

Aviva International Holdings Limited

Registered in England No. 2180206

Annual Report and Financial Statements 2013

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Directors and officers

Directors

J R Lister
S C J Machell (resigned 28 February 2013)
T J Matthews (resigned 1 May 2013)
D J R McMillan (appointed 17 June 2013)
P C Regan (resigned 27 March 2014)
D F S Rogers (appointed 17 June 2013)

Officer – Company Secretary

K A Cooper

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Registered Office

St Helen's
1 Undershaft
London
EC3P 3DQ

Company Number

Registered in England and Wales: No. 2180206

Other Information

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

Strategic report

This strategic report is addressed to, and written for, the members of Aviva International Holdings Limited (the Company) with the aim of providing a fair review of the business development, performance during the year, and position 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.

Financial position and performance

The financial position of the Company at 31 December 2013 is shown in the Statement of Financial Position on page 18, with the trading results shown in the Income Statement on page 15 and the Statement of Cash Flows on page 19.

The Company is a wholly owned subsidiary of Aviva Group Holdings Limited. The principal activity of the company continues to be that of a holding company.

Significant events

On 28 February 2013, a major restructuring of the Group, which had economic effect from 1 January 2013, was completed. As part of the restructure the Company transferred its subsidiary holding in Aviva Canada Inc to its immediate parent, Aviva Insurance Limited, in consideration for a dividend in specie. Following this, the Company was transferred from its immediate parent Aviva Insurance Limited to Aviva Group Holdings Limited. The following subsidiary holdings were then transferred from the Company to its new immediate parent Aviva Group Holdings Limited in consideration for a dividend in specie; Aviva Asia Holdings Private Limited, Aviva Europe SE, Aviva Overseas Holdings Limited, Aviva Re Limited and CGU International Holdings B.V. The restructuring realised a profit of £1,688 million.

On 17 April 2013, the Company sold its investment in its Malaysia joint ventures CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad for a consideration of CAD 240 million (£154 million), realising a profit on sale of £70 million.

On 7 May 2013, the Company completed the sale of its investment in the Romanian Pensions subsidiary. SC Aviva Societate de Administrare a unui Fond de Pensii Privat SA Romania Pensions for a consideration of US\$7 million (£5 million), realising a profit on sale of £1 million.

The Company's investments in its Turkey subsidiary, Aviva Sigorta A.S, and its Indonesia subsidiary, PT Asuransi Aviva Indonesia, have been reclassified as held for sale assets. On 25 March 2014 Aviva plc announced the sale of Aviva Sigorta A.S. In January 2014 the Company signed a joint venture agreement with Astra International. As part of this agreement, the Company will dispose of its current investment in its Indonesia subsidiary. The investments have been transferred at their respective fair values of £2 million and £12 million.

The Company's investment in its Korean joint venture, Woori Aviva Life Insurance Co.Ltd, has been reclassified as a held for sale asset following the announcement by Aviva plc on the 14 April 2014 that it has reached an agreement to sell its entire 47% stake in the joint venture. The investment has been transferred at fair value of £19 million.

Future outlook

High level strategies of the Aviva Group are determined by the Board and these are shown in the Aviva plc Report and Financial Statements and Preliminary Announcement for the year ended 31 December 2013. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

It is anticipated that the Company's significant financial assets will continue to comprise its investments in its subsidiaries, joint ventures and an associate.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies to manage and mitigate these risks are set out in note 22 to the financial statements.

During 2013 the risk profile of the Company changed significantly following the major restructuring noted above and the disposals of its subsidiaries and equity investment in its Malaysia joint ventures CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad. As a result, at 31 December 2013, the Company's investments in subsidiaries reduced significantly and the proceeds of these disposals were used to reduce the Group loans payable.

Strategic report continued

Principal risks and uncertainties continued

Therefore the principal risk exposure to the Company relates to its remaining investments in subsidiaries, which represent the Company's principal assets and source of income. As a result, the principal risk factors beyond the Company's control, that could significantly impact the Company's results and financial resources include, but are not limited to:

- European economic business conditions, in particular where the Company's underlying subsidiaries transact business, which could materially impact the dividends receivable from subsidiaries at their face value.
- Other risk factors that could materially impact the valuation inputs to the fair value of the Company's investment in subsidiaries, resulting in an impairment charge against profits. Key valuation inputs are the net assets and embedded values of subsidiaries, which are subject to credit, market (including foreign currency exchange rate risk), insurance and operational risks, and quoted market valuations of comparable listed entities, affected by equity price risk.

Key performance indicators

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

- Valuation of subsidiaries
- Dividends received

A summary of the KPIs is set out below:

Measure	2013	2012
	£m	£m
Valuation of subsidiaries, joint ventures and associates	686	10,644
Dividends received	712	381

The decrease in valuation of subsidiaries, joint ventures and associates largely reflects the transfer of subsidiaries to its parent and fellow Group company and movements in fair values due to a decline in external financial markets. Refer to note 9 in the accompanying financial statements for further details. The increase in dividends received in 2013 is largely driven by a one off in specie dividend of £633 million.

By order of the Board


K A Cooper
Company Secretary

1st July 2014

Directors' report

The directors present their annual report and audited financial statements for Aviva International Holdings Limited (the Company) for the year ended 31 December 2013.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

J R Lister
S C J Machell (resigned 28 February 2013)
T J Matthews (resigned 1 May 2013)
D J R McMillan (appointed 17 June 2013)
P C Regan (resigned 27 March 2014)
D F S Rogers (appointed 17 June 2013)

Dividends

Interim ordinary dividends of £7,542 million on the Company's ordinary shares were declared and paid during 2013 (2012: *£nil*). The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2013 (2012: *£nil*).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial statements sections include notes on the management of its risks (note 22).

The Company and its ultimate parent company, Aviva plc, have considerable financial resources and as a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain macro-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.

Events since the Statement of Financial Position date

In January 2014 the Company signed a joint venture agreement with Astra International, Indonesia's largest publically listed company, to sell and distribute life insurance products in the region. As part of this agreement, the Company will dispose of its current investment in its Indonesia subsidiary.

On the 25 March 2014 Aviva plc announced the sale of its Turkish general insurance business Aviva Sigorta A.S, to a private equity consortium led by EMF Capital Partners.

On the 14 April 2014 Aviva plc announced it had reached an agreement to sell its entire 47% stake in its South Korean business Woori Aviva Life Insurance (WALI) to NongHyup Financial Group (NHFG). WALI is majority owned by Woori Financial Holdings Company Limited, which has also agreed to sell its stake to NHFG as part of this transaction.

Other than the items noted above, there are no events since the Statement of Financial Position date to report.

Employees

The Company has no employees. All employees are employed by subsidiary undertakings of Aviva plc, Aviva Employment Services Limited and Aviva Investors Employment Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of these companies respectively.

Independent auditors

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

Disclosure of information to the Auditors

Each person who was a director of the Company on the date that this report was approved confirms that:

- (a) so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware; and
- (b) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' report continued

Qualifying Indemnity Provisions

Aviva plc, the Company's ultimate parent, granted in 2004 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 is a "qualifying third party indemnity" 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.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

Statement of directors' responsibilities


The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and verify they are applied consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU, and IFRS as issued by the International Accountancy Standards Board (IASB) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Company's financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



K A Cooper
Company Secretary

1st July 2014

Independent auditors' report to the members of Aviva International Holdings Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Aviva International Holdings Limited, comprise:

- the Statement of Financial Position as at 31 December 2013;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Aviva International Holdings Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of Directors' Responsibilities set out on page 7, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Marcus Hine (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 July 2014

Accounting policies

The Company is a private limited company incorporated and domiciled in the United Kingdom (UK). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

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, i.e. the ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associates, at the same date. These financial statements therefore present information about the Company as an individual entity.

The financial statements of the Company have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. In addition to fulfilling their legal obligation to comply with IFRSs as adopted by the EU, the Company has also complied with IFRS as issued by the IASB and applicable at 31 December 2013. The date of transition to IFRSs was 1 January 2004. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

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 pound sterling (£m).

New standards, interpretations and amendments to published standards that have been adopted by the Company.

The Company has adopted the following new standards or amendments to standards which became effective for financial years beginning on or after 1 January 2013.

Effective for annual periods beginning on or after 1 January 2013

(i) Amendment to IFRS 7, Financial Instruments – Disclosures

The amendment includes enhanced disclosures to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements in the Statement of Financial Position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement. The standard has been applied retrospectively but has no impact on the Company's profit for the current or prior period, the equity reported or disclosures shown.

(ii) IFRS 13, Fair Value Measurement

IFRS 13 establishes a single standard for all fair value measurements. The standard does not change the scope of fair value measurement, but provides further guidance on how fair value should be determined. The changes have no significant impact on the Company's application of fair value measurements and have no impact on the profit or loss for the current or prior period or on equity reported. IFRS 13 also requires enhanced disclosures about fair value measurement, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. IFRS 13 is adopted and applied prospectively.

(iii) IAS 1, Presentation of Financial Statements (Amended)

The amendment to IAS 1 requires the grouping of items presented in other comprehensive income according to whether they will subsequently be reclassified (or recycled) to the Income Statement in the future. The standard has been applied retrospectively but has no impact on the Company's profit for the current or prior period, the equity reported or disclosures shown.

(iv) Improvements to IFRSs 2009-2011

Improvements to IFRS 2009-2011 details amendments to five IFRSs, including IAS 1, Presentation of Financial Statements, IAS 32, Financial Instruments – Presentation and IAS 34, Interim Financial Reporting. The amendments clarify existing guidance and do not give rise to a change in existing accounting practice. There are no implications for the Company.

(v) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, and structured entities. The standard has been applied retrospectively but has no impact on the Company's profit for the current or prior period, the equity reported or disclosures shown.

Accounting policies continued

(A) Basis of preparation continued

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company.

The following new standards, amendments to existing standards and interpretations have been issued, are effective for accounting period beginning on or after the following date and have not been adopted early by the Company:

Effective for annual periods beginning on or after 1 January 2014

(i) *Amendment to IAS 32, Financial Instruments – Presentation*

The amendment to IAS 32 clarifies the requirements for offsetting financial assets and financial liabilities on the Statement of Financial Position. The impact of the adoption of the amendment has yet to be fully assessed but is not expected to have significant implications for the Company financial statements. The amendment has been endorsed by the EU.

(ii) *IFRS 9, Financial Instruments*

IFRS 9 will replace IAS 39, Financial Instruments – Recognition and Measurement. Under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial asset. All equity instruments will be at fair value. A debt instrument is measured at amortised cost only if it is held to collect the contractual cash flows and the cash flows represent principal and interest, otherwise it is measured at fair value through profit and loss (FVTPL). For financial liabilities designated as at fair value, a change in the fair value attributable to changes in the liability's credit risk is recognised in other comprehensive income unless it gives rise to an accounting mismatch in profit or loss.

(iii) *Improvements to IFRSs 2010-2012 and 2011-2013*

These improvements to IFRSs consist of amendments to nine IFRSs. The amendments clarify existing guidance and do not give rise to significant changes in existing accounting practice. The improvements have not yet been fully assessed but are not expected to have significant implications, for the Company's financial statements. The amendments have yet to be endorsed by the EU.

(B) Use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the Income Statement, Statement of Financial Position, other primary statements and notes to the financial statements.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly.

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

Item	Accounting policy
Fair value of investments in subsidiaries, joint ventures and associates	G
Provisions and contingent liabilities	M

(C) Net investment income

Investment income consists of dividends, interest receivable for the year and realised gains and losses. Dividends from investments in subsidiaries are recorded as revenue on the date dividends are declared. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contract.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate. Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

Accounting policies continued

(D) 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. Translation differences on non-monetary items, such as equities which are designated as FV, are reported as part of the fair value gain or loss, whereas such differences on available for sale equities are included in the investment valuation reserve.

(E) 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.

(F) Finance costs

All borrowing costs are expensed as they are incurred.

(G) Subsidiaries, associates and joint ventures

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.

Associates are entities over which the Company has significant influence, but which it does not control. Generally, it is presumed that the Company has significant influence where it has between 20% and 50% of voting rights.

Joint ventures are entities whereby the Company and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement. In a number of these, the Company's share of the underlying assets and liabilities may be greater than 50% but the terms of the relevant agreements make it clear that control is not exercised. Such jointly-controlled entities are referred to as joint ventures in these financial statements.

Subsidiaries, joint ventures and associates 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. They are classified as available for sale financial assets, with changes in their fair value being recorded in a separate investment valuation reserve within equity.

Where the cumulative changes recognised in the Statement of Other Comprehensive Income 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 the Statement of Other Comprehensive Income is reclassified and charged to the Income Statement.

(H) Held for sale assets

Assets and liabilities held for disposal as part of operations which are held for sale are shown separately in the Statement of Financial Position. They are recorded at the lower of their cost and their fair value.

(I) Loans due from Group operations

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.

Accounting policies continued

(J) Statement of Cash Flows

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.

(K) 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 components of other comprehensive income and equity, 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 similarly 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. In countries where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

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.

(L) Loans to Group Companies and hedging

Most of the Company's investments in foreign subsidiaries expose it to foreign exchange risk arising from movements in the underlying currency of the investment. In order to protect the value of these investments, the Company utilises financial instruments in the form of foreign currency loans from Aviva plc and cross-currency swaps.

Certain of the Company's Euro and US dollar currency loans from Aviva plc have been designated as fair value hedging instruments against certain of the overseas investments which are in Euros and US dollars. Justification for this and the relevant accounting treatment are described below.

Hedge accounting is used for the loans designated in this way, provided certain criteria are met. At the inception of the transaction, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for undertaking the hedge transaction. The Company also documents its assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item, both at inception and on an on-going basis.

Changes in the carrying value of the designated loans which arise from movements in exchange rates are taken to the Income Statement, in common with such movements on all monetary items. An equal and opposite transfer is then made from the investment valuation reserve to the Income Statement, to reflect the effectiveness of the designated hedges.

(M) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reliably estimated.

Accounting policies continued

(N) 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.

Income Statement

For the year ended 31 December 2013

	Note	2013 £m	2012 £m
Income	2		
Investment income	C	718	504
Other income		17	-
Profit on disposal of subsidiaries	G	1,730	2
Profit on disposal of joint ventures	G	70	-
		<u>2,535</u>	<u>506</u>
Expenses	3		
Finance costs	F	(5)	(130)
Other expenses		-	(17)
Impairment of investments in subsidiaries	G	(565)	(109)
Impairment of investments in associates and joint ventures	G	(42)	(116)
Loss on transfer of intergroup loans		(103)	(4)
		<u>(715)</u>	<u>(376)</u>
Profit for the year before tax		1,820	130
Tax charge	K & 7	(4)	-
Profit for the year after tax attributable to owners of the company		<u>1,816</u>	<u>130</u>

The accounting policies (identified alphabetically) on pages 10 to 14 and notes (identified numerically) on pages 20 to 37 are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 £m	2012 £m
Profit for the year		1,816	130
Other comprehensive income			
<i>Items that may be reclassified subsequently to income statement</i>			
<i>Subsidiaries</i>			
Fair value (losses)/gains on investments in subsidiaries	G & 9	(820)	539
Fair value gains/(losses) on investments in subsidiaries held for sale	G & 10	2	(3)
Impairment losses on investments in subsidiaries previously revalued through other comprehensive income, now taken to the Income Statement	G,17 & 3	565	109
Fair value gains transferred to profit on disposal	17	(1,689)	-
Fair value (losses)/gains on investments in subsidiaries, hedged by loans transferred to foreign exchange movements in the Income Statement	17 & 23	(41)	41
<i>Associates</i>			
Fair value losses on investments in associates	G & 11	(39)	(183)
Impairment losses on investments in associates previously revalued through other comprehensive income, now taken to the Income Statement	G,17 & 3	39	116
<i>Joint Ventures</i>			
Fair value (losses)/gains on investments in joint ventures	G & 12	(136)	41
Impairment losses on investments in joint ventures previously revalued through other comprehensive income, now taken to the Income Statement	G,17 & 3	3	-
Fair value gains transferred to profit on disposal		(73)	-
<i>Other</i>			
Tax recognised on unremitted earnings in subsidiaries	K & 7	10	-
Other comprehensive income, net of tax		(2,179)	660
Total comprehensive income for the year		(363)	790

The accounting policies (identified alphabetically) on pages 10 to 14 and notes (identified numerically) on pages 20 to 37 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Ordinary share capital £m	Investment valuation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2012		5,800	843	1,150	7,793
Profit for the year		-	-	130	130
Other comprehensive income		-	660	-	660
Total comprehensive income for the year		-	660	130	790
Fair value losses on investments in subsidiaries, previously hedged by loans, transferred to retained earnings	17 & 18	-	718	(718)	-
Transfer between capital and reserves	18	(5,700)	-	5,700	-
Balance at 31 December 2012		100	2,221	6,262	8,583
Profit for the year		-	-	1,816	1,816
Other comprehensive income		-	(2,179)	-	(2,179)
Total comprehensive income for the year		-	(2,179)	1,816	(363)
Dividends	18	-	-	(7,542)	(7,542)
Balance at 31 December 2013		100	42	536	678

The accounting policies (identified alphabetically) on pages 10 to 14 and notes (identified numerically) on pages 20 to 37 are an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2013

	Note	2013 £m	2012 £m
Assets			
Investments in subsidiaries	G & 9	565	10,235
Investments in subsidiaries classified as held for sale	G, H & 10	14	2
Investment in associates	G & 11	49	59
Investment in joint ventures	G & 12	29	193
Investments in joint ventures classified as held for sale	G, H & 13	29	155
Receivables	I & 15	2	3,130
Cash and cash equivalents	J & 21	1	-
Total assets		689	13,774
Equity			
Ordinary share capital	16	100	100
Other reserves	17	42	2,221
Retained earnings	18	536	6,262
Total equity		678	8,583
Liabilities			
Payables and other financial liabilities	N & 20	7	5,067
Tax liabilities	K & 19	4	114
Deferred tax liabilities	K & 19	-	10
Total liabilities		11	5,191
Total equity and liabilities		689	13,774

The financial statements were approved by the Board of Directors *21st June* 2014 and signed on its behalf by



D F S Rogers
Director

The accounting policies (identified alphabetically) on pages 10 to 14 and notes (identified numerically) on pages 20 to 37 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Other expenses		5	(3)
Net cash generated from/(used in) operating activities		5	(3)
Cash flows from investing activities			
Dividend income		79	237
Interest received		14	7
Loans advanced to subsidiaries		-	(8)
Loans repaid by subsidiaries		90	-
Capital contributions to subsidiaries and joint ventures		-	(22)
Proceeds on sale of subsidiaries and joint ventures		9	1
Net cash generated from investing activities		192	215
Cash flows from financing activities			
Dividends paid		(26)	-
Funding provided to parent		(165)	(621)
Funding provided from subsidiaries		-	404
Funding provided to fellow Group companies		(5)	-
Net cash used in financing activities		(196)	(217)
Net increase/(decrease) in cash and cash equivalents		1	(5)
Cash and cash equivalents as at 1 January		-	5
Cash and cash equivalents at 31 December	J & 21	1	-

The accounting policies (identified alphabetically) on pages 10 to 14 and notes (identified numerically) on pages 20 to 37 are an integral part of these financial statements.

Notes to the financial statements

1. Exchange rates

Assets and liabilities have been translated at the following year end rates:

	2013	2012
Euro	1.2020	1.2330
US Dollar	1.6563	1.6255
Polish Zloty	4.9977	5.0307

2. Details of income

Income comprises:

	Note	2013 £m	2012 £m
Income from subsidiaries			
Dividend income		712	381
Interest income from loans		4	15
	24(a)(i)	716	396
Income from parent			
Interest income from loans		2	108
	24(a)(i)	2	108
Other income			
Other income		3	-
Net foreign exchange gains	D & 2(a)	14	-
Profit on disposal of subsidiaries	9	1,730	2
Profit on disposal of joint ventures	13(b)(i)	70	0
		2,535	506

(a) Foreign exchange gains/(losses) credited/(debited) to the Income Statement comprise:

	Note	2013 £m	2012 £m
Foreign exchange gain on loans designated as hedges		41	41
Foreign exchange losses on subsidiary investments hedged by loans, transferred from reserves	17	(41)	(41)
Foreign exchange gains/(losses) on other assets and liabilities		14	(21)
		14	(21)

Notes to the financial statements continued

3. Details of expenses

Expenses comprise:

	Note	2013 £m	2012 £m
Other expenses			
Other expenses		-	(4)
Net foreign exchange losses	D & 2(a)	-	21
		-	17
Finance costs			
Interest on loans to ultimate parent		-	89
Interest on loans to immediate parent		-	37
Bank charges		5	4
		5	130
Impairment of investment in subsidiaries	17	565	109
Impairment of investments in associates and joint ventures	17	42	116
Loss on transfer of intergroup loans	3(a)	103	4
		715	376

(a) Loss on transfer of intragroup loan

On the 28 February 2013, the company transferred loan assets and liabilities to Aviva Group Holdings Limited. A loss of £1 million was incurred upon the transfer of a £7 million loan asset from Aviva Re Limited and a loss of £102 million upon the transfer of a £3 billion loan asset with Aviva plc.

4. Employees

The Company has no employees (2012: nil). Aviva Employment Services Limited and Aviva Investors Employment Services Limited, fellow Group companies, are the employing companies for staff of the Aviva plc group in the UK. Disclosures relating to employees may be found in the annual report and financial statements of these companies.

5. Directors

All directors are remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate parent company, Aviva plc.

Messrs Lister, McMillan, Regan and Rogers were all remunerated by Aviva Employment Services Limited, a fellow subsidiary of Aviva plc for their services to the Aviva Group as a whole. They were not remunerated directly for their services as directors of the Company and the amount of time spent performing their duties is incidental to their roles across the Aviva Group. This is consistent with the prior year.

Mr Regan was director of Aviva plc during the year and his emoluments are disclosed in that company's annual report and financial statements. Messrs Lister and McMillan's remuneration are disclosed within the aggregate of key management compensation in the annual report and financial statements of Aviva plc.

6. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its principal auditors, PricewaterhouseCoopers LLP in respect of the audit of these financial statements is shown below.

	2013 £'000	2012 £'000
Audit Services:		
Statutory audit of the Company's financial statements	8	8

There were no non-audit fees paid to the Company's auditors during the year (2012: £Nil). All fees have been borne by Aviva plc.

Notes to the financial statements continued

7. Tax

(a) Tax (charged) to the Income Statement

	2013 £m	2012 £m
Current tax :		
For the year		
UK Tax	(4)	(1)
Overseas tax	-	(7)
Adjustments in respect of prior years	-	8
Total tax (charged) to the Income Statement	(4)	-

(b) Tax credited to the Statement of Comprehensive Income

(i) Deferred tax credited to the Statement of Comprehensive Income

	2013 £m	2012 £m
Origination and reversal of temporary differences	10	-
Total deferred tax	10	-
Total tax credited to the Statement of Comprehensive Income	10	-

(ii) Deferred tax credited to the Statement of Comprehensive Income represents movements on the following items:

	2013 £m	2012 £m
Provisions and other timing differences	10	-
Total deferred tax credited to the Statement of Comprehensive Income	10	-

(c) Tax reconciliation

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

	Note	2013 £m	2012 £m
Profit/(loss) before tax		1,820	130
Tax calculated at standard UK corporation tax rate of 23.25% (2012 : 24.5%)		(423)	(32)
Adjustment to tax charge in respect of prior years		-	8
Non-assessable dividends		165	93
Non taxable profit on sale of subsidiaries and joint ventures		419	1
Impairment of investments in subsidiaries		(141)	(55)
Tax on profits of overseas subsidiary		-	(7)
Overseas withholding tax		-	(7)
Non deductible loss on disposal of inter group loans		(24)	(1)
Total tax (charged) to the Income Statement	7(a)	(4)	-

The UK corporation tax rate reduced to 23% from 1 April 2013. Legislation was substantively enacted in July 2013 to reduce the main rate of UK corporation tax to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015. The 20% rate has been used in the calculations of the UK's deferred tax assets and liabilities for the period.

Notes to the financial statements continued

8. Dividends paid

	2013 £m	2012 £m
Ordinary dividends declared and charged to equity		
Interim dividend - paid £754,200 per share	7,542	-
Total dividends for the year	7,542	-

9. Investments in subsidiaries

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

	Note	2013 £m	2012 £m
Fair value at 1 January		10,235	9,305
Additions		-	391
Transfer to parent	9(b)(i)	(7,641)	-
Transfers to fellow Group company	9(b)(ii)	(1,177)	-
Disposals	9(b)(iii)	(18)	-
Transfers to held for sale asset	9(b)(iv)	(14)	-
Movement in fair value	9(b)(v)	(820)	539
Fair value at 31 December		565	10,235

All investments in subsidiaries are classified as Level 3 investments in the fair value hierarchy (see note 14(b)).

(b) Material movements

(i) Transfer to parent

Transfer to Aviva Group Holdings Limited of £7,641 million includes:

- Transfer of shares in Aviva Asia Holdings Private Limited at a fair value of £1,032 million which resulted in a profit on disposal of £574 million.
- Transfer of shares in Aviva Re Limited at a fair value of £259 million which resulted in a profit on disposal of £85 million.
- Transfer of shares in Aviva Overseas Holding Limited at a fair value of £653 million which resulted in a profit on disposal of £83 million.
- Transfer of shares in Aviva Europe SE at a fair value of £4,543 million which resulted in a profit on disposal of £254 million.
- Transfer of shares in CGU International Holdings BV at a fair value of £1,154 million resulting in profit on disposal of £nil.

(ii) Transfer to fellow Group company

The company transferred its shares in Aviva Canada Inc to Aviva Insurance Limited at a fair value of £1,177 million which resulted in a profit on disposal of £693 million.

(iii) Disposals

A subsidiary of the Company, Aviva Undershaft Two Limited (formerly Aviva Re Europe Limited), was liquidated and a final distribution made resulting in a loss of £1 million.

(iv) Transfer to held for sale asset

The Company's investment in its Turkey subsidiary, Aviva Sigorta A.S, and its Indonesia subsidiary, PT Asuransi Aviva Indonesia, have been reclassified as held for sale assets. The investments have been transferred at their respective fair values of £2 million and £12 million.

Notes to the financial statements continued

9. Investments in subsidiaries continued

(b) Material movements continued

(v) Movement in fair value

The negative fair value movement is primarily due the Company's Investment in its dormant subsidiary, Aviva Holdings (France) Limited, being impaired by £633 million to a net asset value of £1 as a result of a capital reduction and distribution.

Other negative fair value movements are primarily due to a decline in regional market trends over the year resulting in a lower estimate of the fair value of the Company's investments in its subsidiaries.

(c) List of subsidiaries

The subsidiaries of the Company as at 31 December 2013 are listed below, and transact insurance and reinsurance business, fund management or services in connection therewith, unless otherwise stated.

Subsidiary name	% Share-holding	Country of incorporation
Aviva Global Services (Management Services) Private Limited	100%	Singapore
Aviva Holdings (France) Limited	100%	England
Aviva Towarzystwo Ubezpieczen na Zycie S.A.	90%	Poland
Aviva Towarzystwo Ubezpieczen Ogolnych S.A.	90%	Poland

10. Investments in subsidiaries classified as held for sale

(a) Movements in the Company's investments in its subsidiaries classified as held for sale are as follows:

	Note	2013 £m	2012 £m
Fair value at 1 January		2	8
Transfer from investments in subsidiaries	9(b)(iv)	14	-
Disposals	10(b)(i)	(4)	(3)
Movement in fair value		2	(3)
Fair value at 31 December		14	2

All investments in subsidiaries are classified as Level 3 investments in the fair value hierarchy (see note 14(b)).

(b) Material movements

(i) Disposals

On 7 May 2013, the Company completed the sale of its investment in the Romanian Pensions subsidiary. SC Aviva Societate de Administrare a unui Fond de Pensii Privat SA for a consideration of US\$7 million (£5 million) which resulted in a profit on disposal of £1 million.

Notes to the financial statements continued

11. Investment in associate

(a) Movements in the Company's investment in its associate are as follows:

	Note	2013 £m	2012 £m
Fair value at 1 January		59	210
Additions	11(b)(i)	29	32
Movement in fair value	11(b)(ii)	(39)	(183)
Fair value at 31 December		49	59

The Company's only associate comprises a 26% (2012: 26%) shareholding in Aviva Life Insurance Company India Private Ltd, which is incorporated in India. This investment is classified as a Level 3 investment in the fair value hierarchy (see note 14(b)).

(b) Material movements

(i) Additions

During the year the Company increased its investment in this associate by £29 million.

(ii) Movement in fair value

The negative fair value movement is primarily due to a decline in regional market trends over the year resulting in a lower estimate of the fair value of the Company's investments in its associate.

12. Investment in joint ventures

(a) Movements in the Company's investments in its joint ventures are as follows:

	Note	2013 £m	2012 £m
Fair value at 1 January		193	295
Transfer to held for sale asset	12(b)(i)	(19)	(143)
Movement in fair value	12(b)(ii)	(145)	41
Fair value at 31 December		29	193

All investments in joint ventures are classified as Level 3 investments in the fair value hierarchy (see note 14(b)).

(b) Material movements

(i) Transfer to held for sale asset

The Company's investment in its Korean joint venture, Woori Aviva Life Insurance Co.Ltd, has been reclassified as a held for sale asset. The investment has been transferred at fair value of £19 million

(ii) Movement in fair value

The negative fair value movement is primarily due to a decline in regional market trends over the year resulting in a lower estimate of the fair value of the Company's investments in its joint ventures.

(c) The principal joint venture is as follows:

Company	Investment	Holding	Country of incorporation
Vietinbank Aviva Life Insurance Company Ltd	Charter Capital	40.00%	Vietnam

Notes to the financial statements continued

13. Investment in joint ventures classified as held for sale

(a) Movements in the Company's investments in joint ventures classified as held for sale are as follows:

	Note	2013 £m	2012 £m
Fair value at 1 January		155	12
Transfer from investments in joint ventures	12(b)(i)	19	143
Disposals		(153)	-
Movement in fair value		8	-
Fair value at 31 December		29	155

All investments in joint ventures are classified as Level 3 investments in the fair value hierarchy (see note 14(b)).

(b) Material movements

(i) Disposals

On 17 April 2013, the Company sold its investment in its Malaysia joint ventures CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad for a consideration of CAD 240 million (£154 million) which resulted in a profit on disposal of £70 million. The consideration was settled directly with the Company's immediate parent, Aviva Group Holdings Limited, in return for an intercompany receivable.

(ii) Movement in fair value

The positive fair value movement is primarily due to an increase in regional market trends over the year resulting in a higher estimate of the fair value of the Company's investments in its joint ventures.

14. Fair value methodology

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

For financial assets and liabilities 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 and liabilities. An active market is one in which transactions for the asset or liability occurs 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 or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar (i.e. not identical) assets and liabilities in active markets;
- quoted prices for identical or similar assets and liabilities 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;
- inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates); and
- 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, listed debt or equity securities in a market that is inactive, and investments in subsidiaries valued using applicable models underpinned by Aviva plc's market capitalisation. 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.

Notes to the financial statements continued

14. Fair value methodology continued

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

Where broker quotes are used and no information as to the observability of inputs is provided by the broker, the quotes are generally validated by the broker by using internal models with observable inputs. When the price obtained from the broker and internal model are similar, we look to the inputs used in our internal model to understand the observability of the inputs used by the broker. In circumstances where internal models are not used to validate broker prices, and the observability of inputs used by brokers is unavailable, the investment is classified as Level 3. Broker quotes are usually non-binding.

Modelled with significant unobservable market inputs (Level 3)

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. 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 or liability 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 or liability. Examples include investments in subsidiaries valued at net assets value.

Third party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

The investment in subsidiaries, associates and joint ventures recorded at the fair value of the underlying subsidiary, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible.

(b) Fair value hierarchy

An analysis of financial assets and liabilities according to fair value hierarchy is given below:

					2013
					Total
					£m
	Note	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	
Investment in subsidiaries, associates and joint ventures					
Investments in subsidiaries	9	-	-	565	565
Investments in subsidiaries classified as held for sale	10			14	14
Investments in associates	11	-	-	49	49
Investments in joint ventures	12	-	-	29	29
Investments in joint ventures classified as held for sale	13			29	29
Total		-	-	686	686

					2012
					Total
					£m
	Note	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	
Investment in subsidiaries, associates and joint ventures					
Investments in subsidiaries	9	-	-	10,235	10,235
Investments in subsidiaries classified as held for sale	10			2	2
Investments in associates	11	-	-	59	59
Investments in joint ventures	12	-	-	193	193
Investments in joint ventures classified as held for sale	13			155	155
Total		-	-	10,644	10,644

Notes to the financial statements continued

14. Fair value methodology continued

(c) Further information on Level 3 financial instruments

The only financial assets and liabilities of the Company recorded at fair value in the Statement of Financial Position are the investments in subsidiaries, associates and joint ventures (notes 9, 10, 11, 12 and 13) which are reported as Level 3 in the fair value hierarchy (2012: Level 3). There were no transfers into or out of Level 3 in 2013 or 2012.

The unobservable inputs to the fair value relate to assumptions made to individual subsidiary and joint ventures net assets or embedded values, all of which are underpinned by quoted market valuations of comparable listed entities. For these level 3 investments, a change in the external financial market inputs within the valuation model to a reasonable alternative of +/-5% would result in a change in the fair value of investment in subsidiaries and joint ventures in the range of a £4 million positive impact (2012: £302 million) and a £4 million adverse impact (2012: £302 million).

15. Receivables and other financial assets

	Note	2013 £m	2012 £m
Loans due from ultimate parent		-	2,902
Loans due from fellow Group companies		-	162
Amounts due from ultimate parent		-	43
Amounts due from fellow Group companies	24(a)(iii)	2	13
Group relief asset		-	6
Other receivables		-	4
Total receivables as at 31 December		2	3,130
Expected to be recovered in less than one year		2	887
Expected to be recovered in more than one year		-	2,243
		2	3,130

16. Ordinary share capital

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

	2013 £m	2012 £m
Allocated, called up and fully paid share capital		
10,000 (2012: 10,000) ordinary shares of £10,000 each	100	100

The Companies Act 2006 abolished the requirement for a company to have an authorised share capital with effect from 1 October 2009. Whilst there is no longer any limitation on the number of shares that the Company may issue, the directors will still be limited as to the number of shares they can allot because authority to allot continues to be required under the Companies Act 2006.

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) Movement in the year comprise:

	Number of shares	Share capital £m
At 1 January 2012	580,031	5,800
Transfer between capital and reserves	(570,031)	(5,700)
At 31 December 2012 and 31 December 2013	10,000	100

Notes to the financial statements continued

17. Other reserves

Other reserves comprise the investment valuation reserve. The movements in the year comprise:

	Note	2013 £m	2012 £m
At 1 January		2,221	843
<i>Arising in the year:</i>			
<i>Subsidiaries</i>			
Fair value (losses)/gains on investments in subsidiaries	9	(820)	539
Fair value gains/(losses) on investments in subsidiaries held for sale	10	2	(3)
Impairment losses on investments in subsidiaries previously revalued through other comprehensive income, now taken to the Income Statement	3	565	109
Fair value gains transferred to profit on disposal		(1,689)	-
Fair value (losses)/gains on investments in subsidiaries, hedged by loans transferred to foreign exchange movements in the Income Statement	2(a)	(41)	41
Fair value losses on investments in subsidiaries, previously hedged by loans, transferred to retained earnings	18	-	718
<i>Associates</i>			
Fair value losses on investments in associates	11	(39)	(183)
Impairment losses on investments in associates previously revalued through other comprehensive income, now taken to the Income Statement	3	39	116
<i>Joint Ventures</i>			
Fair value (losses)/gains on investments in joint ventures	12	(136)	41
Impairment losses on investments in joint ventures previously revalued through other comprehensive income, now taken to the Income Statement		3	-
Fair value gains transferred to profit on disposal		(73)	-
<i>Other</i>			
Tax recognised on unremitted earnings in subsidiaries	7	10	-
At 31 December		42	2,221

Impairments

Impairment charges in respect of the Company's subsidiaries in the year, recognised in the Income Statement, amount to £565 million and relates to the Company's investment in

- Aviva Sigorta AS
- Aviva Holdings (France) Limited
- Aviva Towarzystwo Ubezpieczen na Zycie S.A.
- PT Asuransi Aviva Indonesia

Impairment charges in respect of the Company's investment in associate, Aviva Life Insurance Company India Private Ltd, in the year, recognised in the Income Statement, amount to £39 million.

Notes to the financial statements continued

18. Retained earnings

	Note	2013 £m	2012 £m
At 1 January		6,262	1,150
Profit for the year		1,816	130
Fair value losses on investments in subsidiaries, previously hedged by loans, transferred from investment valuation reserve	17	-	(718)
Dividends paid	8	(7,542)	-
Transfer between capital and reserves	16(b)	-	5,700
At 31 December		536	6,262
Distributable		433	5,942
Non distributable		103	320
At 31 December		536	6,262

19. Tax liabilities

(a) Current tax

	2013 £m	2012 £m
Expected to be payable in more than one year	4	114
Tax liability recognised in the Statement of Financial Position	4	114

(b) Group relief

Prior year's tax to be settled by group relief of £1 million liability (2012: £6 million asset) are included within payables (note 20) (2012: receivables (note 15)) and the related party transactions (note 24) and are payable (2012: recoverable) in less than one year.

During 2013 the EU dividend provision of £113m as at 31 December 2012, disclosed in tax liabilities, was transferred to Aviva Group Holdings Limited.

(c) Deferred tax

(i) The net deferred tax liability comprises:

	2013 £m	2012 £m
Other temporary differences	-	10
Net deferred tax liability	-	10

(ii) Movement in the net deferred tax liability is as follows:

	Note	2013 £m	2012 £m
At 1 January		10	10
Amounts (credited) to Statement of Comprehensive Income	17	(10)	-
At 31 December		-	10

The deferred tax liability, representing withholding tax on unremitted earnings, was released following the transfer of Aviva Canada Inc. to Aviva Insurance Limited. The rate reductions do not have an impact on the Company's financial position as at 31 December 2013.

Notes to the financial statements continued

20. Payables and other financial liabilities

	Note	2013 £m	2012 £m
Loans due to ultimate parent company		-	1,581
Loans due to immediate parent company		-	1,300
Loans due to subsidiaries		-	7
Amounts due to ultimate parent company		-	38
Amounts due to immediate parent company	24(a)(iii)	3	135
Amounts due to subsidiaries		-	1,981
Amounts due to fellow Group companies	24(a)(iii)	1	19
Group relief liability	19(b)	1	-
Other accruals		2	6
Total payables as at 31 December		7	5,067
Expected to be payable in less than one year		7	4,006
Expected to be payable in more than one year		-	1,061
		7	5,067

All payables and other financial liabilities are carried at cost, which approximates to fair value.

21. Statement of Cash Flows

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

	2013 £m	2012 £m
Cash at bank	1	-

22. Risk management

(a) 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. 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 and business standards which set out the risk strategy, framework and minimum requirements 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:

Notes to the financial statements continued

22. Risk management continued

(b) Management of financial and non-financial risks

(i) Credit risk

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

The Company's primary financial asset is amounts due from fellow Group companies. The credit risk arising from Aviva Group counterparties failing to meet all or part of their obligations is considered remote. Due to the nature of the intra-group loans, and the fact that these loans are 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.

The credit quality of receivables and other financial assets is monitored by the Company, and provisions for impairment are made for irrecoverable amounts. The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

							2013
	Neither past due nor impaired £m	Financial assets that are past due but not impaired				Financial assets that have been impaired £m	Carrying value in the financial statements £m
		0 – 3 months £m	3 – 6 months £m	6 months – 1 year £m	Greater than 1 year £m		
		£m	£m	£m	£m	£m	£m
Receivables and other financial assets	2	-	-	-	-	-	2

							2012
	Neither past due nor impaired £m	Financial assets that are past due but not impaired				Financial assets that have been impaired £m	Carrying value in the financial statements £m
		0 – 3 months £m	3 – 6 months £m	6 months – 1 year £m	Greater than 1 year £m		
		£m	£m	£m	£m	£m	£m
Receivables and other financial assets	3,130	-	-	-	-	-	3,130

Receivables and other financial assets include loans and amounts due from other Group companies of £2 million (excluding Group relief asset) (2012: £3,120 million).

There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Notes to the financial statements continued

22. Risk management continued

(b) Management of financial and non-financial risks continued

(ii) Market risk

Market risk is the risk of an adverse financial impact resulting directly or indirectly from fluctuations interest rates, foreign currency exchange rates, equity prices and property values. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

The management of market risk is undertaken at business unit and at Aviva Group level. Businesses manage market risks locally using the Group market risk framework and within local regulatory constraints. Group Risk is responsible for monitoring and managing market risk at Group level and has established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

For each of the major components of market risk, described in more detail below, additional policies and business standards are in place to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Interest rate risk	During 2013 the Company's loans due to and from fellow Aviva Group companies, including its ultimate and immediate parent undertakings, were transferred to its parent, Aviva Group Holdings Limited (see note 24(a)(i) and 24(a)(ii)). As a result the Company is no longer exposed to interest rate risk.
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The fair values of investments in subsidiaries, associates and joint ventures are estimated using applicable valuation models, underpinned by the quoted market valuations of comparable listed entities, and are described in further detail in Note 14(c). Key valuation inputs are the net assets and embedded values of subsidiaries, which are subject to credit, market (including foreign currency exchange rate risk), insurance and operational risk, and quoted market valuations of comparable listed entities, affected by equity price risk.

(iii) Liquidity risk

Liquidity risk is the risk of the Company not being able to make payments as they become due because there are insufficient assets in cash form.

The Company has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due. In extreme circumstances, the Company would approach the Aviva Group for additional short-term borrowing whilst the Company liquidated other assets. The Company's liquidity position is significantly dependant on the payment of dividends by subsidiaries and the receipt of cash from planned business disposals, both of which may be subject to regulatory approval. The Aviva Group maintains significant committed borrowing facilities from a range of highly-rated banks to mitigate this risk further.

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:

					2013
		On demand or within 1 year	1-5 years	5-10 years	Total
	Note	£m	£m	£m	£m
Receivables and other financial assets	15	2	-	-	2
Cash and cash equivalents	21	1	-	-	1
		3	-	-	3
					2012
		On demand or within 1 year	1-5 years	5-10 years	Total
	Note	£m	£m	£m	£m
Receivables and other financial assets	15	887	792	1,451	3,130
Cash and cash equivalents	21	-	-	-	-
		887	792	1,451	3,130

Notes to the financial statements continued

22. Risk management continued

(b) Management of financial and non-financial risks continued

(iii) Liquidity risk continued

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

					2013
		On demand or within 1 year £m	1-5 years £m	5-10 years £m	Total £m
	Note				
Payables and other financial liabilities	20	7	-	-	7
		7	-	-	7
					2012
		On demand or within 1 year £m	1-5 years £m	5-10 years £m	Total £m
	Note				
Payables and other financial liabilities	20	4,006	453	608	5,067
		4,006	453	608	5,067

(iv) Operational risk

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events, including changes in the regulatory environment.

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.

(v) Capital management

The Company's capital risk is determined with reference to the requirements of the Company's stakeholders. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of interest due on loans and the requirements of other stakeholders. The sources of capital used by the Company are equity shareholders' funds.

23. Hedging

The Company has formally assessed and documented the effectiveness of its instruments qualifying for hedge accounting in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

The Company's hedge activity during the year was as follows:

Fair value hedges

To reduce its exposure to foreign currency risk, the Company designated a portion of its Euro denominated debt as a hedge of the net investment in its European subsidiary. During January 2013 the investment in its European subsidiary was transferred to its immediate parent company together with its Euro denominated debt. This resulted in a release of £41m of reserves relating to the fair value hedge.

Notes to the financial statements continued

24. Related party transactions

(a) The Company had the following related party transactions

The Company has the following transactions with related parties which include parent companies, subsidiaries and fellow subsidiaries in the normal course of business.

(i) Loans receivable

Loans due from ultimate parent

Between 2003 and 2008 the Company entered into a number of loan agreements with Aviva plc, the Company's ultimate parent. As part of the restructuring during 2013, these loan assets, together with the loan liabilities owed to Aviva plc (see note 24(a)(ii)), were transferred to Aviva Group Holdings Limited, the Company's immediate parent, at their fair value of £3,083 million resulting in a loss on transfer of £102 million.

Loans due from immediate parent

During April 2013 the Company entered into a £300 million revolving credit facility with Aviva Group Holdings Limited, the Company's immediate parent. This loan was fully settled in September 2013, partly through a dividend in specie of £187 million and partly through the transfer of the Company's EU dividend provision of £113 million (see note 19(b)).

Loans due from fellow Aviva Group companies

On 3 September 2010, the Company provided an unsecured loan facility of £40 million to Aviva Participations SA, a fellow Group company. The loan accrued interest at 120 base points above the 6 month EURIBOR with settlement to be received at maturity in September 2014. During 2013, this loan was transferred to Aviva Group Holdings Limited at fair value of £32 million.

On 26 August 2011, the Company provided an unsecured loan facility of €160 million to Aviva Group Ireland plc, a fellow Group company. The loan accrued interest at a fixed rate of 5.00% with settlement to be received at maturity in December 2016. During 2013, this loan was transferred to Aviva Group Holdings Limited at fair value of £44 million.

The maturity analysis of the related party loans receivable is as follows:

	2013 £m	2012 £m
Within 1 year	-	821
1-5 years	-	792
Over 5 years	-	1,451
	-	3,064
Effective interest rate	2.23%	3.56%

Interest income earned in the year amounted to £6 million (2012: £123 million). Refer note 2.

(ii) Loans payable

Loans due to ultimate parent

Between 2003 and 2008 the Company entered into a number of loan agreements with Aviva plc, the Company's ultimate parent. As part of the restructuring during 2013, these loan liabilities were transferred to Aviva Group Holdings Limited, the Company's immediate parent at fair value of £1,859 million (see note 24(a)(i)).

Loans due to immediate parent

On 23 December 2010, the Company entered into unsecured loan facility of £1,300 million with Aviva International Insurance Limited, a fellow group company. This loan accrued interest at 100 base points above 12 month LIBOR with settlement to be paid at maturity in December 2013. On 14 November 2011, this loan was transferred from Aviva International Insurance Limited to Aviva Insurance Limited. During 2013 this loan was transferred to Aviva Group Holdings Limited and cancelled as part of the consideration for the loan assets transferred from the Company to Aviva Group Holdings Limited (see note 24(a)(i)).

Notes to the financial statements continued

24. Related party transactions continued

(a) The Company had the following related party transactions continued

(ii) *Loans payable continued*

Loans due to subsidiary

On 16 June 2009, the Company entered into unsecured loan facility of £35 million with Aviva Reinsurance Limited a subsidiary company. The loan accrued interest at a fixed rate of 6.30% with settlement to be paid at maturity in June 2015. During 2013 this loan was transferred to Aviva Group Holdings at fair value of £8 million realising a loss on transfer of £1 million.

The maturity analysis of the related party loans payable is as follows:

	2013 £m	2012 £m
Within 1 year	-	1,827
1-5 years	-	453
Over 5 years	-	608
	-	2,888
Effective interest rate	-	4.38%

Interest expense incurred in the year amounted to £nil million (2012: £126 million). Refer note 3.

(iii) *Services provided to related parties*

	Income earned in year £m	2013 Receivable at year end £m	Income earned in year £m	2012 Receivable at year end £m
Ultimate parent	-	-	-	43
Fellow Group company	-	2	-	13
Subsidiaries	712	-	381	-
	712	2	381	56

Income earned in the year relates to dividends received.

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

(iv) *Services provided by related parties*

	2013 Payable at year end £m	2012 Payable at year end £m
Ultimate parent	-	38
Immediate parent company	3	135
Fellow Group company	1	19
Subsidiaries	-	1,981
	4	2,173

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

Group relief

Transactions with Group companies for settlement of corporation tax assets and liabilities by Group relief are described in note 19.

Notes to the financial statements continued

24. Related party transactions continued

(b) Key management compensation

Key management, which comprises the directors of the Company, are remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate parent company. The majority of such costs are borne by Aviva plc and are not recharged to the Company. Refer note 5 for details of director's remuneration.

(c) Parent entity

The immediate parent undertaking is Aviva Group Holdings Limited, registered in the UK.

(d) Ultimate controlling entity

The ultimate parent entity and controlling party is Aviva plc, a public limited company incorporated and domiciled in the United Kingdom, which is the parent undertaking of the smallest and largest Group to consolidate these financial statements. Copies of Aviva plc consolidated financial statements are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ, and on the Aviva plc website at www.aviva.com.

25. Events after Statement of Financial Position date

In January 2014 the Company signed a joint venture agreement with Astra International, Indonesia's largest publically listed company, to sell and distribute life insurance products in the region. As part of this agreement, the Company will dispose of its current investment in its Indonesia subsidiary.

On the 25 March 2014 Aviva plc announced the sale of its Turkish general insurance business Aviva Sigorta A.S, to a private equity consortium led by EMF Capital Partners.

On the 14 April 2014 Aviva plc announced it had reached an agreement to sell its entire 47% stake in its South Korean business Woori Aviva Life Insurance (WALI) to NongHyup Financial Group (NHFG). WALI is majority owned by Woori Financial Holdings Company Limited, which has also agreed to sell its stake to NHFG as part of this transaction.

Other than the items noted above, there are no events since the Statement of Financial Position date to report.