Company Number 1555746

Aviva Group Holdings Limited

Annual Report and Financial Statements for the year ended 31 December 2011

Aviva Group Holdings Limited

Annual Report and Financial Statements 2011

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Aviva Group Holdings Limited

Directors and Officers

Directors

M S Hodges (resigned on 2 June 2011)
J R Lister (appointed on 20 July 2012)
T J Matthews (appointed on 18 May 2012)
I M Mayer (appointed on 8 December 2011, resigned on 27 April 2012)
A J Moss (resigned on 18 May 2012)
P C Regan
R L Spencer (appointed on 18 May 2012, resigned on 20 July 2012)

Officer – Company secretary

K A Cooper
St Helen's
1 Undershaft
London
EC3P 3DQ

Auditor

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

Registered office

St Helen's
1 Undershaft
London
EC3P 3DQ

Company number

Registered in England No 1555746

Ultimate parent company

Aviva Group Holdings Limited ("the Company") is a member of the Aviva plc group of companies ("the Group") The ultimate parent company is Aviva plc

Aviva Group Holdings Limited

Directors' report

The directors present their annual report and financial statements for Aviva Group Holdings Limited ("the Company") for the year ended 31 December 2011

Directors
The current directors and those who served during the year are as follows

M S Hodges (resigned on 2 June 2011)
J R Lister (appointed on 20 July 2012)
T J Matthews (appointed on 18 May 2012)
I M Mayer (appointed on 8 December 2011, resigned on 27 April 2012)
A J Moss (resigned on 18 May 2012)
P C Regan
R L Spencer (appointed on 18 May 2012, resigned on 20 July 2012)

Business review and principal activities

The Company is a holding company for subsidiaries transacting in life assurance and long-term savings business, fund management and most classes of general insurance and health business

On 31 December 2011, the entire shareholding in Aviva USA Corporation and the associated intercompany loan assets were transferred to the Company from Aviva International Holdings Limited, via Aviva Insurance Limited ("AIL") at their fair values The transfer was settled via an intercompany loan and the assumption of an intercompany loan liability to Aviva plc No profit or loss has been recognised by the Company on these transfers The transfer has increased the intercompany payable balance with AIL and the entire intercompany balance of £4,710 million at 31 December 2011 was converted into an intercompany loan

Future outlook

It is anticipated that the Company's significant financial assets will continue to comprise investments in subsidiaries, and amounts due from its parent and fellow Group companies Consequently, the positive performance of these loans are expected to continue, as the credit risk arising from the parent company failing to meet all or part of its obligations is considered remote

Principal risks and uncertainties

The risks and uncertainties are set out in note 18 of these financial statements but, in the opinion of the directors, the principal risks and uncertainties are

(a) Managing its investment in its subsidiary operations, which are stated at fair value The fair value of subsidiaries is exposed to potential fluctuations in equity prices as it is estimated using applicable valuation models underpinned by the quoted market valuations of comparable listed entities, and with regard to the Aviva Group's market capitalisation

(b) Maturity periods and interest rate risk as the fair value or net asset value of the Company's financial resources is exposed to potential fluctuations in interest rates The effect of a 100 basis point increase in interest rates would be an increase in net interest expense of £56 million *(2010 £1 million)*

As explained in note 9(c), The Company has given letters of support to the directors of Aviva Employment Services Limited ("AES") and Aviva Central Services UK Limited ("ACS"), saying that, in the event that these companies are unable to meet their obligations, the Company will meet them as they fall due Where necessary, the Company holds provisions for this support, based on the underlying financial position of the two subsidiaries and is therefore exposed to all further movements in their shareholder funds This support to AES is effectively mirrored in guarantees given to the trustees of the Aviva Staff Pension Scheme and the RAC (2003) Pension Scheme, covering AES's performance obligations in respect of the scheme liabilities described in note 9

Key Performance Indicators ("KPIs")

The performance of the business can be assessed through the use of key performance indicators ("KPIs") The most relevant KPI is the effective interest expense on loans, which was 2 8% *(2010 4 2%)*

Aviva Group Holdings Limited

Directors' report (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position including the Business review, are set out in this report In addition, the financial statements include notes on the Company's share capital (note 15) and management of its major risks including market, credit, operational and liquidity risks (note 18)

The Company and its ultimate holding company, Aviva plc, have considerable financial resources As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook 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 in preparing the financial statements

Financial position and performance

The financial position of the Company at 31 December 2011 is shown in the Statement of Financial Position on page 11, with the results shown in the Income Statement on page 8 and the Statement of Cash Flows on page 12

Dividend

During the year, the Company paid interim dividends of £850 million *(2010 £900 million)* The directors do not recommend a final dividend for the year *(2010 £nil)*

Disclosure of information to the auditor

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 its 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

Auditor

Following a competitive tender process by the Company's ultimate parent company, Aviva plc, PricewaterhouseCoopers LLP is proposed to be appointed 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 directors expect to appoint PricewaterhouseCoopers LLP as auditor to the Company in accordance with the provisions of the Companies Act 2006

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 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 by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007

Group restructuring

The Group is currently undertaking further restructuring of its global operations, which includes the transfer of shareholdings in various UK and overseas entities to the Company, from both its direct subsidiaries and entities that are indirectly held by the Company The restructuring is ongoing and is expected to be completed by 31 December 2012

Aviva Group Holdings Limited

Directors' report (continued)

Statement of directors' responsibilities

The directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 2006 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 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 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 can 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

By order of the Board

K A Cooper
Company Secretary
21 August 2012

Registered office
St Helen's, 1 Undershaft, London, EC3P 3DQ
Registered in England No 1555746

Aviva Group Holdings Limited

Independent auditor's report
To the members of Aviva Group Holdings Limited

We have audited the financial statements of Aviva Group Holdings Limited for the year ended 31 December 2011 which comprise the Income statement, the Statement of comprehensive Income, the Statement of changes in equity, the Statement of financial position, the Statement of cash flows and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 and express an opinion on 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 annual report and financial statements 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 loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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 the law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Michael Purrington (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
21 August 2012

Aviva Group Holdings Limited

Income Statement

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Income			
Investment income	1(c), 3 & 19	**214**	731
		214	731
Expenses			
Finance costs	4 & 19	**(25)**	(22)
Other expenses	5	**(23)**	(189)
Movement in provision for support to subsidiary		**-**	1,094
Impairment of investments in subsidiaries	1(d) & 7	**(657)**	-
		(705)	883
(Loss)/profit before tax		**(491)**	1,614
Tax credit	1(i) & 10	**69**	-
(Loss)/profit for the year		**(422)**	1,614

The notes on pages 13 to 27 are an integral part of these financial statements The auditor's report is on page 7

Aviva Group Holdings Limited

Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	**2011** **£m**	2010 £m
(Loss)/profit for the year		**(422)**	1,614
Other comprehensive income			
Fair value movements on investments in subsidiaries	1(d), 11(a) & 17	**(2,659)**	709
Impairment losses on investments previously revalued through other comprehensive income, now taken to income statement	7 & 17	**657**	-
Other comprehensive income		**(2,002)**	709
Total comprehensive income for the year		**(2,424)**	2,323

The notes on pages 13 to 27 are an integral part of these financial statements The auditor's report is on page 7

Aviva Group Holdings Limited

Statement of Changes in Equity

For the year ended 31 December 2011

	Ordinary share capital £m	Share premium £m	Investment valuation reserve £m	Special reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2010 as	5,463	1,623	5,879	111	4,005	17,081
Profit for the year	-	-	-	-	1,614	1,614
Other comprehensive income	-	-	709	-	-	709
Total comprehensive income for the year	-	-	709	-	1,614	2,323
Dividends (notes 1(j) & 8)	-	-	-	-	(900)	(900)
Balance at 31 December 2010	5,463	1,623	6,588	111	4,719	18,504
Loss for the year	-	-	-	-	**(422)**	**(422)**
Other comprehensive income	-	-	**(2,002)**	-	-	**(2,002)**
Total comprehensive income for the year	-	-	**(2,002)**	-	**(422)**	**(2,424)**
Dividends (notes 1(j) & 8)	-	-	-	-	**(850)**	**(850)**
Balance at 31 December 2011	**5,463**	**1,623**	**4,586**	**111**	**3,447**	**15,230**

The notes on pages 13 to 27 are an integral part of these financial statements The auditor's report is on page 7

Aviva Group Holdings Limited

Statement of Financial Position
At 31 December 2011

	Notes	2011 £m	2010 £m
Assets			
Non-current assets			
Investments in subsidiaries	1(d) & 11	**21,989**	23,103
Amounts owed by fellow Group companies	19	**626**	60
		22,615	23,163
Current assets			
Amounts owed by fellow Group companies	19	**319**	135
Tax assets	1(i) & 13	**11**	-
Group relief asset	1(i) & 13	**58**	-
Cash and cash equivalents	1(e) & 14	**4**	14
Total assets		**23,007**	23,312
Equity			
Capital and reserves			
Ordinary share capital	15	**5,463**	5,463
Share premium account	15	**1,623**	1,623
Investment valuation reserve	17	**4,586**	6,588
Special reserve	17	**111**	111
Retained earnings	17	**3,447**	4,719
Total equity		**15,230**	18,504
Liabilities			
Non-current liabilities			
Amounts owed to fellow Group companies	19	**5,705**	204
		5,705	204
Current liabilities			
Amounts owed to fellow Group companies	19	**2,072**	4,592
Group relief liability	1(i)	**-**	3
Other liabilities	16	**-**	9
Total liabilities		**7,777**	4,808
Total equity and liabilities		**23,007**	23,312

Approved by the Board on 21 AUGUST 2012

T J Matthews
Director
August 2012

The notes on pages 13 to 27 are an integral part of these financial statements The auditor's report is on page 7

Aviva Group Holdings Limited

Statement of Cash Flows

For the year ended 31 December 2011

The majority of the Company's cash requirements are met by fellow Group companies and settled through inter-company loan accounts As the direct method of presentation has been adopted for these activities, no further disclosure is required In respect of other activities, the following items pass through the Company's own bank accounts

	2011 £m	2010 £m
Cash flows from operating activities		
Dividends received	**213**	220
Net cash provided by operating activities	**213**	220
Cash flows from financing activities		
Funding to fellow Group companies	**(191)**	(189)
Interest received	**4**	-
Interest paid	**(27)**	(38)
Net cash used in by financing activities	**(214)**	(227)
Net decrease in cash and cash equivalents	**(1)**	(7)
Cash and cash equivalents at 1 January	**5**	12
Cash and cash equivalents at 31 December	**4**	5

Cash and cash equivalents in the cash flow statement at 31 December comprised	2011 £m	2010 £m
Cash at bank (see note 14)	**4**	14
Bank overdraft (see note 16)	**-**	(9)
	4	5

The notes on pages 13 to 27 are an integral part of these financial statements The auditor's report is on page 7

Aviva Group Holdings Limited

Notes to the Financial Statements

1. Accounting policies

Aviva Group Holdings Limited ("the Company") is a private limited company incorporated and domiciled in the United Kingdom and is the holding company for most of the Aviva Group's subsidiaries

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

(a) Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, applicable at 31 December 2011

The Company is exempt from preparing group financial statements by virtue of section 400 of the Companies Act 2006, as it is a subsidiary of an EEA parent and is included in consolidated financial statements for the Aviva Group at the same date These financial statements therefore present information about the Company as an individual entity

During 2009 and 2010, the IASB issued amendments to IAS 24, *Related Party Disclosures* and IAS 32 *Financial Instruments – Presentation*, and the results of its annual improvements project, all of which have been endorsed by the EU These are all applicable for the first time in the current accounting period and are now reflected in the Company's financial reporting, with no material impact

In 2010, the IASB issued an amendment to IFRS 7, *Financial Instruments – Disclosures* relating to the transfer of financial assets Further amendments to IFRS 7, *Financial Instruments – Disclosures* relating to the offsetting of financial instrument assets and liabilities, IAS 12, *Income Taxes*, and IAS 32 have been issued during 2010 and 2011 but have not yet been endorsed These are applicable prospectively for accounting periods commencing on 1 July 2011 or later, and are therefore not applicable for the current accounting period On adoption, they will not have any material impact on the Company's financial reporting

In 2009, the IASB issued IFRS 9, *Financial Instruments – Classification and Measurement*, followed by additional requirements on accounting for financial liabilities in 2010 These are the first two parts of a replacement standard for IAS 39 They are applicable prospectively for accounting periods commencing 1 January 2015 or later, and are therefore not applicable for the current accounting period IFRS 9 has not yet been endorsed by the EU but, on adoption, will require us to review the classification of certain financial instruments while allowing us to retain fair value measurement as we deem necessary We have not yet completed our assessment of its impact, which is to a large extent, dependent on the finalisation of the IASB's insurance contracts accounting project

During 2011, the IASB issued IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in other Entities*, IFRS 13, *Fair Value Measurement*, and reissued IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures* None of these has yet been endorsed by the EU It also issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 19, *Employee Benefits* which have been endorsed by the EU They are all applicable for accounting periods commencing 1 July 2012 or later, and are therefore not applicable for the current accounting period

The Company's financial statements are stated in sterling, which is the Company's functional and presentation currency Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling (£m)

(b) Use of estimates

The preparation of the financial statements requires the Company to make estimates and assumptions that affect items reported in the statement of financial position and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, actual results may ultimately differ from those estimates, possibly significantly

(c) Investment income

Investment income consists of interest receivable and dividends for the year Interest income is recognised as it accrues, taking in to account the effective yield on the investment Dividends received from subsidiaries are recognised when declared

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(d) Investments in subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Company, directly or indirectly, has power to exercise control over financial and operating policies in order to gain economic benefits

Subsidiaries are stated at their fair values, estimated using applicable valuation models underpinned by the quoted market valuations of comparable listed entities, and with regard to the Aviva Group's market capitalisation As a result of restructuring the ownership of intermediate holding companies within the Aviva Group in the last year, the method of estimating the fair value of subsidiaries has been re-assessed As a result, further weight has been given to information relating to the quoted market value of comparable listed entities in the valuation model The Directors believe that the revised technique provides a more relevant estimate of the fair value of the Company's investments

Where the cumulative changes recognised in equity represent an unrealised loss, the investments are reviewed annually to test whether an impairment exists Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant or prolonged decline in its fair value below cost, the unrealised loss recorded in equity is reclassified and charged to the Income Statement

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values

For the purposes of the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the Statement of Financial Position

(f) Loans due from Group Companies

Loans with fixed maturities are recognised when cash is advanced to borrowers These loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method

To the extent that a loan is considered to be uncollectable, it is written off as impaired through the Income Statement Any subsequent recoveries are credited to the Income Statement

At each reporting date, loans carried at amortised cost are reviewed for objective evidence that they are impaired and uncollectable, either at the level of an individual security or collectively within a group of loans with similar credit risk characteristics To the extent that a loan is uncollectable, it is written down as impaired to its recoverable amount, measured as the present value of expected future cash flows discounted at the original effective interest rate of the loan, including any collateral receivable Subsequent recoveries in excess of the loan's written-down carrying value are credited to the income statement

(g) 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 transferred substantially all the risks and rewards of the asset, or 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 Statement of Financial Position 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 Group Holdings Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(h) Foreign currency transactions

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

(i) Income taxes

The current tax credit or expense is based on the taxable results 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 rates enacted or substantively enacted at the Statement of Financial Position date are used to determine the deferred tax

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are recognised in other comprehensive income and directly in equity respectively Deferred tax related to fair value re-measurement of available for sale investments and other amounts charged or credited directly to other comprehensive income is recognised in the Statement of Financial Position as a deferred tax asset or liability

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 is expected to arise on their disposal

(j) 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 when they have been approved by shareholders

2. Directors and employees

All directors are remunerated by Aviva Employment Services Limited, an indirect subsidiary company The emoluments of these directors are recharged to operating companies as appropriate and it is not practicable to calculate the exact charge borne by the Company

The Company has no employees *(2010 nil)*

3. Investment income

Investment income comprises	**2011 £m**	2010 £m
Dividend income from subsidiaries	**213**	730
Interest receivable from subsidiaries and other Group companies	**1**	1
	214	731

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

4. Finance costs

Finance costs comprise.	**2011 £m**	2010 £m
Bank charges	**3**	-
Interest expense (note 19)	**22**	22
	25	22

5. Other expenses

Other expenses comprise:	**2011 £m**	2010 £m
Pension funding costs, net of recharges to fellow group companies (note 9(a))	**23**	187
Pension settlement payment	**-**	1
Foreign exchange loss	**-**	1
	23	189

6. Auditor's remuneration

Fees for the audit of the Company were £8,500 for 2011 *(2010 £8,100)* and have been borne by Aviva plc

7. Impairment of investments in subsidiaries

The impairment charge in 2011 relates to the carrying value of the Company's investments in Aviva USA Corporation and Aviva Central Services UK Limited

8. Dividends

	2011 £m	2010 £m
Ordinary dividends declared and charged to equity in the year		
Interim dividend	**850**	900
	850	900

9. Retirement benefit obligations

(a) Introduction

In the United Kingdom, the Aviva Group operates two main pension schemes, the Aviva Staff Pension Scheme ("ASPS") and the smaller RAC (2003) Pension Scheme ("RAC scheme") Staff whose costs are recharged to the Company are members of the ASPS and receive benefits on either a defined benefit or a defined contribution basis New entrants join the defined contribution section of the ASPS, as the defined benefit section is now closed This scheme is operated by a trustee company, with trustee directors comprising representatives of the employers, staff, pensioners and an independent trustee (referred to below as the trustees)

On 20 October 2010, following formal consultation, the Group confirmed its decision to close the final salary sections of both UK schemes with effect from 1 April 2011, with entry into the defined contribution sections being offered to the staff members affected The consequential reduction in the liabilities of the ASPS, arising from projecting forward using estimates of inflation rather than salary inflation, together with additional contributions to affected members' defined contribution accounts and implementation costs, resulted in an overall gain on closure of £268 million which was accounted for in 2010 Closure of the schemes has removed the volatility associated with adding future accrual for active members, and has also led to lower service costs and their cash funding since April 2011

9. Retirement benefit obligations (continued)

(a) Introduction (continued)

At 31 March 2009, the date of the last actuarial valuation, this section of the scheme had an excess of obligations over available assets, on a funding basis, which uses more prudent assumptions than are required for reporting under IAS 19, of £3 0 billion As a result of that valuation, the Group and the trustees agreed a long-term funding plan in May 2010 where contributions, together with anticipated growth in scheme investments, are expected to eliminate the funding deficit over time Under this agreement, deficit funding payments of £378 million were made in 2010, and £178 million in 2011 Further funding payments of £130 million are expected in 2012 The funding payments, the reduction in scheme liabilities arising from the scheme closure described above and the benefits arising from interest rate and inflation hedging activity have been partially offset by the impact of adverse market conditions, in particular significant falls in real gilt yields At 31 December 2011, the funding deficit is estimated to have fallen to £2 3 billion

As the employing company for most of the Aviva Group staff in the UK, the pension costs are initially borne by one of the Company's indirectly-held subsidiaries, Aviva Employment Services Limited ("AES"), and are then recharged to the operating divisions of the Group as part of an overall charge for payroll-related items The level of recharges for pension and other costs to each business is reviewed annually The Company contributed deficit funding payments of £152 million *(2010, £353 million)* to the defined benefit section of the Scheme in the year and was refunded £129 million *(2009 £166 million)* from the other UK businesses, giving a net expense of £23 million *(2010 net expense of £187 million)* for the year

In the absence of any contractual arrangements to allocate the net defined benefit cost for the ASPS, measured in accordance with IAS 19, to individual businesses, it is the Aviva Group's policy to allocate this cost fully to AES As required by paragraph 34B of IAS 19, disclosures for the ASPS are provided below

(b) Details of the defined benefit section of the ASPS

The details for the defined benefit section of the ASPS are shown below Although this scheme provides both defined benefit and defined contribution pensions, the assets and liabilities shown exclude those relating to defined contribution pensions

(i) Assumptions on scheme liabilities

The valuation used for accounting under IAS 19 has been based on the most recent full actuarial valuation, updated to take account of that standard's requirements in order to assess the liabilities of the ASPS at 31 December 2011 Scheme assets are stated at their fair values at 31 December 2011

The main actuarial assumptions used to calculate scheme liabilities under IAS 19 are

	2011	2010
Inflation rate	**3 1%**	3 5%
General salary increases	**4 9%**	5 3%
Pension increases	**3.1%**	3 5%
Deferred pension increases	**3.1%**	3 5%
Discount rate	**4 9%**	5 5%

The discount rate and pension increase rate are the two assumptions that have the largest impact on the value of the liabilities, with the difference between them being known as the net discount rate The discount rate is based on current average yields of high quality debt instruments (AA-rated corporate bonds), taking account of the maturities of the defined benefit obligations A 1% increase in this rate (and therefore the net discount rate) would reduce the liabilities by £1 4 billion and the service cost for the year by £4 million It would also increase the interest cost on those liabilities by £1 million

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

9. Retirement benefit obligations (continued)

(b) Details of the defined benefit section of the ASPS (continued)

(i) Assumptions on scheme liabilities (continued)

Mortality assumptions
Mortality assumptions are significant in measuring the Company's obligations under the defined benefit section, particularly given the maturity of these obligations in this scheme The mortality table, average life expectancy and pension duration used at 31 December 2011 for scheme members are as follows

Mortality table	Normal retirement age (NRA)	Life expectancy (pension duration) at NRA of a male		Life expectancy (pension duration) at NRA of a female	
		Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
Club Vita pooled experience, including allowance for future improvements	60	89 9 (29 9)	93 2 (33 2)	89 9 (29 9)	92 1 (32 1)

The assumptions above are based on commonly-used mortality tables and are those used by the scheme's trustees in the most recent full actuarial valuation The tables make allowance for observed variations in such factors as age, gender, pension amount, salary and postcode-based lifestyle group, and have been adjusted to reflect recent research into mortality experience However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption These assumptions include an allowance for future mortality improvement, based on the actuarial profession's long cohort projection tables and incorporating underpins to the rate of future improvement equal to 1 5% p a for males and 1 0% p a for females The effect of assuming all members were one year younger would increase the scheme's liabilities by £214 million and the service cost for the year by £0 3 million

The discounted scheme liabilities have an average duration of 20 years

(ii) Assumptions on scheme assets

The expected rates of return on the schemes' assets are

	2012	2011
Equities	5 8%	7 2%
Bonds	3 4%	4 4%
Property	4 3%	5 7%
Cash	0 7%	0 6%

The overall rates of return are based on the expected returns within each asset category and on current asset allocations

(iii) Recognition in the statement of financial position

The assets and liabilities of the ASPS, attributable to defined benefit members, at 31 December 2011 were

	2011 £m	2010 £m
Equities	583	2,117
Bonds	8,029	5,103
Property	578	483
Other	894	739
Total fair value of assets	10,084	8,442
Present value of scheme liabilities	(8,414)	(7,918)
Net Surplus in the scheme	1,670	524

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

9. Retirement benefit obligations (continued)

(b) Details of the defined benefit section of the ASPS (continued)

(iv) Movements in the scheme's surplus

Movements in the scheme's surplus comprise

2011	Scheme assets £m	Scheme liabilities £m	Pension surplus/ (deficit) £m
Surplus in the scheme at 1 January	**8,442**	**(7,918)**	**524**
Employer contributions	**239**	**-**	**239**
Benefits paid	**(257)**	**257**	**-**
Current and past service cost	**-**	**(29)**	**(29)**
Credit/(charge) to finance costs	**384**	**(429)**	**(45)**
Actuarial gains/(losses)	**1,276**	**(295)**	**981**
Surplus in the scheme at 31 December	**10,084**	**(8,414)**	**1,670**

2010	Scheme assets £m	Scheme liabilities £m	Pension surplus/ (deficit) £m
Deficit in the scheme at 1 January	7,312	(8,371)	(1,059)
Employer contributions	501	-	501
Employee contributions	1	(1)	-
Benefits paid	(256)	256	-
Current and past service cost	-	(105)	(105)
Gains on curtailments and settlements	-	318	318
Credit/(charge) to finance costs	382	(469)	(87)
Actuarial gains	502	454	956
Surplus in the scheme at 31 December	8,442	(7,918)	524

(c) Guarantees in respect of UK pension schemes

As described in section (a) above, Aviva plc and the trustees of the ASPS agreed a new long-term funding arrangement for the scheme In May 2010 Recognising that the scheme will be exposed to a significant deficit while contributions build up over a long recovery period, the Company has given the ASPS trustees a guarantee for the duration of the funding period, covering AES's performance obligations up to the full cost of buying out all of the scheme liabilities with a third party insurance company should this be necessary

On 17 May 2011, Aviva plc and the trustees of the RAC scheme agreed a new long-term funding arrangement for that scheme and that AES should become the principal employer in place of RAC Limited In a similar manner to the ASPS support, the Company has given the RAC scheme trustees a guarantee for the duration of the scheme, covering AES's performance obligations up to the full cost of buying out all of the scheme liabilities with a third party insurance company should this be necessary

As the holding company for all the operating businesses, the Company can either direct the UK businesses to make payments to AES and ACS or else make the payments itself out of dividends from the businesses or capital/borrowings from Aviva plc The Company has therefore given the AES and ACS directors letters of support on behalf of the UK businesses saying that, in the event that AES and ACS are unable to meet their obligations, the Company will ensure those obligations are met as they fall due Both of the guarantees effectively formalise with the respective scheme trustees the support for AES given by the letter of support and, in the opinion of the directors, no provision is required in the Company's financial statements

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

10. Tax

(a) Tax credited to the income statement comprises

	2011 £m	2010 £m
Current tax		
For the year	11	-
Prior year adjustment	58	-
Total current tax credit	69	-

(b) Tax charged/(credited) to other comprehensive income

No tax was charged or credited to other comprehensive income in 2010 or 2011

(c) Tax reconciliation

The tax on the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the UK Corporation tax rate as follows

	2011 £m	2010 £m
(Loss)/profit before tax	(491)	1,614
Tax calculated at standard UK corporation tax rate of 26 5% *(2010 28%)*	130	(452)
Adjustment to tax charge in respect of prior years	58	-
Non-assessable dividends	56	205
Movement in provision for support to subsidiary	-	306
Impairment of investment in subsidiaries	(174)	-
Deferred tax asset not recognised	-	(59)
Non-allowable expenses	(1)	-
Total tax credited to the income statement	69	-

The unrecognised temporary differences at 31 December 2010 of £210 million related to losses for which a prior year tax credit of £58 million has been recognised in 2011 The Company has no remaining unrecognised temporary differences as at 31 December 2011

A reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and was effective from 1 April 2011 A further reduction from 26% to 25% was substantively enacted in July 2011 and was effective from 1 April 2012 In addition, a further 1% reduction in the UK corporation tax rate to 24%, effective from 1 April 2012, was announced in the 2012 Budget on 21 March 2012 and was substantively enacted on 26 March 2012 It was also announced that the UK corporation tax rate would reduce to 23% from 1 April 2013 and to 22% from 1 April 2014 The reduction in the rate to 23% was substantively enacted on 3 July 2012 There is no impact on the Company's net assets from the further reductions in the rate as the Company does not have any recognised or unrecognised deferred tax balances

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

11. Investments in subsidiaries

(a) Movements in the Company's investments in subsidiaries are as follows

	2011 £m	2010 £m
Fair value		
At 1 January	**23,103**	22,394
Transfer from fellow group company (see (i) below)	**1,545**	-
Movement in fair value (see (ii) below)	**(2,659)**	709
At 31 December	**21,989**	23,103

All investments in subsidiaries are recorded as level 3 investments in the fair value hierarchy (see note 12(b))

(i) Transfer from fellow group company

The transfer from a fellow group company of £1,545 million results from the ongoing Group restructuring On 31 December 2011, the entire shareholding in Aviva USA Corporation and the associated intercompany loan assets were transferred to the Company from Aviva International Holdings Limited, via Aviva Insurance Limited ("AIL") at fair value The transfer was settled via intercompany loan and assumption of an intercompany loan liability to Aviva plc No profit or loss has been recognised by the Company on these transfers

(ii) Movement in fair value

The negative fair value movement is primarily due to a decline in the financial market inputs to our valuation model relative to the prior year end, reflecting global market trends over the year and resulting in a lower estimate of the fair value of the Company's investments in subsidiaries

(b) Details of the Company's wholly-owned subsidiaries at 31 December 2011, all of which are incorporated in the United Kingdom, except where stated, are as follows

Name	Activity
Aviva Brands Limited	Trademarks holding company
Aviva Brands (No 2) Limited	Trademarks holding company
Aviva Central Services UK Limited	Service and administration
Aviva International Insurance Limited	Financial services
Aviva Investors Holdings Limited	Investment management services
Aviva Life Holdings UK Limited	Intermediate holding Company
Hill House Hammond Limited	Non-trading company
Undershaft Limited	Intermediate holding Company
Aviva USA Corporation (incorporated in the US)	Insurance Business

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

12. Fair value methodology

(a) Basis for determining fair value hierarchy of financial instruments

For financial instruments carried at fair value, the Company has categorised the measurement basis into a 'fair value hierarchy' as follows

Quoted market prices in active markets – ("Level 1")
Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis Examples are listed equities in active markets, listed debt securities in active markets and quoted unit trusts in active markets

Modelled with significant observable market inputs – ("Level 2")
Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset Level 2 inputs include the following

a quoted prices for similar (i e not identical) assets in active markets,
b quoted prices for identical or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly,
c inputs other than quoted prices that are observable for the asset (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and
d inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market-corroborated inputs)

Examples of these are securities measured using discounted cash flow models based on market observable swap yields and listed debt or equity securities in a market that is inactive Valuations, whether sourced from internal models or third parties, incorporate credit risk by adjusting the spread above the yield curve for government treasury securities for the appropriate amount of credit risk for each issuer, based on observed market transactions To the extent observed market spreads are either not used in valuing a security, or do not fully reflect liquidity risk, our valuation methodology, whether sourced from internal models or third parties, reflects a liquidity premium

Modelled with significant unobservable market inputs – ("Level 3 ")

Inputs to Level 3 fair values are unobservable inputs for the asset Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models) As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset Examples include investments in subsidiaries

(b) Fair value hierarchy

Investments in subsidiaries are considered to be Level 3 investments (note 11) A reconciliation of the movement in the fair value of these assets is shown in note 11 There were no transfers into or out of Level 3 in 2011 or 2010 The unobservable inputs to the fair value relate to assumptions made to individual subsidiary net assets or embedded values, all of which are underpinned by the market capitalisation of Aviva plc Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternatives assumptions would not change the fair value significantly

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

13. Tax assets and liabilities

(a) Tax Assets

Tax Asset	2011 £m	2010 £m
Expected to be recoverable in less than one year	11	-
Tax asset recognised in Statement of Financial Position	11	-

(b) Group Relief

Assets for the prior year tax settled by Group relief of £58 million *(2010 £3 million tax liability)* are recoverable in less than one year

14. Cash and cash equivalents

Cash and cash equivalents of the Company at 31 December were	2011 £m	2010 £m
Cash at bank	4	14

15. Ordinary share capital and share premium

(a) Details of the Company's ordinary share capital are as follows

The ordinary share capital of the Company at 31 December 2011 was	2011 £m	2010 £m
Allotted, called up and fully paid		
546,321 ordinary shares of £10,000 each	5,463	5,463

Ordinary shares in issue in the Company rank pari passu All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company

(b) Movements during the year comprise

	Number of shares	Share capital £m	Share premium £m
At 1 January 2011	546,321	5,463	1,623
At 31 December 2011	**546,321**	**5,463**	**1,623**

16. Other liabilities

Other liabilities of the Company at 31 December were	2011 £m	2010 £m
Bank overdraft	-	9

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

17. Reserves

	Investment valuation reserve £m	Special Reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2010	5,879	111	4,005	9,995
Arising in the year				
Profit for the year	-		1,614	1,614
Fair value gains on investment in subsidiaries	709	-	-	709
Dividends paid	-	-	(900)	(900)
Balance at 31 December 2010	**6,588**	**111**	**4,719**	**11,418**
Arising in the year				
Loss for the year	-	-	**(422)**	**(422)**
Fair value movements on investments in subsidiaries (note 11(a))	**(2,659)**	-	-	**(2,659)**
Impairment losses on investments previously revalued through other comprehensive income, now taken to income statement (note 7)	**657**	-	-	**657**
Dividends paid	-	-	**(850)**	**(850)**
Balance at 31 December 2011	**4,586**	**111**	**3,447**	**8,144**

Of the £3,447 million retained earnings as at 31 December 2011, £119 million is non- distributable *(2010 £119 million)*

The special reserve balance of £111 million arose in 2007, following the transfer of one subsidiary to another in a share transfer under the group reconstruction relief provisions of the Companies Act 1985

18. Risk management policies

The Company's approach to risk and capital management

Risk management framework

The Company's risk management framework is aligned with that of the Aviva plc Group and forms an integral part of the management and Board processes and decision-making framework

The Company's risk management approach is aimed at actively identifying, measuring, managing, monitoring and reporting significant existing and emerging risks on a continuous basis Risks are measured considering the significance of the risk to the business and its internal and external stakeholders

To promote a consistent and rigorous approach to risk management, the Aviva plc Group has set out formal risk management policies that detail risk management and control standards for the Group's worldwide operations, including the Company

The directors recognise the critical importance of having efficient and effective risk management systems in place and acknowledge that they are responsible for the Company's framework of internal control and of reviewing its effectiveness The framework is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, and can only provide reasonable assurance against misstatement or loss The directors of the Company are satisfied that their adherence to this Group framework provides an adequate means of managing risk in the Company These are documented as follows

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

18. Risk management policies (continued)

Management of financial and non-financial risks

(a) ***Market risk***

Market risk is the risk of adverse impact due to changes in fair value or future cash flows from fluctuations in interest rates, foreign currency exchange rates, equity prices or property values At the Statement of Financial Position date, the Company did not have any material exposure to property values

Interest rate risk arises from the inter-company loans payable and receivable (see related party transactions note 19) The effect of a 100 basis point increase in interest rates would be an increase in net interest expense of £56 million *(2010 £1 million)* The fair value or net asset value of the Company's financial resources is not materially affected by fluctuations in interest rates

Investments in subsidiary operations are stated at fair value, which is calculated using internal models that are driven, in part, by reference to external market indices, equity prices and market multiples As such, the net asset value of the Company is exposed, indirectly, to longer-term movements in those indices, prices and multiples

A number of the Company's ultimate subsidiary undertakings are non-UK companies and so a change in the relevant foreign currency exchange rate will impact that value of the investment The primary foreign currency exchange exposures are the US dollar and, indirectly through Aviva International Holdings Limited, the Euro and Canadian dollar

(b) ***Credit risk***

Credit risk is the risk of loss in as a result of the default or failure of third-parties to meet their payment obligations, or variations in the market values as a result of changes in expectation related to these risks

The Company's financial assets comprise amounts due from its parent, Aviva plc, and fellow Group companies, and as such the credit risk arising from counterparties failing to meet all or part of their obligations is considered remote Due to the nature of the financial assets, and the fact that the loans are settled, and not traded the Company is not exposed to the risk of changes to the market value caused by changing perceptions of the credit worthiness of such counterparties

In addition, the interest paid on the loan from Aviva Insurance Limited is linked to Libor and so a change in the Libor rate would impact the level of investment interest paid by the Company

(c) ***Operational risk***

Operational risk arises as a result of direct or indirect loss resulting from inadequate or failed internal processes or, from people and systems, or from external events, including changes in the legislative or regulatory environment The Company's Board is responsible for satisfying itself that material operational risks are being mitigated and reported to an acceptable level Operational risks are assessed according to the potential impact and probability of the event concerned These impact assessments are made against financial, operational and reputation criteria

Given its limited activities, the key operational risks to the Company are inadequate governance and lack of sufficiently robust financial controls The risks are mitigated by the Board's adoption and implementation of the Group's risk management policies and framework and compliance with the Group's financial reporting and controls framework

(d) Liquidity risk

Liquidity risk is the risk that the Company is not able to make payments as they become due because there are insufficient assets in cash form Within its financial resources, the Company does not hold significant assets in a cash form, or in assets that can readily be turned into cash form, and is therefore reliant upon other Group companies to meet its cash requirements, with the transactions settled through inter-company loan accounts

Notes to the Financial Statements (continued)

18. Risk management policies (continued)

Management of financial and non-financial risks (continued)

(e) Capital management

The Company's capital risk is determined with reference to the requirements of the Company's shareholders In managing capital, we seek to maintain sufficient, but not excessive, financial strength to support payment of loan interest and dividends In addition, the company has provided letters of support to the directors of Aviva Employment Services Limited ("AES") and Aviva Central Services UK Limited ("ACS"), saying that, in the event these companies are unable to meet their obligations, relating mainly to any pension deficit provisions in AES, the Company will meet the obligations as they fall due

The sources of capital used by the Company are equity shareholders' funds At 31 December 2011, the Company had £15,230 million *(2010 £18,504 million)* of total capital employed

19. Related party transactions

Related party transactions are loans to and from related parties made on normal arm's length contractual terms The maturity analysis of the related party loans is as follows

Receivables					
	Denominated currency	On demand or Within 1 year £m	1-5 years £m	Over 5 years £m	Total £m
2011	**£/$**	**24**	**589**	**37**	**650**
2010	£/$	-	23	37	60

Payables		Maturity analysis of contractual undiscounted cash flows (excluding interest)			
	Denominated currency	Within 1 year £m	1-5 years £m	Over 5 years £m	Total £m
2011	**£/$**	**60**	**5,618**	**87**	**5,765**
2010	£	-	60	144	204

Loans - Contractual undiscounted interest payments					
	Denominated currency	Within 1 year £m	1-5 years £m	5-10 years £m	Total £m
2011	**£/$**	**33**	**887**	**36**	**956**
2010	£	22	41	36	99

The Company's maximum exposure to credit risk is equal to the carrying value of assets in the Statement of Financial Position

The £37 million receivable in over 5 years is the sterling equivalent of a US dollar denominated loan to Aviva Investors Holdings Limited, translated at the Statement of Financial Position date

Aviva Group Holdings Limited

Notes to the Financial Statements (continued)

19. Related party transactions (continued)

Services provided to related parties (including dividend income)

	2011		2010	
	Income earned in year	**Receivable at year end**	Income earned in year	Receivable at year end
	£m	**£m**	£m	£m
Ultimate parent	**-**	**22**	-	5
Subsidiaries	**343**	**923**	897	190
	343	**945**	897	195

Services provided by related parties (excluding dividends declared)

	2011		2010	
	Expense incurred in year	**Payable at year end**	Expense incurred in year	Payable at year end
	£m	**£m**	£m	£m
Ultimate parent	-	2,749	-	2,104
Subsidiaries	**174**	5,028	375	2,692
	174	**7,777**	375	4,796

The income from related parties in the year comprised dividend income from subsidiaries of £213 million *(2010 £730 million)*, recharges to fellow group companies for pension funding of £129 million *(2010 £166 million)* and interest receivable from subsidiaries and other Group companies of £1 million *(2010 £1 million)* The expenses incurred with related parties in the year comprised interest expense of £22 million *(2010 £22 million)* and pension deficit funding of £152 million *(2010 £353 million)*

The payable balance at the year end with the ultimate parent company of £2,749 million comprises £746 million interest bearing loans and £2,003 million non interest-bearing current accounts

The payable balance at the year end with subsidiaries of £5,028 million comprises £5,019 million interest bearing loans and £9 million non interest-bearing current accounts

Compensation of key management

The Company bears no costs in relation to key management personnel, and all such costs are borne by Aviva plc

20. Parent company details

The immediate and ultimate parent company is Aviva plc, a public limited company incorporated and domiciled in the United Kingdom Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ