

**AVIVA INVESTORS PENSIONS LIMITED (Formerly Morley
Pooled Pensions Limited)**

Directors' report and financial statements

For the year ended 31 December 2008

**Registered in England
Number: 1059606**

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Aviva Investors Pensions Limited

Contents

Directors and Officers.....	3
Directors' report.....	4
Independent auditors' report to the shareholders of Aviva Investors Pensions Limited	7
Income statement	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statement.....	10
1. Accounting policies.....	11
2. Net investment income.....	16
3. Fee and commission expense.....	16
4. Other operating expenses	16
5. Segment information.....	16
6. Directors' emoluments	17
7. Tax	17
8. Investment property	18
9. Financial investments.....	19
10. Reinsurance assets and insurance liabilities	20
11. Receivables and other financial assets	20
12. Assets held to cover linked liabilities.....	21
13. Ordinary share capital	21
14. Liability for investment contracts	22
15. Payables and other financial liabilities.....	22
16. Contingent liabilities and commitments.....	23
17. Additional cash flow information	24
18. Risk and capital management policies	25
19. Related party transactions	26

Aviva Investors Pensions Limited

Directors and Officers

Directors

S G Boylan

R A Warne (appointed 23 April 2008)

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

Regulator

Financial Services Authority

25 The North Colonnade

Canary Wharf

London

E14 5HS

Registered office

No 1 Poultry

London

EC2R 8EJ

Aviva Investors Pensions Limited

Directors' report

The Directors present their report together with the audited financial statements of Aviva Investors Pensions Limited ('the Company') for the year ended 31 December 2008.

Business review and principal activity

Principal activity

The principal activity of the Company is the transaction of unit linked pension business, in the United Kingdom. The Directors consider that this will continue unchanged into the foreseeable future.

Change of name

On 29 September 2008 the name of the company was changed from Morley Pooled Pensions Limited to Aviva Investors Pensions Limited.

Financial position and performance

The position of the Company at the year-end is shown in the balance sheet on page 9, with trading results shown in the income statement on page 8. The main factors affecting these primary statements in the year were:

- A £185.2 million decrease in new funds received in respect of investment contracts to £237.9 million, and an overall decrease in funds under management of 26.8% or £843.3 million resulting in funds under management of £2,297.4 million at 31 December 2008.
- An overall reduction in unit-linked funds, due to equity and property market movements.
- Investment income attributable to the unit-linked funds was down on 2007, mainly reflecting movements in the markets in which our clients were invested. This movement was offset by a corresponding reduction in the unit-linked liabilities.
- Profit after tax was £0.8 million, down 68% on 2007 following a decrease in profit before tax.

Future outlook

The Directors aim to maintain the management policies which have resulted in the Company's current position. The Directors consider that this will continue unchanged into the foreseeable future.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk and capital management policies are set out in note 18 to the financial statements. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the financial statements of Aviva Investors Holdings Limited, which does not form part of this report.

Key performance indicators

The Directors of Aviva Investors Holdings Limited ('AIHL') manage the Group's operations, including those of the Company. The Company forms part of the Aviva Investors Holdings Limited, which is managed on a fully-integrated basis. The Directors believe that the performance of this Company should be read within the context of AIHL's financial statements. The development, performance and position of the Group, which includes the Company, are discussed in the Directors' report and financial statements of Aviva Investors Holdings Limited and does not form part of this report.

Parent and ultimate controlling entity

The immediate holding company is Aviva Investors Holdings Limited. The ultimate controlling entity is Aviva plc.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis preparing the financial statements.

Aviva Investors Pensions Limited

Result and dividends

The result for the year ended 31 December 2008 was £0.8 million (2007: £2.5 million). No final dividend (2007: nil) has been proposed for the year ended 31 December 2008. In 2008, interim dividends of £0.42 pence per share (2007: £0.35) totalling £2.5 million were paid (2007: £2.1 million).

Directors

The names of the present Directors of the Company appear on page 3. R A Warne was appointed on 23 April 2008. The Directors who served during the year were J L Tanner (resigned 29 February 2008), D A Norman (resigned 12 May 2008) and N D Alford (resigned 1 June 2008).

Post balance sheet events

There have been no material events between 31 December 2008 and the date of this report.

Employees

All employees are employed by a fellow subsidiary undertaking, Aviva Investors Employment Services Limited. Disclosures relating to employees may be found in the accounts of that Company.

Creditor payment policy and practice

Under a management agreement, Aviva Investors Global Services Limited, a fellow subsidiary, supplies and makes a charge for the provision of all goods and services to the Company. Accordingly, the relevant disclosures in relation to creditor payment policy and practice are included in the Directors' report of Aviva Investors Global Services Limited.

Auditors

It is the intention of the directors to reappoint Ernst & Young LLP as the auditors under the deemed appointment rules of Section 487 of the Companies Act 2006.

Directors' statement as to disclosure of information to auditors


The Directors who were members of the Board at the time of approving the Directors' report are listed on page 3 of these financial statements. Each of these Directors confirms that:

- to the best of each director's knowledge and belief, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, which the Company's auditor are unaware; and
- having made enquiries of fellow directors and the Company's auditor, 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 auditor are aware of that information.

Indemnity to the Directors

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. 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 and section 236 of the Companies Act 2006. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' report.

By order of the Board


Aviva Company Secretarial Services Limited
Secretary
29 March 2009

REGISTERED SECRETARY
15, ABINGDON ROAD, OXFORD
OX2 0AB
OXFORD
OXFORD INVESTMENTS LIMITED

Aviva Investors Pensions Limited

Statement of Directors' responsibilities in relation to the financial statements

The Directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 1985 and International Financial Reporting Standards (IFRS) as adopted by the European Union, 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 IFRS requires the Directors to:

- select suitable accounting policies and verify they are applied consistently in preparing 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 IFRS 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 IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for maintaining proper accounting records which are intended to disclose 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.

Aviva Investors Pensions Limited

Independent auditors' report to the shareholders of Aviva Investors Pensions Limited

We have audited the financial statements of Aviva Investors Pensions Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 19. These financial statements have been prepared under 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' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether 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 the directors' report and consider whether it is consistent with the audited financial statements. 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 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.

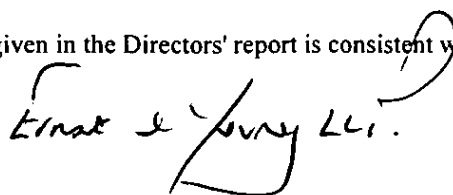
Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 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
Registered auditor
London

31 March 2009



Aviva Investors Pensions Limited

Income statement

For the year ended 31 December 2008

	Note	2008 £'m	2007 £'m
Income			
Fee and commission income	1(F)	9.6	10.8
Net investment income (losses)/gains	1(G), 2	(355.5)	44.8
Other income		0.6	0.6
		<u>(345.3)</u>	<u>56.2</u>
Expenses			
Claims paid		(0.5)	(0.5)
Less: reinsurer's share		0.5	0.5
Expenses/(income) attributed to investment contracts		356.6	(40.1)
Fee and commission expense	3	(8.3)	(7.7)
Other operating expenses	4	(1.3)	(2.2)
		<u>347.0</u>	<u>(50.0)</u>
Profit before tax		1.7	6.2
Tax expense	1(P), 7	(0.9)	(3.7)
Profit for the year		<u>0.8</u>	<u>2.5</u>

The accounting policies on pages 11 to 15 and notes on pages 16 to 27 are an integral part of these financial statements.

All amounts reported in the income statement relate to continuing operations. The Company has no recognised gains or losses other than those included in the above results. Accordingly, a Statement of Recognised Income and Expense is not required.

Aviva Investors Pensions Limited

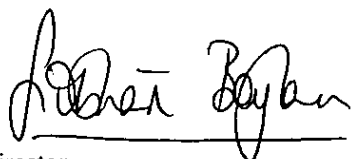
Balance sheet

As at 31 December 2008

	Note	2008 £'m	2007 £'m
Assets			
Financial investments	1(L), 9	1,390.0	1,940.5
Investment property	1(J), 8	655.3	966.7
Cash and cash equivalents	1(N)	240.6	211.7
Receivables and other financial assets	11	45.6	51.6
Reinsurance assets	1(I), 10	7.5	8.1
Tax asset	1(P), 7(c)	0.2	-
Total assets		2,339.2	3,178.6
Equity			
Ordinary share capital	13	6.0	6.0
Retained earnings		1.1	2.8
Total equity		7.1	8.8
Liabilities			
Liability for investment contracts	1(H), 14	2,298.0	3,140.7
Payables and other financial liabilities	15	26.3	19.9
Insurance liabilities	1(I), 10	7.5	8.1
Tax liabilities	1(P), 7(c)	0.3	1.1
Total liabilities		2,332.1	3,169.8
Total equity and liabilities		2,339.2	3,178.6

The accounting policies on pages 11 to 15 and notes on pages 16 to 27 are an integral part of these financial statements.

Approved by the Board on 23 March 2009



Director

Aviva Investors Pensions Limited

Statement of changes in equity

For the years ended 31 December 2007 and 2008

	Ordinary share capital	Retained earnings	Total equity
	£'m	£'m	£'m
Balance at 1 January 2007	6.0	2.4	8.4
Total recognised income and expense for the year	-	2.5	2.5
Dividends	-	(2.1)	(2.1)
Balance at 31 December 2007	6.0	2.8	8.8
Total recognised income and expense for the year	-	0.8	0.8
Dividends	-	(2.5)	(2.5)
Balance at 31 December 2008	6.0	1.1	7.1

Cash flow statement

For the year ended 31 December 2008

	Note	2008	2007
		£'m	£'m
Cash flows from operating activities			
Cash generated from operations	17(a)	32.6	79.2
Tax paid		(1.2)	(2.6)
<i>Net cash from operating activities</i>		31.4	76.6
Cash flows from financing activities			
Ordinary dividends paid		(2.5)	(2.1)
<i>Net cash used in financing activities</i>		(2.5)	(2.1)
Net increase in cash and cash equivalents		28.9	74.5
Cash and cash equivalents at 1 January		211.7	137.2
Cash and cash equivalents at 31 December	17(b)	240.6	211.7

The accounting policies on pages 11 to 15 and notes on pages 16 to 27 are an integral part of these financial statements.

The total dividend per share paid in the year is £0.42 (2007: £0.35).

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

1. Accounting policies

The financial statements of the Company for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Directors on 25 March 2009. The Company is a limited liability company incorporated and domiciled in the United Kingdom.

The financial statements are prepared under the historical cost convention, except for investment properties and those financial instruments and financial liabilities that have been measured at fair value. The principal accounting policies adopted in the preparation of the Company's financial statements are set out below.

(A) Basis of presentation

Statement of compliance

From 2005, all European Union listed companies are required to prepare consolidated financial statements using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). The date of transition to IFRS was 1 January 2004. The Group and Company financial statements have been prepared in accordance with IFRS applicable at 31 December 2008.

In accordance with Phase I IFRS 4, *Insurance contracts*, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards. Details are in note (D) below.

Changes in accounting policies and disclosure

In November 2006 the IASB issued *IFRS 8 Operating Segments*, and although its requirements are applicable for accounting periods beginning on or after 1 January 2009, the Group has decided to adopt IFRS 8 early. It requires disclosures to reflect the information management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Adoption of this amendment did not impact disclosures within the financial statements as the Company operates predominately in one geographical segment and one business segment. Details are in note 5 below.

Standards issued but not yet effective

The IASB issued *IAS 1 Presentation of Financial Statements: A Revised Presentation* effective for periods commencing on or after 1 January 2009, prescribes the basis for presentation of financial statements. Adoption of this amendment will not have a material impact on the Group's financial reporting.

A revised *IAS 23 Borrowing costs* was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. Adoption of this standard will not have an impact on the Company, as the Company does not have any qualifying assets.

IFRIC 13 Customer Loyalty Programmes was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This interpretation covers customer loyalty award credits. The Company does not expect the interpretation to impact the Company's financial statements, as no such schemes exist.

IFRIC Interpretation 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction was issued during 2007 and becomes effective on or after 1 January 2009. Adoption of this amendment will not have a material impact on the Group's financial reporting.

Additionally, *IFRIC interpretation 15 - Agreements for the Construction of Real Estate*, *interpretation 16 - Hedges of a Net Investment in a Foreign Operation*, and *interpretation 17- Distributions of Non-cash Assets to Owners*, were issued during 2008. They have not yet been endorsed by the EU and are not applicable for the current accounting period. On adoption, none of these interpretations will have any impact on the Group's financial reporting.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

(B) Critical accounting policies and use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the balance sheet and income statement, other primary statements and notes to the financial statements.

The major areas of judgment on policy application are considered to be over product classification (note 1(D)) and in the classification of financial instruments (note 1(L)). All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

The table below sets out those items the Directors consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

Item	Accounting policy
Impairment of financial investments	L
Provisions and contingent liabilities	O
Deferred tax	P
Fair value of derivative financial instruments	M

(C) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items, such as equities which are held at fair value through profit and loss (see Policy L below), are reported as part of the fair value gain or loss.

(D) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

As noted in Policy A above, insurance contracts and participating investment contracts in general continue to be measured and accounted for under existing accounting practices at the date of transition to IFRS. Accounting for insurance contracts is determined in accordance with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005, as amended in December 2006. However, in certain businesses, the accounting policies and accounting estimates have been changed, as permitted by IFRS 4 and IAS 8 respectively, to remeasure designated insurance liabilities to reflect current market interest rates and changes to regulatory capital requirements. When accounting policies or accounting estimates have been changed, and adjustments to the measurement basis have occurred, the financial statements of that year will have disclosed the impacts accordingly.

(E) Investment contracts

The pooled pensions business consists of investment contracts without a discretionary participating feature (non-participating investment contracts). Deposits collected under such contracts are not accounted for through the income statement, except for the investment income attributable to those contracts, but are accounted for directly through the balance sheet as an adjustment to the investment contract liability. Non-participating investment contracts have no associated premium income.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

(F) Fee income

Investment contract policyholders are charged fees for policy administration, investment management and other contract services. These fees are recognised as revenue in the period to which they relate.

(G) Net investment income

Investment income consists of dividends and interest for the year, movements in amortised cost on debt securities, realised and unrealised gains and losses on investments held at fair value (as defined in Policy L below). Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

(H) Non-participating investment contract liabilities

Non-participating investment contracts are unit-linked contracts and are carried at fair value. The fair value of the liability is equal to the current unit fund value, plus additional non-unit reserves if required on a fair value basis.

(I) Reinsurance

The Company has a small amount of annuities in payment from legacy activity, which is fully reinsured by Norwich Union Annuity Limited, a fellow subsidiary of Aviva Plc. Norwich Union Annuity Limited manages the assets, liabilities, and administers annuity payments.

(J) Investment property

Investment property is held for long-term rental yields and is not occupied by the Company. Completed investment property is stated at its fair value, which is supported by market evidence, as assessed by qualified external valuers or by local qualified staff of the Company with appropriate recent experience. Changes in fair values are recorded in the income statement within net investment income.

(K) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

(L) Financial investments

The Company classifies its investments as financial assets held at fair value through the income statement. This category has two sub-categories – those that meet the definition as being held for trading and those the Company chooses to designate as such, holding them at fair value through the income statement (referred to in this accounting policy as “other than trading”). Derivative instruments are classified as “trading”. All other securities are classified as “other than trading”.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair values less transaction costs. Debt securities are initially recorded at amortised cost, with amortisation credited or charged to the income statement. They are subsequently carried at fair value. Changes in the fair value are included in the income statement in the period in which they arise.

The fair values of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Impairment

The Company reviews the carrying value of its investments on a regular basis. If the carrying value of an investment is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment.

Reversals of impairments are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write-down (i.e. improvement in the debtor’s credit rating), and are generally not recognised in respect of equity instruments.

(M) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures and other financial instruments that derive their value mainly from underlying financial and equity instruments. All derivatives are initially recognised in the balance sheet at their fair value, which usually represents their cost. They are subsequently re-measured at their fair value, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the balance sheet at the date of purchase, representing their fair value at that date.

For a variety of reasons, certain derivative transactions, while providing effective economic hedges under the Company’s risk management positions, do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment income.

Derivative contracts may be traded on an exchange or over-the-counter (‘OTC’). Exchange-traded derivatives are standardised and include certain futures contracts. OTC derivative contracts are individually negotiated between contracting parties. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments.

The notional or contractual amount associated with derivative financial instruments, are not recorded as assets or liabilities in the balance sheet, as they do not represent the potential gain or loss associated with such transactions.

(N) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition.

For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities on the balance sheet. Cash on deposit with a longer maturity is included in other financial investments.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

(O) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is more probable than not.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are disclosed if the future obligation is probable and the amount cannot be reasonably estimated, or if they are possible, but not probable.

(P) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from the equalisation provision, the intangible asset, and the unrealised gains on investment property. The rates enacted or substantively enacted at the balance sheet date are used to determine the 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 tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is not provided on revaluations of investments in subsidiaries as under current tax legislation no tax will arise on their disposal.

Deferred tax related to fair value re-measurement of available for sale investments, owner-occupied properties and other amounts taken directly to equity is recognised in the balance sheet as deferred tax asset or liability.

(Q) Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

(R) Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised in equity in the period in which they are approved.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

2. Net investment income

	<u>2008</u>	<u>2007</u>
	£'m	£'m
Rental income from investment properties	38.4	43.7
Interest and similar income from investments designated as other than trading	77.0	68.0
Income from other investments	15.2	21.3
Realised gains and losses	3.1	125.5
Unrealised gains and losses	(489.2)	(213.7)
	<u>(355.5)</u>	<u>44.8</u>

3. Fee and commission expense

	<u>2008</u>	<u>2007</u>
	£'m	£'m
Investment charges and administrative expenses	<u>8.3</u>	<u>7.7</u>

These expenses are payable to Aviva Investors Global Services Limited and Aviva Fund Services SA. Further details are shown in note 19 on related parties.

Auditors' remuneration is charged in the financial statements of Aviva Investors Global Services Limited. Auditors' remuneration in relation to the Company for 2008 was £48,000 (2007: £35,615).

4. Other operating expenses

	<u>2008</u>	<u>2007</u>
	£'m	£'m
Other operating expenses	<u>1.3</u>	<u>2.2</u>

Included above are expenses paid directly by the funds such as transaction charges, safe custody fees and bank charges.

5. Segment information

The Company operates predominately in one geographical segment and one business segment, being the transaction of unit linked pensions throughout the United Kingdom. As such, a segment note has not been prepared.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

6. Directors' emoluments

Directors are remunerated by Aviva Investors Employment Services Limited in respect of their services to the Aviva Investors Group as a whole. The emoluments of these Directors are recharged to Aviva Investors Global Services Limited, which in turn makes an administration charge for the provision of staff to the Company (refer administrative expenses in note 3). While this includes an element in respect of Directors' emoluments, it is not practical to calculate the exact charge borne by the Company.

7. Tax

(a) Tax charged to the income statement

The total tax charged comprises:

	2008	2007
	£'m	£'m
Current tax:		
For this year	0.6	3.8
Prior year adjustments	0.3	(0.1)
Total tax charged to income statement (note 7b)	0.9	3.7
United Kingdom tax	0.6	1.1
Overseas tax	0.3	2.6
	0.9	3.7

(b) Tax reconciliation

The tax assessed in the income statement is higher than the standard UK corporation tax rate, because of the following factors:

	2008	2007
	£'m	£'m
Profit before tax	1.7	6.2
Tax calculated at standard UK corporation tax rate of 28.5% (2007: 30%)	0.5	1.8
Adjustment to tax charge in respect of prior years	0.3	(0.1)
Adjustments arising from tax attributable for UK life insurance policy holders	0.1	2.0
Total tax charged to income statement (note 7a)	0.9	3.7

(c) Tax liabilities

Current tax liabilities expected to be settled within one year are £1,654,600 (2007: £969,040) as shown in note 15. Current tax assets and liabilities recoverable or payable in more than one year are £230,876 and £357,434 (2007: nil and £1,082,824) respectively.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

8. Investment property

	Freehold	Leasehold	Total
	£'m	£'m	£'m
Carrying value			
At 1 January 2007	899.4	141.4	1,040.8
Additions	81.8	-	81.8
Capitalised expenditure on existing properties	38.2	0.1	38.3
Fair value losses	(97.8)	(10.1)	(107.9)
Disposals	(65.4)	(20.9)	(86.3)
At 31 December 2007	856.2	110.5	966.7
Additions	-	-	-
Capitalised expenditure on existing properties	31.2	0.2	31.4
Realised gains	-	0.3	0.3
Fair value losses	(207.0)	(26.7)	(233.7)
Disposals	(95.1)	(14.3)	(109.4)
At 31 December 2008	585.3	70.0	655.3

Investment properties are stated at their fair values as assessed by qualified external valuers as at 31 December 2008. CBRE is the Property Funds' principal valuer. All valuers are Chartered Surveyors, being Members of the Royal Institution of Chartered Surveyors. Each property was valued on the basis of open market value and valuations were carried out in accordance with the RICS Appraisal and Valuation Manual.

The fair value of investment properties leased to third parties under operating leases was as follows:

	2008	2007
	£'m	£'m
Freeholds	585.3	856.2
Long leaseholds - over 50 years	70.0	110.5
	655.3	966.7

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

9. Financial investments

(a) Financial investments comprise:

	2008	2007
	£'m	£'m
At fair value through profit or loss		
Other than trading		
Debt securities		
UK government	410.9	425.9
Non - UK government	33.1	21.7
Corporate - UK	330.7	368.5
Corporate - Non - UK	283.2	410.2
Corporate - UK and Non - UK unlisted	24.1	27.3
	<u>1,082.0</u>	<u>1,253.6</u>
Equity securities		
Corporate - UK	118.9	233.2
Corporate - Non - UK	148.2	264.7
	<u>267.1</u>	<u>497.9</u>
Other investments		
Unit trusts	<u>34.8</u>	<u>187.8</u>
Trading		
Derivative financial assets	<u>6.1</u>	<u>1.2</u>
Total financial investment assets	<u>1,390.0</u>	<u>1,940.5</u>

(b) Stock lending

The unit-linked funds managed by the Company have stocklending arrangements in accordance with established market conventions. In the United Kingdom, investments are lent to locally-domiciled counterparties and governed by agreements written under English law. Other investments are specifically deposited under local laws in various countries, as security to holders of the policies issued there.

The carrying amounts of financial assets received and pledged as collateral under stocklending arrangements at 31 December 2008 are £276.0 million (2007: £436.2 million). None of the collateral held has been sold on or re-lent (2007: nil), although the terms of the stocklending agreements permit it.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

10. Reinsurance assets and insurance liabilities

The following is a summary of the reinsurance assets and related insurance liabilities as at 31 December 2008.

	2008			2007		
	Insurance liabilities	Reinsurance assets	Net	Insurance liabilities	Reinsurance assets	Net
	£'m	£'m	£'m	£'m	£'m	£'m
Long-term business contracts						
Annuity contracts	7.5	(7.5)	-	8.1	(8.1)	-

Liabilities are measured at amortised cost. The value of the reinsurance assets and insurance liabilities has moved in line with the related annuity contracts, the value of which has changed as a result of changing economic assumptions.

11. Receivables and other financial assets

	2008	2007
	£'m	£'m
Accrued income and receivables	45.6	51.6
	<u>45.6</u>	<u>51.6</u>
Expected to be recovered in less than one year	45.6	51.6
Expected to be recovered in more than one year	-	-
	<u>45.6</u>	<u>51.6</u>

Concentrations of credit risk with respect to receivables are limited due to the size and spread of individual exposures. No further credit risk provision is therefore required, in excess of the normal provisions for doubtful recoverables.

As at 31 December 2008, all receivables and other financial assets were classified as current, because they were neither past due or impaired (< 30 days).

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

12. Assets held to cover linked liabilities

Unit-linked products have been classified as investment contracts. The assets backing these unit-linked liabilities are included within the relevant balances in the balance sheet, and form part of the liability for investment contracts disclosed in note 14.

The carrying values of assets backing these unit-linked liabilities are as follows:

	<u>2008</u>	<u>2007</u>
	£'m	£'m
Investment properties	655.3	966.7
Debt securities	1,082.0	1,247.2
Equity securities	267.1	497.9
Other investments	40.9	189.0
Other net assets	21.1	32.6
Cash and cash equivalents	231.0	207.0
	<u>2,297.4</u>	<u>3,140.4</u>
The associated liabilities are:		
Unit-linked contracts classified as investment contracts	<u>(2,297.4)</u>	<u>(3,140.4)</u>

The cost of the assets held to cover linked liabilities was £2,283.5 million (2007: £2,966.5 million). The assets in the unit-linked funds are the subject of floating charges, given in line with industry standard terms in respect of reinsurance business invested in the funds. These charges give the reinsured policyholders parity with, but not an advantage to, the direct investors in the funds.

13. Ordinary share capital

Details of the Company's ordinary share capital are as follows:

	<u>2008</u>	<u>2007</u>
	£'m	£'m
The authorised share capital of the Company at 31 December was:		
- 6,000,000 (2007: 6,000,000) ordinary shares of £1 each	<u>6.0</u>	<u>6.0</u>
The allotted, called up and fully paid share capital of the Company at 31 December was:		
- 6,000,000 (2007: 6,000,000) ordinary shares of £1 each	<u>6.0</u>	<u>6.0</u>

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

14. Liability for investment contracts

The liability for investment contracts, all of which were unit-linked, comprised:

	2008	2007
	£'m	£'m
<i>Carrying amount at 1 January</i>	3,140.7	3,548.8
Reserves in respect of net new business	(470.7)	(458.3)
Net investment income (includes tax charge)	(364.9)	61.1
Charges	(7.7)	(11.2)
<i>Carrying amount at 31 December</i>	2,297.4	3,140.4
Provision for non-unit liabilities	0.6	0.3
<i>Total liability for investment contracts</i>	2,298.0	3,140.7

(a) Methodology & Company Practice

The provisions held for linked business are the unit liabilities together with a small non-unit provision.

The provision held for linked business is the bid value of units, which is equal to the surrender value available to policyholders.

The provision for non-unit liabilities allows for potential future losses on certain contracts, where the asset management fee earned may be insufficient to meet fixed administrative expenses.

(b) Assumptions

No assumptions are required for a provision, which is based only on the bid value of units at the valuation date.

The prospective non-unit reserve allows for potential losses on contracts, where the asset management fee earned may be insufficient to meet fixed administrative expenses, taking into account the Company's ability to take action to mitigate the situation within the period of one year.

15. Payables and other financial liabilities

	2008	2007
	£'m	£'m
Amounts owed to fellow subsidiaries	0.5	0.5
UK corporation tax – Group relief	1.7	1.0
Other payables	24.1	18.4
Total	26.3	19.9
 Expected to be settled in less than one year	 26.3	 19.9

As at 31 December 2008, all payables and other financial liabilities were classified as current, because they were neither past due or impaired (< 30 days).

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

16. Contingent liabilities and commitments

(a) Contractual commitments

At the year-end there were contractual commitments for future maintenance and repairs on the investment properties held to cover linked liabilities of £10.8 million (2007: £14.3 million). There were no other contingent liabilities or commitments at the balance date.

(b) Regulatory compliance

The FSA regulates the Company's UK insurance business. The FSA has broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate financial resources.

The Directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted. However, all regulated financial services companies face the risk that their regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

The impact of any such finding could have a negative impact on the Company's reported results or on its relations with current and potential customers. Regulatory action against the Company could result in adverse publicity for the Company, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

Aviva Investors Pensions Limited
Notes to the Financial Statements for the year ended 31 December 2008

17. Additional cash flow information

(a) The reconciliation of profit before tax to the net cash inflow from operating activities is:

	<u>2008</u>	<u>2007</u>
	£'m	£'m
Profit before tax	1.7	6.2
Net realised gain on financial investments	(10.0)	(126.9)
Net realised gain/(loss) on investment properties	(0.3)	0.9
Net fair value loss on financial investments	255.9	104.3
Net fair value loss on investment properties	233.7	107.0
Changes in working capital:		
Decrease in receivables and other financial assets	5.8	4.2
Increase/(decrease) in payables and other financial liabilities	4.9	(0.4)
Changes in insurance-related balances:		
Decrease in reinsurance assets	(0.6)	(1.3)
Decrease in liability for investment contracts	(842.7)	(408.1)
Decrease in insurance liability	0.6	1.3
Net (purchases)/ sales of operating assets:		
Investment property	78.0	(33.8)
Financial investments	305.6	425.8
Cash generated from operations	<u>32.6</u>	<u>79.2</u>

Purchases and sales of investment property and financial investments are included within operating cash flows, as the cash flows are associated with the origination of investment contracts net of payments of related claims.

(b) Cash and cash equivalents in the Cash flow statement as at 31 December comprised:

	<u>2008</u>	<u>2007</u>
	£'m	£'m
Cash at bank and in hand	6.4	8.1
Cash equivalents	234.2	203.6
	<u>240.6</u>	<u>211.7</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

18. 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 Investors Group. Details of the Aviva Investors Group's governance framework are contained in the financial statements of Aviva Investors Holdings Limited.

(b) Management of financial and non-financial risks

(i) Asset/liability management

The policy of the Company is to match insurance and investment contract liabilities exactly, by way of reinsurance and unit-linked assets respectively.

(ii) Liquidity management

The Company is not exposed to significant liquidity risk and has a strong liquidity position. Through the application of a 'Liquidity Policy' it seeks to maintain sufficient financial resources to meet its obligations as they fall due.

(iii) Market risk and sensitivities

Market risk is the risk of adverse impact due to changes in fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates and equity prices. The value of the investment contract liability is directly linked to the value of the related assets and thus, the risk for the Company relates solely to the impact on fee income, which is not hedged. The Company's direct exposure to market risk is not material. Shareholder assets and liabilities are held in sterling to minimise foreign currency exchange risk.

The Company is not exposed to significant interest rate risk.

The Company uses sensitivity test-based analysis, including an Internal Capital Adequacy process ('ICA'), to understand the impact of volatile markets on expected earnings for decision-making and planning purposes. The impact of a fall in securities at a point in time is limited to the impact on revenue, which is accrued based on those values and which is partially off-set by amounts payable by the Company for investment management. The Directors consider that a 10% fall in markets at the year-end would not have a material impact on the financial position of the Company.

(iv) Credit risk

The nature of the Company's business (unit-linked) means that it is not exposed to significant credit risk as the risk is borne by the policyholders.

(v) Operational risk

Operational risk would arise as a result of inadequate or failed internal processes, people or systems, or from external events. Details of the Aviva Investors Group's approach to operational risk are set out in the financial statements of Aviva Investors Global Services Limited, which manages and administers the pooled funds on behalf of the Company.

As with other risk categories, line management of business areas has primary responsibility for the effective identification, management, monitoring and reporting of risks to the Aviva Investors Executive, in accordance with Aviva Group policies. The Aviva Investors Group'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.

(vi) Concentration risk

Processes are in place to manage catastrophe risk in individual business units and at Aviva Group level. The Group cedes much of its worldwide catastrophe risk to third party reinsurers but retains a pooled element for its own account gaining diversification benefit.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

(c) Risk and capital management

(i) Capital management

The Aviva Investors Group maintains an efficient capital structure, which is consistent with its risk profile and the regulatory and market requirements of its business. The Group seeks to generate sufficient distributable profits each year, whilst also maintaining sufficient regulatory capital to meet the Financial Services Authority's ('FSA') requirements. Further details of the Aviva Investors Group's capital management process are contained in the financial statements of Aviva Investors Holdings Limited.

(ii) Sensitivity test analysis

Processes are in place to perform sensitivity test at Aviva Group level. Aviva Group uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Primarily, EEV, ICA, and FCRs are used. Sensitivities to economic and operating experience are regularly produced on all of the Group's financial performance measurements to inform the Group's decision making and planning processes, and as part of the framework for identifying and quantifying the risks that each of its business units, and the Group as a whole are exposed to. Details and results of Aviva Group's sensitivity tests are contained in the financial statements of Aviva Plc.

19. Related party transactions

(a) The Company provides pooled pension investments to certain segregated clients of a fellow subsidiary, Aviva Investors Global Services Limited, which results in the Company receiving a portion of the fee charged to those clients. No separate management fee is charged to Aviva Investors Global Services Limited. The Company also provides services to one of the Aviva group pension schemes, for which a fee is charged. Aviva Investors Global Services Limited provides investment management services to the Company in respect of all unit-linked assets, for which a fee is charged.

(b) Services provided to related parties	2008		2007	
	Income earned in year	Receivable at year end	Income earned in year	Receivable at year end
	£'m	£'m	£'m	£'m
Segregated fee income from fellow subsidiary	2.0	0.2	1.5	0.1
Aviva Staff Pension Scheme	0.6	-	0.3	-
	<u>2.6</u>	<u>0.2</u>	<u>1.8</u>	<u>0.1</u>

The related parties' receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

(c) Services provided by related parties	2008		2007	
	Expense incurred in year	Payable at year end	Expense incurred in year	Payable at year end
	£'m	£'m	£'m	£'m
Investment management fee charged by fellow subsidiary	6.3	0.5	5.1	0.5
Costs incurred by fellow subsidiary and recharged	2.0	0.2	2.6	0.2
	<u>8.3</u>	<u>0.7</u>	<u>7.7</u>	<u>0.7</u>

In addition, the liability for annuity contracts is reinsured with a fellow subsidiary. There was no expense for this service and the receivable at the year-end was £7.5 million (2007: £8.1 million). The related parties' payables are not secured and no guarantees were received in respect thereof. The payables will be settled in accordance with normal credit terms.

Aviva Investors Pensions Limited

Notes to the Financial Statements for the year ended 31 December 2008

(d) Key management compensation

Members of the Board of Directors are listed on page 3 of these financial statements. There are no amounts receivable from, or payments due to members of the Board. The Directors are considered to be the key management for the Company. Details of their remuneration arrangements are contained in note 6 above.

(e) Ultimate controlling entity

The ultimate controlling entity is Aviva plc. Aviva plc's Group accounts are available on application to the:
Group Company Secretary

Aviva plc
St Helen's
1 Undershaft
London, EC3P 3DQ