

COMMERCIAL UNION TRUSTEES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
2009



Commercial Union Trustees Limited

Contents

	Page
Directors and officer	1
Directors' report	2
Independent auditor's report	5
Accounting policies	7
Income statement	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
 Notes to the financial statements	
1 Presentation changes	14
2 Interest receivable	14
3 Employee information	14
4 Directors	14
5 Auditor's remuneration	15
6 Tax	15
7 Trade and other receivables	15
8 Trade and other payables	16
9 Tax assets and liabilities	16
10 Ordinary share capital	16
11 Statement of cash flows	17
12 Risk management	18
13 Capital structure	21
14 Related party transactions	22

Commercial Union Trustees Limited

Directors and officer

Directors:

Aviva Company Secretarial Services Limited
Aviva Director Services Limited
R H Spicker

Officer - Company Secretary:

Aviva Company Secretarial Services Limited

Auditor:

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

Registered office:

St Helen's
1 Undershaft
London
EC3P 3DQ

Company number:

Registered in England and Wales No 2045961

Other information:

Commercial Union Trustees Limited ("the Company") is a member of the Aviva plc group of companies ("the Group")

Commercial Union Trustees Limited

Registered in England and Wales No. 2045961

Directors' report

For the year ended 31 December 2009

The directors present their annual report and financial statements for the Company for the year ended 31 December 2009

Directors

The names of the current directors of the Company appear on page 1

Aviva Company Secretarial Services Limited and Aviva Director Services Limited have served as directors throughout the period since 1 January 2009

R H Spicker was appointed as a director on 22 April 2010

Principal activity

The principal activity of the Company is to act as an administrator of executor and trustee business

Business review

Basis of preparation

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

Objectives and future developments

High level strategies are determined by Aviva plc and these are shown in its financial statements. The directors consider that the Company's principal activity will continue unchanged into the foreseeable future

Financial key performance indicators

The directors consider that the Company's key performance indicators ("KPIs") that communicate the financial performance are as follows

- (Decrease)/increase in revenue and
- Profit before tax as a proportion of revenue

A summary of the KPIs is set out below

Measure	2009	2008
(Decrease)/increase in revenue	(7.0%)	(21.0%)
Profit before tax as a proportion of revenue	14.3%	44.3%

Commercial Union Trustees Limited

Directors' report (continued)

Business review (continued)

Financial position and performance

The financial position of the Company at 31 December 2009 is shown in the statement of financial position on page 11, with the trading results shown in the income statement on page 10 and the statement of cash flows on page 13

Profit before tax decreased from £70 thousand in 2008 to £21 thousand in 2009. This is due to a decline in turnover, and an increase in administrative expenses from £94 thousand in 2008 to £127 thousand in 2009. Costs are allocated to the Company based on the Company's fee revenue relative to other Group companies carrying on similar work. Costs increased compared to 2009 and the Company's proportion of total fees increased, leading to the increase in allocated costs.

Principal risks and uncertainties.

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 12 to the financial statements.

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 in preparing the financial statements.

Financial instruments

The business of the Company includes the use of financial instruments. Details of the Company's risk management objectives and policies and exposures to risk relating to financial instruments are set out in note 12 to the financial statements.

Dividends

No interim dividend for the year was paid (2008: £ nil). The directors do not recommend the payment of a final dividend (2008: £ nil).

Employees

All employees are employed by a fellow Group company, Aviva Employment Services Limited. Disclosures relating to employees may be found in the Annual Report and Accounts of Aviva plc.

Auditor

It is the intention of the directors to reappoint the auditor under the deemed appointment rules of section 487 of the Companies Act 2006.

Commercial Union Trustees Limited

Directors' report (continued)

Directors' liabilities

Aviva plc, the Company's ultimate parent company, 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 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 the transitional provisions to the Companies Act 2006.

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 his 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.

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

By order of the Board



Authorised signatory

For and on behalf of Aviva Company Secretarial Services Limited

Company Secretary

22 September 2010

Commercial Union Trustees Limited

Independent auditor's report

To the members of Commercial Union Trustees Limited

We have audited the financial statements of Commercial Union Trustees Limited for the year ended 31 December 2009, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 14. 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2009 and of its profit 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Commercial Union Trustees Limited

Independent auditor's report (continued)

To the members of Commercial Union Trustees Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Angus Millar (senior statutory auditor)
for and on behalf of Ernst & Young LLP
London

27 September 2010

Commercial Union Trustees Limited

Accounting policies

The Company is a limited liability company incorporated and domiciled in Great Britain. Its principal activity is to act as an administrator of executor and trustee business.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(A) Basis of presentation

The financial statements have been prepared in accordance with IFRS and International Accounting Standards ("IAS") as endorsed by the EU, applicable at 31 December 2009.

The following recently issued pronouncements are effective for the 2009 financial statements and had been endorsed by the EU as at the date of authorisation of these financial statements. With the exception of IAS 1 Presentation of Financial Statements, A Revised Presentation and Amendment to IFRS 7 Improving Disclosures about Financial Instruments (see note 1), none of these pronouncements materially impact the Company's financial reporting.

- IAS 1 Presentation of Financial Statements, A Revised Presentation
- Amendment to IAS 23 Borrowing Costs
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendment to IAS 39 Reclassification of Financial Assets, Effective Date and Transition
- Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets
- Improvements to IFRSs (issued in May 2008)
- Improvements to IFRSs (issued in April 2009)
- Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate
- Amendment to IFRS 2 Share-based Payment, Vesting Conditions and Cancellations
- Amendments to IFRS 7 Improving Disclosures about Financial Instruments
- IFRS 8 Operating Segments
- Amendments to IFRIC 9 and IAS 39 Embedded Derivatives
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 18 Transfers of Assets from Customers

The following pronouncements are effective in future years and had been endorsed by the EU as at the date of authorisation of the financial statements. These pronouncements are not expected to have a material impact on the Company's financial reporting.

- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 32 Classification of Rights Issues
- Amendment to IAS 39 Financial Instruments, Recognition and Measurement, Eligible Hedged Items
- Improvements to IFRSs (issued in April 2009)
- Revised IFRS 1 First Time Adoption of IFRS
- Amendments to IFRS 1 Additional Exemptions for First-time Adopters
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
- Revised IFRS 3 Business Combinations
- IFRIC 17 Distributions of Non-cash Assets to Owners

IFRS 9 Financial Instruments is effective in future years and awaiting endorsement. The Company is currently reviewing the potential impact on the financial statements.

The financial statements are stated in pounds sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling ("£000").

Commercial Union Trustees Limited

Accounting policies (continued)

(B) Use of estimates

The preparation of 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 ultimately may differ from those estimates, possibly significantly.

(C) Revenue recognition

Revenue includes the fair value derived from the sale of services to customers, net of value added tax, rebates and discounts.

Revenue for sales of services is recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised using the effective interest method.

(D) 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:

- (i) the rights to receive cash flows from the asset have expired,
- (ii) 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
- (iii) 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, 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.

(E) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the amount of the provision is recognised in the income statement.

Commercial Union Trustees Limited

Accounting policies (continued)

(F) 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.

(G) 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 rates enacted or substantively enacted at the statement of financial position 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.

(H) Share capital and dividends

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of 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 will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

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.

Commercial Union Trustees Limited

Income statement

For the year ended 31 December 2009

	Note	<u>2009</u> £000	<u>2008</u> £000
Revenue		147	158
Administrative expenses		(127)	(94)
Operating profit		20	64
Interest receivable	2	1	6
Profit before tax		21	70
Tax expense	6	(6)	(20)
Profit for the year		<u>15</u>	<u>50</u>

The Company has no comprehensive income other than that included in the results above and therefore a separate statement of comprehensive income has not been presented

The accounting policies on pages 7 to 9 and notes on pages 14 to 22 are an integral part of these financial statements

Commercial Union Trustees Limited

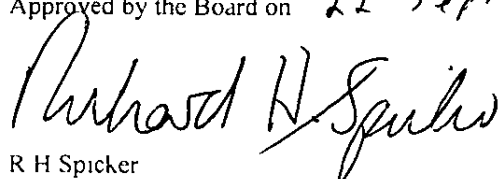
Statement of financial position

As at 31 December 2009

	Note	2009 £000	2008 £000
ASSETS			
Non-current assets			
Trade and other receivables	7	1,922	-
Current assets			
Trade and other receivables	7	1	1,989
Cash and cash equivalents	11(b)	154	90
		155	2,079
LIABILITIES			
Current liabilities			
Trade and other payables	8	(93)	(463)
Net current assets		62	1,616
Non-current liabilities			
Trade and other payables	8	(367)	-
Liabilities for current tax	9	(6)	(20)
Net assets		1,611	1,596
EQUITY			
Ordinary share capital	10	1,000	1,000
Retained earnings		611	596
Total equity		1,611	1,596

The accounting policies on pages 7 to 9 and notes on pages 14 to 22 are an integral part of these financial statements

Approved by the Board on 22 September 2010



R H Spicker
Director

Commercial Union Trustees Limited

Statement of changes in equity

For the year ended 31 December 2009

	<u>Ordinary share capital</u> £000	<u>Retained earnings</u> £000	<u>Total equity</u> £000
Balance at 1 January 2008	1,000	546	1,546
Total comprehensive income for the year	-	50	50
Total movements in the year	-	50	50
Balance at 31 December 2008	1,000	596	1,596
Total comprehensive income for the year	-	15	15
Total movements in the year	-	15	15
Balance at 31 December 2009	1,000	611	1,611

The accounting policies on pages 7 to 9 and notes on pages 14 to 22 are an integral part of these financial statements

Commercial Union Trustees Limited

Statement of cash flows

For the year ended 31 December 2009

	Note	<u>2009</u> £000	<u>2008</u> £000
Cash flows from operating activities			
Net cash inflow from/(outflow to) operating activities	11(a)	63	(8)
<i>Net cash from/(used in) operating activities</i>		<u>63</u>	<u>(8)</u>
Cash flows from investing activities			
Interest received		1	6
<i>Net cash from investing activities</i>		<u>1</u>	<u>6</u>
Net increase/(decrease) in cash and cash equivalents		64	(2)
Cash and cash equivalents at 1 January		90	92
Cash and cash equivalents at 31 December	11(b)	<u>154</u>	<u>90</u>

The accounting policies on pages 7 to 9 and notes on pages 14 to 22 are an integral part of these financial statements

Commercial Union Trustees Limited

Notes to the financial statements

1. Presentation changes

(a) The Company has adopted IAS 1 (Revised) Presentation of Financial Statements as at 1 January 2009. The principal effect of this has been in presentation of the financial statements, in the following areas

(i) The titles of some of the prime statements have changed, so that the statement of changes in shareholder's equity is now called the statement of changes in equity, the balance sheet is now called the statement of financial position, and the cash flow statement is now called the statement of cash flows

(ii) The standard requires the income tax effect of each component of comprehensive income to be disclosed

(iii) Changes in the year in each element of equity must now be shown on the face of the statement of changes in equity, rather than in the notes

(iv) The standard requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has either applied an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the financial statements. None of these conditions applies

(b) The Company has also adopted Amendments to IFRS 7, Improving Disclosures about Financial Instruments, as at 1 January 2009. The principal impact of these amendments is to require disclosure of an enhanced discussion and analysis of liquidity risk, including a maturity analysis of financial assets held for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk

Comparative information for the disclosures required by the IFRS 7 amendments is not needed in the first year of application

2. Interest receivable

	<u>2009</u> <u>£000</u>	<u>2008</u> <u>£000</u>
Bank interest receivable	1	6

3. Employee information

All employees are employed by a fellow Group company, Aviva Employment Services Limited. Disclosures relating to employees may be found in the Annual Report and Accounts of Aviva plc.

4. Directors

All directors of the Company are remunerated as employees by Aviva Employment Services Limited. This remuneration is recharged to all operating divisions of the Group under management service agreements. However, no cost is borne by the Company for the services of the directors in their capacity as directors.

Commercial Union Trustees Limited

Notes to the financial statements (continued)

5. Auditor's remuneration

The total remuneration payable by the Company, excluding VAT, to its auditor, Ernst & Young LLP, in respect of the audit of these financial statements, is shown below. The Company is exempt from disclosing other fees payable to its auditor, in respect of other work, by virtue of regulation 5(1)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, as it is disclosed within the Annual Report and Accounts of Aviva plc, the Company's ultimate controlling entity (see note 14(c)).

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Audit services		
Statutory audit of the Company's financial statements	2	2

Audit fees are paid by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies.

6. Tax

(a) Tax charged to income statement

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Current tax		
For this year	6	20
Total tax charged to income statement	6	20

(b) Tax reconciliation

The tax on the Company's profit before tax is equal to the theoretical amount that would arise using the tax rate in the United Kingdom ("UK") as follows:

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Profit before tax	21	70
Tax calculated at standard UK corporation tax rate of 28% (2008: 28.5%)	6	20
Total tax charged to the income statement (note 6(a))	6	20

7. Trade and other receivables

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Amounts due from related parties (note 14(a)(i))	1,922	1,967
Accrued income	1	22
	<u>1,923</u>	<u>1,989</u>
Expected to be recovered within one year	1	1,989
Expected to be recovered in more than one year	1,922	-
	<u>1,923</u>	<u>1,989</u>

Commercial Union Trustees Limited

Notes to the financial statements (continued)

8. Trade and other payables

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Amounts owed to related parties (note 14(a)(ii))	460	463
Expected to be settled within one year	93	463
Expected to be settled in more than one year	367	-
	<u>460</u>	<u>463</u>

9. Tax assets and liabilities

Current tax

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Tax liability		
Expected to be payable in more than one year	6	20
Tax liability recognised in statement of financial position	<u>6</u>	<u>20</u>

Liabilities for prior years' tax settled by group relief of £20 thousand (2008 £34 thousand) are included within "Trade and other payables" (note 8) and within the related party transactions (note 14(a)(ii)) and are payable in less than one year

A gradual reduction in the UK corporation tax rate from 28% to 24% over 4 years was announced in the Emergency Budget of 22 June 2010. The Finance Act published on 29 July 2010 included the first of the 1% rate reductions with effect from April 2011, with subsequent reductions to be dealt with by future legislation. No material impact is expected to arise from the 4% reduction.

10. Ordinary share capital

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

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Authorised		
1,000,000 (2008 1,000,000) Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1,000,000 (2008 1,000,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Commercial Union Trustees Limited

Notes to the financial statements (continued)

11. Statement of cash flows

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

	<u>2009</u> <u>£000</u>	<u>2008</u> <u>£000</u>
Profit before tax	21	70
Adjustment for		
Interest receivable	(1)	(6)
Changes in working capital		
Decrease/(increase) in trade and other receivables	66	(167)
(Decrease)/increase in trade and other payables	(23)	95
Net cash inflow from/(outflow to) operating activities	<u>63</u>	<u>(8)</u>

"(Decrease)/increase in trade and other payables" is stated after eliminating £20 thousand (2008 £34 thousand) of corporation tax liability settled or to be settled by group relief

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

	<u>2009</u> <u>£000</u>	<u>2008</u> <u>£000</u>
Cash at bank and in hand	<u>154</u>	<u>90</u>

Commercial Union Trustees Limited

Notes to the financial statements (continued)

12. Risk management

The Company has established a risk management framework to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. This framework is operated by a group of companies, "UKGI" (including the UK general insurance business carried out within Aviva Insurance Limited and Aviva International Insurance Limited), within the Aviva plc group ("the Group"), that are engaged in writing general insurance business and in various non-insurance activities in the UK. The risks faced by the Company can be categorised as follows:

- financial risks, which cover credit and liquidity risks,
- strategic risks which include issues such as customer products and markets as well as any risks to the Company's business model arising from changes in the market, and risks arising from mergers and acquisitions and
- operational risks which arise from inadequately controlled internal processes or systems, human error or non-compliance as well as from external events. Operational risks include taxation, reputation and regulatory risks, such as compliance.

The risk management framework provides the means to identify, assess, measure, manage and monitor all of the different types of risk faced by UKGI to provide a single picture of the threats and uncertainties faced and opportunities that exist.

UKGI sets limits to manage material risks to ensure the risks stay within risk appetite (the amount of risk UKGI is willing to accept). UKGI assesses the size and scale of a risk by considering how likely it is that the risk will materialise and the potential impact the risk could have on its business and its stakeholders. Where risks are outside appetite, actions are agreed to mitigate the exposure.

UKGI's risk management framework is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable assurance against material financial misstatement or loss. New risks or risks currently considered immaterial may also impair the future achievement of business objectives.

UKGI recognises the critical importance of maintaining an efficient and effective risk management framework. To this end, UKGI has an established governance framework, which has the following key elements:

- defined terms of reference for the legal entity Boards and the associated executive management and other committees within UKGI,
- a clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to executive management committees and senior management, and
- adoption of the Group policy framework that defines risk appetite measures and sets out risk management and control standards for the Group's worldwide operations. The policies also set out the roles and responsibilities of businesses, regions, policy owners, and risk oversight committees.

UKGI has developed economic capital models that support the measurement, comparison and further understanding of its risks. The results of the modelling are incorporated into key strategic planning and decision making processes. These models show the relative impact to economic capital from the risks faced. In turn this supports the assessment of appropriate and effective mitigating strategies where risks are outside of appetite.

Commercial Union Trustees Limited

Notes to the financial statements (continued)

12. Risk management (continued)

(a) Financial risk management

(i) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations

UKGI's management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's. Exposure levels are reported to, and reviewed by the UKGI Financial Risk Committee

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty and the type of exposure concerned.

The following table provides information regarding the aggregated credit risk exposure of the Company. "Non-rated" assets captures assets not rated by external ratings agencies.

31 December 2009	Credit rating						Carrying value in the statement of financial position
	AAA	AA	A	BBB	Speculative grade	Non-rated	
	£000	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	-	-	154	-	-	-	154

31 December 2008	Credit rating						Carrying value in the statement of financial position
	AAA	AA	A	BBB	Speculative grade	Non-rated	
	£000	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	-	-	90	-	-	-	90

At 31 December 2009, trade and other receivables are £1,923 thousand (2008: £1,989 thousand). Of this amount £1,922 thousand (2008: £1,967 thousand) is due from related parties, details of which are set out in note 14.

At 31 December 2009 and 2008, no financial assets are impaired or overdue.

The Company's cash and cash equivalents are placed with one counterparty.

Commercial Union Trustees Limited

Notes to the financial statements (continued)

12. Risk management (continued)

(ii) Liquidity risk

The Company is supported through its participation in UKGI

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets, which are available to fund the repayment of liabilities as they crystallise

31 December 2009	Total	Within 1 year	1 to 5 years	No fixed terms
	£000	£000	£000	£000
Receivables and other financial assets	1,923	1	-	1,922
Cash and cash equivalents	154	154	-	-
	<u>2,077</u>	<u>155</u>	<u>-</u>	<u>1,922</u>

The assets above are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company

As explained in note 1(b), comparative information for the disclosures required by the IFRS 7 amendments is not needed in the first year of application and so no table for 2008 is presented above

The following table shows the Company's financial liabilities analysed by duration

31 December 2009	Total	Within 1 year	1 to 5 years	No fixed terms
	£000	£000	£000	£000
Trade and other payables	460	93	-	367
Liabilities for current tax	6	-	6	-
	<u>466</u>	<u>93</u>	<u>6</u>	<u>367</u>

31 December 2008	Total	Within 1 year	1 to 5 years	No fixed terms
	£000	£000	£000	£000
Trade and other payables	463	463	-	-
Liabilities for current tax	20	-	20	-
	<u>483</u>	<u>463</u>	<u>20</u>	<u>-</u>

(b) Strategic risk management

(i) Types of strategic risk

UKGI is exposed to a number of strategic risks. UKGI's strategy needs to support its vision, purpose and objectives and be responsive to both the external and internal environment for example, changes in the competitive landscape arising from economic conditions, customer demands and competitor activity, regulatory changes, merger and acquisition opportunities and emerging trends (such as climate change, pandemic events and improving longevity)

(ii) Management of strategic risks

Strategic risk is explicitly considered throughout UKGI's strategic review and planning process. Developments are assessed during the quarterly performance management process where all aspects of the risk profile are considered

UKGI actively engages with external bodies to share the benefit of its expertise in supporting responses to emerging risks as well as challenging developments that could be damaging to the business and the industry as a whole

Commercial Union Trustees Limited

Notes to the financial statements (continued)

(c) Operational risk management

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks include taxation, reputation and regulatory risks, such as compliance. Only financial instrument risk requires quantification under IFRS and consequently no quantification of this risk is provided.

UKGI is responsible for identifying and managing operational risks in line with minimum standards of control set out in Group policies. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are considered against financial, operational and reputational criteria.

Business management teams must be satisfied that all material risks falling outside the Group's risk appetite are being mitigated, monitored and reported to an appropriate level. Any risks with a high potential impact level are monitored locally.

The UKGI risk management and governance function is responsible for ensuring implementation of the Group risk management methodologies and frameworks to assist line management in this work. It also provides support and independent challenge on the completeness, accuracy and consistency of risk assessments, and the adequacy of mitigating action plans.

The management of operational risk is overseen by the UKGI Operational Risk Committee.

As a consequence of the above, the business unit executive management team satisfies itself that material risks are being mitigated and reported to an acceptable level.

13. Capital structure

The Company maintains an efficient capital structure from equity shareholder's funds, consistent with the Company's overall risk profile and the regulatory and market requirements of the business. This note describes the way the Company manages capital and shows where this is employed.

(a) General

IFRS underpins the Company's capital structure and accordingly, the capital structure is analysed on this basis.

(b) Capital management

In managing its capital, the Company seeks to

- (i) maintain financial strength,
- (ii) retain financial flexibility by maintaining strong liquidity, and
- (iii) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company considers not only the traditional sources of capital funding, but alternative sources of capital, as appropriate, when assessing its deployment and usage of capital.

(c) Measure of capital

The Company is required to report its results on an IFRS basis.

Commercial Union Trustees Limited

Notes to the financial statements (continued)

13. Capital structure (continued)

(d) Capital structure

	IFRS net assets	IFRS net assets
	2009	2008
	£000	£000
Administrator of executor and trustee business	1,611	1,596
Total capital employed	1,611	1,596
Financed by		
Equity shareholder's funds	1,611	1,596

14. Related party transactions

(a) The Company had the following related party transactions in 2009 and 2008

(i) Services provided to related parties

	2009		2008	
	Income earned in year	Receivable at year end	Income earned in year	Receivable at year end
	£000	£000	£000	£000
Other Group companies	-	1,922	-	1,967

The receivables from related parties are not secured and no guarantees were received in respect thereof

(ii) Services provided by related parties

	2009		2008	
	Expense incurred in year	Payable at year end	Expense incurred in year	Payable at year end
	£000	£000	£000	£000
Other Group companies	127	460	94	463

Expenses incurred relate to recharges of administrative expenses from Aviva Insurance UK Limited and Aviva Central Services UK Limited, fellow Group companies

Transactions with Group companies for settlement of corporation tax assets and liabilities by group relief are described in note 9

(iii) Key management compensation

The directors and key management of the Company are considered to be the same as for Aviva Insurance UK Limited, a fellow Group company. Information on key management compensation may be found in note 31 - Related party transactions, in the financial statements of Aviva Insurance UK Limited (formerly Norwich Union Insurance Limited)

(b) Immediate parent company

The Company's immediate parent company is Undershaft Limited, registered in England and Wales

(c) Ultimate controlling entity

The ultimate controlling entity is Aviva plc. Its Annual Report and Accounts are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London, EC3P 3DQ