emoluments for services to the Company for the financial year (2010 £nil)

4. **Interest receivable and similar income**

	2011	2010
	£	£
Bank interest	8,880	57

5. **Interest payable and similar charges**

	2011	2010
	£	£
Bank interest and similar charges	343	271
Amortisation of issue costs of loans due to group undertakings	4,649	4,649
Interest payable on loans due to group undertakings	247,000	247,000
Total	251,992	251,920

6. Tax on profit on ordinary activities

	2011 £	2010 £
Current tax		
UK corporation tax charge on profit for the year	27,736	-
Deferred tax		
Accelerated capital allowances	(17,853)	11,442
Short term timing differences	(397)	2,515
Tax losses carried forward	2,143	(55,974)
Total deferred tax (see note 12)	(16,107)	(42,017)
Tax on profit on ordinary activities	11,629	(42,017)

	2011 £	2010 £
Profit on ordinary activities before tax	112,684	108,847
Current charge at standard UK corporation tax rate of 26 5% (2010 28%)	29,861	30,478
Effects of:		
Capital allowance in excess of finance lease repayments	(5,295)	(8,420)
Brought forward losses utilised	-	(80,780)
Short term timing differences	3,171	8,840
Group relief surrendered	-	49,882
Total current tax charge (see above)	27,737	-

Notes to the financial statements

For the year ended 31 December 2011

7. Debtors

	2011	2010
	£	£
Due after more than one year		
Receivable from PFI concessions (see below)	2,859,256	2,884,763

	2011	2010
	£	£
Due within one year.		
Trade debtors	-	-
Amounts owed by group undertakings	182,001	194,245
Receivables from PFI concession (see below)	128,902	130,219
Corporation tax recoverable	-	-
Total	310,903	324,464

In connection with the long term loan, the Company has previously advanced £182,000 (2010 £182,000) to Chichester Health Plc This balance is interest free and is repayable on expiry of the long term loan

Receivables from PFI concessions
The net amount from PFI concession comprises:

	2011	2010
	£	£
Total amount receivable	5,534,406	5,764,998
Less interest allocated to future periods	(2,546,248)	(2,750,016)
Total	2,988,158	3,014,982

This comprises of:

	2011	2010
	£	£
Due within one year:		
Due within one year	128,902	130,218
Due between 2 and 5 years	494,905	504,024
Due after more than 5 years	2,364,351	2,380,740
Total	2,998,158	3,014,982

The receivables from PFI concessions due after more than one year include an amount of £1,360,981 (2010 £1,257,585) 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 £333,987 (2010 £336,532)

The total amount receivable from PFI concessions comprises the amount due from the NHS Trust under the terms of the PFI agreement 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

In the operational phase of the project to 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 concessions are 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

8. Other current assets

	2011 £	2010 £
Prepayments	5,947	10,137
Accrued income	53,126	48,751
Total	59,073	58,888

9. Cash at bank and in hand

Cash and cash equivalents includes £164,864 (2010 £149,813) which relates to amounts paid by Sussex Partnership NHS Foundation Trust into a sinking fund to fund the replacement and repair of certain assets The fund cannot be accessed by NU Local Care Centres (Chichester No 3) Limited

10. Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	21,039	13,747
Amounts owed to group undertakings	62,746	139,297
Other taxation and social security	49,733	17,774
Sinking fund	172,096	149,813
Accruals and deferred income	69,310	66,165
Total	374,924	386,796

Income received into the sinking fund is not recognised until the contractual obligations of the corresponding maintenance contract have been fulfilled The amounts invoiced are recognised as a liability Once the Company has fulfilled its contractual obligations under the maintenance contract it recognises the expenditure incurred and a corresponding amount is recognised as turnover in its profit and loss account

11. Creditor amounts falling due after more than one year

	2011	2010
	£	£
Loans due to Chichester Health Plc		
Loan	3,800,000	3,800,000
Unamortised issue cost	(80,243)	(84,892)
	3,719,757	3,715,108
Loans due to NU 3PS Limited	422,000	422,000
Total	4,141,757	4,137,108
Gross loan	4,222,000	4,222,000
Unamortised issue costs	(80,243)	(84,892)
Total	4,141,757	4,137,108

The loans provided by Chichester Health Plc are unsecured and repayable in full on 31 March 2029 Interest is charged on these loans at an annual rate of 6 5% (2010 6 5%)

The loan from NU 3PS limited represents subordinate debt In the event of the Company being wound up, no amount will be paid in respect of this subordinate debt until all other creditors have been repaid in full The loan is unsecured, interest free and repayable in full on 31 March 2029

12. Deferred taxation

	2011 £	2010 £
At 1 January	244,192	202,175
(Credit)/charge for the year	(16,107)	42,017
At 31 December	228,085	244,192

The provision for deferred taxation is made up of:

	2011 £	2010 £
Accelerated capital allowances	273,664	291,517
Short term timing differences	(18,790)	(18,393)
Tax losses carried forward	(26,789)	(28,932)
Total	228,085	244,192

Deferred tax assets are expected to unwind against the deferred liabilities, and therefore net a deferred tax liability has been recognised on the balance sheet

Legislation already enacted at the balance sheet date means that with effect from 1 April 2012 the corporate tax rate is expected to reduce to 25% (from 26%) On the basis that it is anticipated that the company's deferred tax liabilites are expected to unwind after 1 April 2012 the closing recognised deferred tax liability balance has been tax effected at the lower rate of 25%

Subsequent reductions of 1% each year thereafter until it reaches 23% from 1 April 2014 were also confirmed, and are to be dealt with by future legislation The maximum impact of the reduction in corporation tax to 23% is a reduction of £18,247 which could reduce the closing recognised deferred tax liability to £209,839

Notes to the financial statements
For the year ended 31 December 2011

13. Share capital

	2011	2010
	£	£
Issued, allotted and fully paid		
1 ordinary share of £1 each	1	1

14. Reconciliation of movement in shareholders' funds

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2011	1	(59,459)	(59,458)
Retained profit for the financial year	-	101,055	101,055
At 31 December 2011	1	41,596	41,597

15 Contingent liabilities and commitments
There were no contingent liabilities or commitments at the balance sheet date (2010 £nil)

16. Related party transactions
The Company, being an indirect wholly owned subsidiary of The Norwich Union Public Private Partnership Fund, has taken advantage of the exemption under the terms of the 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

17. Parent and ultimate controlling entity
The immediate parent entity is NUPPP (Care Technology and Learning Centres) Limited

The ultimate controlling entity is Aviva plc whose registered office is situated at St Helen's, 1 Undershaft, London EC3P 3DQ

Aviva plc's consolidated financial statements are available on application to the

Group Company Secretary
Aviva plc
St Helen's
1 Undershaft
London
EC3P 3DQ

and are available on the Aviva plc website www aviva com