Registered in England No: 4187974

NU LOCAL CARE CENTRES (FARNHAM) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

Contents

Directors, Advisors and Other Information

Directors and Officers

Current Directors
P F Ellis
C J W Laxton
I B Womack (Appointed 20 August 2007)

Resigned Directors:
P J Clark (Resigned 9 July 2007)
J Gottlieb (Appointed 20 August 2007, resigned 13 June 2008)

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

Registered Place of Business

St Helen's
1 Undershaft
London EC3P 3DQ

Registered No. 4187974

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2007

Directors

The names of the present directors of the Company appear on page 2

Principal activities

The principal activity is to provide healthcare and serviced facilities under a private finance initiative ("PFI") with Surrey and Hampshire Borders NHS Trust

The directors have reviewed the activities of the business for the period and the position as at 31 December 2007 and consider them to be satisfactory

Operations and business review

This business review is addressed to, and written for, the members of the Company with the aim of providing a fair review of the business development, performance and position at the current time, during the financial year and at the end of the financial year In providing this review, the aim is to present a view that is both balanced and comprehensive and that it is consistent with the size and complexity of the business

The position of the Company at the year end is shown in the Balance Sheet on page 9, with trading results shown in the Profit and Loss account on page 8

Material Events

- Philip John Clark resigned as a director on 9 July 2007
- Ian Bryan Womack was appointed as a director on 20 August 2007
- Julius Gottlieb was appointed as a director on 20 August 2007 and subsequently resigned as a director on 13 June 2008

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business

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 year (2006 £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 Aviva 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
The primary risk to which the Company is exposed is the risk that property valuations will fall significantly and realisations will not be achieved at prices and within the timescales that the Company has planned The management of this risk falls within the mandate of Aviva plc, which manages the realisation process on behalf of the Company The Directors consider that a 10% fall in markets at the year-end would have a direct impact in the region of 10% of the carrying value of the underlying property

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 categories, line management of business areas have primary responsibility for the effective identification, management, monitoring and reporting of risks to the Aviva executive, 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 its 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

Directors' interests

The requirement for directors to disclose their interests in the Company's ultimate holding company was repealed by the Companies Act 2006

Indemnity to Directors

Aviva plc, the Company's ultimate parent, has granted an indemnity to those Directors of the Company employed by the Morley or Aviva Group against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 This indemnity and the provisions in the Company's Articles 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

Creditor payment policy and practice

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

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office

Directors' Report

Disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 2 of these financial statements Each of these Directors confirms that

- there is no relevant audit information, being information needed by the auditor's in connection with preparing its report, which the Company's auditors are unaware, and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board

Director

4 *July 2008*

Statement of Directors' responsibilities

The Directors are required to prepare accounts for each accounting period that comply with the relevant provisions of the Companies Act 1985 and of UK GAAP, 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 accounts in accordance with UK GAAP requires the 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 UK GAAP 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

The Directors are responsible for maintaining proper accounting records which can be disclosed with reasonable accuracy, at any time, the financial position of the Company 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

Auditors' Report

Independent auditors' report to the members of NU Local Care Centres (Farnham) Limited

We have audited the Company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 14 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the parent company 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 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 other transactions is not disclosed

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

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 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

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 affairs of the Company as at 31 December 2007 and of its profit 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

Ernst - Young LLP

Ernst & Young LLP
Registered Auditor
London
7 July 2008

Profit and loss account
for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	2	2,361,257	2,263,966
Cost of sales		(2,230,408)	(2,107,283)
Gross profit		130,849	156,683
Administrative expenses	3	(4,212)	(227)
Operating profit		126,637	156,456
Interest receivable	5	35,980	35,933
Profit on ordinary activities before taxation		162,617	192,389
Tax on profit on ordinary activities	6	(139,042)	-
Profit for the financial year		23,575	192,389

All amounts reported in the profit and loss account relate to continuing operations

There are no recognised gains or losses in the period other than the loss for the financial period

The notes on pages 10 to 12 form an integral part of these financial statements

Balance Sheet
as at 31 December 2007

	Note	2007 £	2006 £
Current assets			
Debtors	7	659,888	612,184
Cash at bank and in hand	8	1,811,901	1,405,862
Net current assets		2,471,789	2,018,046
Creditors: amounts falling due within one year	9	(1,925,325)	(1,495,157)
Net current assets		546,464	522,889
Total assets less current liabilities		546,464	522,889
Capital and reserves			
Share capital	10	100	100
Profit and loss account		546,364	522,789
Equity shareholders' funds	11	546,464	522,889

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

Director

Date 4/07/08

The notes on pages 10 to 12 form an integral part of these financial statements

Notes to the financial statements

for the year ended 31 December 2007

1. **Accounting policies**

a) **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 United Kingdom accounting standards

b) **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)

c) **Deferred tax**
Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

2. **Turnover**
Turnover which excludes value added tax, represents rents and service charges due for the year, amounts invoiced in respect of facilities management services provided, and other income earned under Private Finance Initiatives ("PFI") concession agreements

3. **Administrative expenses**
Audit fees of £4,200 have been accrued for the year

The directors received no emoluments for services to the Company for the financial year (2006 nil)

4. **Particulars of employees**
The Company had no employees during the financial year (2006 nil)

5. **Interest receivable**

	2007 £	**2006** £
Bank interest	35,980	35,933
	35,980	35,933

6. **Taxation**

Factors affecting current tax charge for the year

The current tax charge for the year is higher (2006 lower) than the standard rate of corporation tax in the UK of 30% The differences are explained below

	2007 £	2006 £
Profit/(loss) on ordinary activities before tax	162,617	192,389
Current charge at standard UK corporation tax rate of 30% (2006 30%)	48,785	57,716
Effects of		
UK Corporation tax in respect of prior periods	10,000	-
Short term timing differences	80,257	73,356
Group relief	-	(131,072)
Current tax charge on ordinary activities for the year	139,042	-

	2007 £	2006 £
Short term timing differences	282,522	222,445
Deferred tax asset not provided	282,522	222,445

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

7. **Debtors**

	2007 £	2006 £
Due within one year		
Trade debtors	7,938	5,130
Amounts owed by other group companies	33,197	-
Prepayments and accrued income	618,753	607,054
	659,888	612,184

8. **Cash at bank and in hand**

Cash and cash equivalents includes £1,009,006 (2006 £741,483) which relates to amounts paid by Surrey and Hampshire Borders NHS Trust into a sinking fund to fund the replacement and repair of certain assets The cash cannot be accessed by NU Local Care Centres (Farnham) Limited or its subsidiaries

Notes to the financial statements
for the year ended 31 December 2007

9. Creditors due after more than one year

	2007 £	2006 £
Trade creditors	(500,344)	(473,512)
Amounts due to other group companies	-	(32,300)
Sinking funds	(1,009,006)	(741,483)
Sundry creditors	(242,711)	(110,855)
Accruals and deferred income	(173,264)	(137,007)
	(1,925,325)	(1,495,157)

10. Share capital

	2007 £	2006 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	1,000	1,000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100
	100	100

10. Reconciliation of movement in shareholders' funds

	Share capital £	Profit and loss account £	Total £
At 1 January 2007	100	522,789	522,889
Retained profit for the financial year	-	23,575	23,575
At 31 December 2007	100	546,364	546,464

12. Contingent liabilities and capital commitments

There were no contingent liabilities or commitments at the balance sheet date (2006 nil)

13. Related party transactions

The company, being a wholly owned subsidiary of NU 3PS Limited, 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 Norwich Union Public Partnership Fund

14. Ultimate parent and controlling undertaking

The directors regard NU 3PS Limited as the immediate parent undertaking The ultimate parent undertaking is NUPPP (GP) Limited

At 31 December 2007 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

Copies of the financial statements of Aviva plc and BT plc are publicly available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ