Aviva Pension Trustees UK Limited

Directors and Officers

Directors

A M Beswick
J D Green
T R Orton

Officer - Company Secretary

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Registered Office

2 Rougier Street
York
YO90 1UU

Company Number

Registered in England and Wales: No. 2407799

Other Information

Aviva Pension Trustees UK Limited ("the Company") is covered by the Financial Ombudsman Services and is authorised and regulated by the Financial Conduct Authority

The Company is a member of the Aviva plc group of companies ("the Group")

Aviva Pension Trustees UK Limited

Registered in England No. 2407799

Strategic report

The directors present their strategic report for Aviva Pension Trustees UK Limited (the Company) for the year ended 31 December 2014.

Review of the Company's business

The principal activity of the Company is to act as a trustee and scheme administrator to Aviva Personal Pension Scheme (APPS) and Aviva Free Standing Additional Voluntary Contribution (AFSAVC) pension schemes, written by Aviva.

The Company is regulated by the Financial Conduct Authority (FCA) to carry on activities as an Investment Management Firm.

Aviva Pension Trustees UK Limited administration is currently provided by Citibank International plc (Citibank). The business is integrated into Open Wealth, Citibank's service offering for wealth managers. During 2015, Citibank plan to complete the sale of Open Wealth to Genpact Limited. As a result of this sale, it is intended that the provision of certain aspects of the current administration carried out by Citibank will be in-sourced to Aviva and the provision of the remaining part of the current administration be transferred to Genpact UK. Legal agreements to effect this are currently under negotiation.

Financial position and performance

Revenue for the year increased to £7.7 million *(2013: £3.7 million)* as a result of the large rise in assets under administration (AUA). AUA increased from £1,619 million to £2,896 million during the year. Total equity has increased by £7.1 million *(2013: £0.3 million),* reflecting the loss for the year of £1.4 million, which was more than offset by share capital injections of £8.5 million during the year.

New business sales in 2014 for SIPP business increased by 48% to £1,438 million *(2013: £971 million)* of PVNBP (present value of new business premiums). Transfer out rates remained stable throughout the year. Overall the markets decreased by 2.7% in 2014 (as measured by the movement in the FTSE100), which has had a negative impact on AMC (annual management charge) income.

Future outlook

The directors continue to believe that the Aviva Platform business has a viable future, driven by significant growth in AUA, and the UK Life Executive are investing significantly to back this success.

New business sales are forecast to continue to grow in 2015 as a result of the pension reforms and Aviva continuing to build on the momentum and scale on the platform in a challenging market environment.

As part of the Direct-to-Consumer programme, a new platform proposition is due to be launched in 2015. Administration on the new platform will be provided by FNZ (UK) Limited. ISA, GIA and SIPP products will be available from launch, with drawdown functionality and a range of fixed term deposits being made available later in the year.

Principal risks and uncertainties

The major risk facing the business is operational risk, which is in line with FCA expectations for investment businesses which hold assets in a fiduciary capacity and off balance sheet. Credit risk is assessed on a regular basis, with credit ratings of banks closely monitored. Exposure to credit default is low as exposure only arises on cash balances held. Credit risk also arises in the normal course of business as part of the operational funding requirement, with the risk of default being included as part of operational risk.

Operational risk of loss would arise as a result of inadequate or failed internal processes, people or systems, or from external events, including regulatory risk. This definition is intended to include all risk exposures to which the Company is exposed, other than the financial risks. Hence, operational risks include IT, information security, projects, outsourcing, legal and fraud and compliance risks. Operational risks are assessed according to the potential impact and probability of the event concerned. These impact assessments are made against financial, operational and reputational criteria.

Management are responsible for the identification, measurement, management and monitoring of operational risks and for reporting these in accordance with the Group's escalation criteria in terms of their probability and impact in accordance with Group policy. A description of the risks and uncertainties facing the Company and its risk management policies are set out in note 14 to the financial statements.

Key performance indicators (KPIs)

Revenue primarily represents annual management charges on all contributions into the investor accounts. Revenue for the year increased to £7,673,000 *(2013: £3,723,000),* as detailed in the review of the Company's business.

Under a management agreement, Aviva Life Services UK Limited (UKLS) supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which are included within operating expenses. The amount of this recharge is £9,459,000 *(2013: £7,447,000).*

Loss after tax for the year is £1,389,000 *(2013: £2,731,000).*

By order of the Board

Aviva Company Secretarial Services Limited *Company Secretary* *16 April 2015*

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:

- 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
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of Section 487 of the Companies Act 2006.

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 were in force throughout the year and 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). 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 and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union, and IFRSs as issued by the IASB, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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. 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

Aviva Company Secretarial Services Limited *Company Secretary* *16 April 2015*

Report on the financial statements

Our opinion

In our opinion, Aviva Pension Trustees UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss 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.

What we have audited

Aviva Pension Trustees UK Limited's financial statements comprise:

- the statement of financial position as at 31 December 2014;
- the income statement for the year then ended;
- the statement of cashflows 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 the preparation of the financial statements is applicable law and 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the Accounting Policies to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other 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 to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of director's responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the 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.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

16 April 2015

The Company, a limited company incorporated and domiciled in the United Kingdom (UK), acts as trustee and scheme administrator to Aviva Personal Pension Scheme (APPS) and Aviva Free Standing Additional Voluntary Contribution (AFSAVC) pension schemes written by Aviva.

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 presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as 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 IFRS as adopted by the EU, the Company has also complied with IFRS as issued by the IASB and applicable at 31 December 2014. The financial statements have been prepared under the historical cost convention.

The financial statements are prepared on the going concern basis and in accordance with the Companies Act 2006. The financial statements are stated in sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000).

The Company has adopted the following new amendment to standards which became effective for financial years beginning on or after 1 January 2014.

Amendments to IAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
The amendments clarify the meaning of 'currently legally enforceable right to set-off' to reinforce that a right to set-off must not be contingent on any future event, including counterparty default or bankruptcy. Additionally, amendments to IAS 32 clarify that a settlement mechanism must be in place to ensure settlement in practice that is either simultaneous or sufficient to result in insignificant credit and liquidity risk. The amendments to IAS 32 have been applied retrospectively which has resulted in the grossing up of certain assets and liabilities related to trade receivables and trade payables in the statement of financial position that were previously reported net. There is no impact on the profit or loss or equity for either current or prior year.

The IASB has issued two new standards which are not yet effective and have not been adopted early by the Company.

(i) IFRS 9, Financial Instruments
In July 2014, the IASB published IFRS 9, Financial Instruments which will replace IAS 39, Financial Instruments: Recognition and Measurement. The mandatory effective date of the new standard is accounting periods beginning on or after 1 January 2018, with earlier adoption permitted. The standard has not yet been endorsed by the EU but, on adoption, will require us to review the classification of certain financial instruments while allowing us to retain fair value measurement as we deem necessary. We have not yet completed our assessment of its impact.

(ii) IFRS 15, Revenue from Contracts with Customers
IFRS 15 will replace IAS 18, Revenue and establishes a model to be applied to all contracts with customers, except for insurance contracts, financial instruments and lease contracts. The impact of the adoption of the new standard has yet to be fully assessed by the Company. The standard applies to accounting periods beginning on or after 1 January 2017 and has not yet been endorsed by the EU.

The IASB has issued a number of amendments to standards which are not yet effective and have not been adopted early by the Company.

- Amendments to IFRS 13, Fair Value Measurement are applicable for accounting periods beginning on or after 30 June 2015.
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation and IAS 27, Equity Method in Separate Financial Statements are applicable for accounting periods beginning on or after 1 January 2016.

These have not yet been endorsed by the EU. The amendments are not expected to have a material impact on the financial statements.

(B) Critical accounting estimates and judgements

The preparation of the Company's financial statements, in accordance with IFRS, requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. There are no major areas of judgement on policy application for the Company.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. There are no items considered to be particularly susceptible to changes in estimates and assumptions for the Company.

(C) Revenue and interest receivable

Revenue primarily represents the annual management charges on all contributions into the investor accounts and is recognised when earned. It also includes fees receivable in respect of the Company's role as trustee and scheme administrator to Free Standing AVC pension schemes written by Aviva Life & Pensions Limited in the United Kingdom. Interest receivable is accounted for on an accruals basis.

(D) Receivables and payables

Receivables and payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are held at amortised cost, which given the short term nature of the items is considered a reasonable approximation to fair value.

(E) Statement of cash flows

Cash and cash equivalents consist of cash at banks and in hand.

(F) Provisions

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

(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. 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. 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.

(H) Share capital

Equity instruments

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

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument 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.

Aviva Pension Trustees UK Limited
Income statement
For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Income			
Revenue	C	**7,673**	3,723
Interest receivable and similar income	C	**15**	2
		7,688	3,725
Expenses			
Operating expenses	2	**(9,457)**	(7,284)
		(9,457)	(7,284)
Loss before tax		**(1,769)**	(3,559)
Tax credit	G & 5	**380**	828
Loss for the year		**(1,389)**	(2,731)

The Company has no other comprehensive income.

The accounting policies (identified alphabetically) on pages 10 to 11 and the notes (identified numerically) on pages 16 to 24 are an integral part of these financial statements.

Aviva Pension Trustees UK Limited
Statement of financial position
As at 31 December 2014

	Note	2014 £'000	Restated 2013 £'000
Assets			
Tax asset	G & 10	**380**	828
Receivables	D & 6	**9,976**	6,352
Prepayments and accrued income	D & 7	**718**	351
Cash and cash equivalents	E	**35,108**	16,404
Total assets		**46,182**	23,935
Equity			
Ordinary share capital	H & 8	**32,600**	24,100
Accumulated losses	9	**(17,181)**	(15,792)
Total equity		**15,419**	8,308
Liabilities			
Provisions	F & 11	**95**	174
Payables and other financial liabilities	D & 12	**30,668**	15,453
Total liabilities		**30,763**	15,627
Total equity and liabilities		**46,182**	23,935

The financial statements were authorised for issue by the Board of directors on 16 April 2015 and were signed on its behalf.

T R Orton *Director*

The accounting policies (identified alphabetically) on pages 10 to 11 and the notes (identified numerically) on pages 16 to 24 are an integral part of these financial statements.

Aviva Pension Trustees UK Limited
Statement of changes in equity
For the year ended 31 December 2014

	Note	Ordinary Share Capital £'000	Accumulated losses £'000	Total Equity £'000
Balance at 1 January 2013		21,100	(13,061)	8,039
Addition to share capital	8	3,000	-	3,000
Loss for the year	9	-	(2,731)	(2,731)
Balance at 31 December 2013		**24,100**	**(15,792)**	**8,308**
Addition to share capital	8	**8,500**	-	**8,500**
Loss for the year	9	-	**(1,389)**	**(1,389)**
Balance at 31 December 2014		**32,600**	**(17,181)**	**15,419**

The accounting policies (identified alphabetically) on pages 10 to 11 and the notes (identified numerically) on pages 16 to 24 are an integral part of these financial statements.

Aviva Pension Trustees UK Limited
Statement of cash flows
For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash from operations	13(a)	**10,204**	-
Net cash generated from operating activities		**10,204**	-
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		**8,500**	3,000
Net cash generated from financing activities		**8,500**	3,000
Net increase in cash and cash equivalents		**18,704**	3,000
Cash and cash equivalents at 1 January		**16,404**	13,404
Cash and cash equivalents at 31 December	13(b)	**35,108**	16,404

The accounting policies (identified alphabetically) on pages 10 to 11 and the notes (identified numerically) on pages 16 to 24 are an integral part of these financial statements.

1. Prior period restatement

The Company has retrospectively applied the amendments to IAS 32, effective from 1 January 2014, which has resulted in the grossing up of certain assets and liabilities that were previously reported net in the statement of financial position and the notes to the financial statements. This has resulted in an increase in the receivables and payables and other financial liabilities balances of £3,285,000 respectively (see note 6 and note 12 for further details). There is no impact on the profit or loss or total equity for either current or prior year.

2. Operating expenses

Under a management agreement, Aviva Life Services UK Limited (UKLS) supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which are included within operating expenses. The amount of this recharge is £ 9,459,000 *(2013: £7,447,000)*. Provision releases are included within the UKLS recharge.

	2014	2013
	£'000	£'000
UKLS recharges (operating)	**9,459**	7,447
Other operating expenses	**(2)**	(163)
Total operating expenses	**9,457**	7,284

3. Directors' emoluments

Emoluments of directors in office during the year were:

	2014
	£'000
Aggregate emoluments in respect of qualifying services	**310**
Company pension contributions to money purchase scheme	**26**
Accrued pension at end of year from defined benefit pension scheme	**28**
Termination benefits	**10**
Emoluments of the highest paid director:	
Aggregate emoluments in respect of qualifying services	**136**
Company pension contributions to money purchase scheme	**11**
Accrued pension at end of year from defined benefit pension scheme	**13**

The highest paid director received shares under the executive long-term incentive scheme.

Certain of the directors are covered by private medical insurance provided by Aviva Insurance Limited. Payments may be made to, or on behalf of, directors, subject to the normal policy rules.

No lump sum in relation to the defined benefit pension scheme had accrued at the end of the current or previous year.

During the year two of the directors exercised share options and three of the directors received shares under long term incentive schemes.

All directors are remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate parent company, Aviva plc. During 2013 the directors were not primarily remunerated for their services to the Company and accordingly, no emoluments were disclosed for 2013 in respect of these directors.

4. Audit remuneration

The total remuneration payable by the Company, excluding VAT, to its auditor, PricewaterhouseCoopers LLP and its associates, in respect of the audit of these financial statements, is shown below:

	2014	2013
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	**4**	4

Fees paid to PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the Company's ultimate parent company, Aviva plc (see note 15), are required to disclose other (non-audit) services on a consolidated basis.

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

5. Tax

(a) Tax credited to the income statement

The total tax credit comprises:

	2014	2013
	£'000	£'000
Current tax		
For the year	**380**	828
Total tax credited to the income statement	**380**	828

(b) Tax reconciliation

The tax on the company's loss before tax is the same as the tax calculated at the standard UK corporation tax rate for both years, as follows:

	2014	2013
	£'000	£'000
Loss before tax	**1,769**	3,559
Tax calculated at standard UK corporation tax rate of 21.5% *(2013: 23.25%)*	**380**	828
Current tax credited for the year	**380**	828

UK legislation was substantively enacted in July 2013 to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014, resulting in an effective rate for the year ended 31 December 2014 of 21.5%. A further reduction to 20% was also enacted with effect from 1 April 2015. There is no impact on the Company's net assets from the reductions in the rates as the Company does not have any recognised or unrecognised deferred tax balances.

6. Receivables

	2014 £'000	Restated 2013 £'000
Amounts due from group undertakings	**1,013**	1,638
Other receivables including tax and social security	**8,963**	4,714
	9,976	6,352

Of the above total £501,000 *(2013: £nil)* is expected to be recovered more than one year after the statement of financial position date. There is no difference in contractual maturity and the value in the financial statements.

Other receivables include £2,986,000 in relation to tax rebates *(2013: £1,390,000).*

7. Prepayments and accrued income

	2014 £'000	2013 £'000
Prepayments and accrued income	**718**	351

None of the above total *(2013: £nil)* is expected to be recovered more than one year after the statement of financial position date.

8. Ordinary share capital

(a) Details of the Company's ordinary share capital at 31 December are as follows:

	2014 £'000	2013 £'000
The allotted, called up and fully paid share capital of the Company was: 32,600,000 ordinary shares of £1 each *(2013: 24,100,000 ordinary shares)*	**32,600**	24,100

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) On 11 April 2014, 1.6 million ordinary shares of £1 each were allotted and issued by the Company.

On 14 November 2014, 1.9 million ordinary shares of £1 were allotted and issued by the Company.

On 19 December 2014, 5.0 million shares of £1 were allotted and issued by the Company as follows:

	Number of Shares	2014 Share Capital £'000	Number of Shares	2013 Share Capital £'000
At 1 January	**24,100,000**	**24,100**	21,100,000	21,100
New shares issued	**8,500,000**	**8,500**	3,000,000	3,000
At 31 December	**32,600,000**	**32,600**	24,100,000	24,100

9. Accumulated losses

	2014 £'000	2013 £'000
Balance at 1 January	**(15,792)**	(13,061)
Loss for the year	**(1,389)**	(2,731)
Balance at 31 December	**(17,181)**	(15,792)

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to regulated companies imposed by the Financial Conduct Authority (FCA). Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of local regulatory capital.

10. Tax assets

(a) General

Tax assets receivable in more than one year are £380,000 *(2013: £828,000)*.

(b) Deferred tax

The company has no recognised or unrecognised deferred tax amounts at the year end *(2013: £nil)*.

11. Provisions

	2014 £'000	2013 £'000
Balance at 1 January	**174**	174
Amounts utilised	**79**	-
Balance at 31 December	**95**	174

The provision relates to potential liability arising as a result of post retirement obligations in relation to pension tax relief. This includes the best estimate of customer and HMRC redress that will be necessary, following a full review.

12. Payables and other financial liabilities

	2014 £'000	Restated 2013 £'000
Trade payables	**25,756**	9,351
Amounts owed to group undertakings	**4,466**	5,971
Other payables including tax and social security	**446**	131
	30,668	15,453

None of the above total is expected to be paid more than one year after the statement of financial position date *(2013: £nil)*.

13. Statement of cash flows

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

	2014 £'000	Restated 2013 £'000
Loss before tax	**(1,769)**	(3,559)
Changes in working capital		
Increase in receivables	**(2,796)**	(133)
Increase in prepayments and accrued income	**(367)**	(178)
Decrease in provisions	**(79)**	-
Increase in payables and other financial liabilities	**15,215**	3,870
Net cash generated from operating activities	**10,204**	-

(b) Cash and cash equivalents in the statement of cash flows at 31 December comprised:

	2014 £'000	2013 £'000
Cash at bank and in hand	**35,108**	16,404

14. Risk and capital management

(a) Risk management framework

The ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associates, (collectively known as "the Group"), operate a risk management framework ("RMF"), which forms an integral part of the management and board processes and decision-making framework across the Group. The key elements of our risk management framework comprise risk strategy and risk appetite, risk policy categorisation, enterprise-wide approach to managing risk, including how to identify, measure, manage, monitor and report risks, and risk governance and oversight (including boards and board committees, risk policies and business standards, delegated authorities and management committees, and roles and responsibilities). The Group's approach to risk management ensures that significant existing or emerging risks are actively identified, measured, managed, monitored and reported on a continuous basis. The RMF has been adopted by the boards of the legal entities within the business collectively referred to as "UK Life" (including this Company).

For the purposes of risk identification and measurement, risks are usually grouped by risk type: market, credit, life insurance, liquidity and operational risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. They may also affect the performance of the products that the Company delivers to customers and the service to customers and distributors, which can be categorised as risks to the Company's franchise value.

Risk models are an important tool in the Company's measurement of risk and are used to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. The Company carries out a range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. Board oversight of risk and risk management across the Group is maintained on a regular basis through its Risk Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk it is willing to take. The Group's position against risk appetite is monitored and reported to the Board on a regular basis. A similar arrangement prevails at the UK Life business level.

UK Life sets limits to manage material risks to ensure the risks stay within risk appetite (the amount of risk UK Life is willing to accept). UK Life 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 of appetite, actions are agreed to bring the risks within appetite. Impact assessments are considered against financial, operational and reputational criteria and take into account underlying factors such as economic conditions, for example, UK economic growth and inflation.

The UK Life business has an established governance framework, which has the following key elements:

- defined terms of reference for the legal entity Boards and the associated Board Committees across the UK Life business including the Risk Committee, Conduct Committee, Audit Committee and With Profit Committee.
- a clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to CEOs and senior management and Management Committees (including the Asset Liability Committee and the Operational Risk Committee); 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 risk policies and associated business standards also set out the roles and responsibilities of Group, Businesses, Policy and Standard Owners, and Board and Management Committees.

UK Life operates a three lines of defence risk management model that encourages close working relationships between line management and the risk function whilst facilitating independent assurance by internal audit. Primary responsibility for risk identification and management lies with business management (the first line of defence). Support for and challenge on the completeness and validity are performed by specialist risk functions (the second line of defence). Independent and objective assurance on the robustness of the risk management framework and the appropriateness and effectiveness of internal control is provided by internal audit (the third line of defence).

The Regulators also require UK Life to assess its economic capital requirements to ensure that it adequately reflects the risks facing the business. UK Life has accordingly 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.

The Company operates a number of Board and Management Committees that monitor aggregate risk data.

(b) Market risk

Market risk is the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices. The nature of the business means that market risks in terms of market value movements are borne by the customers. The Company is not exposed to significant interest rate risk.

(c) Credit risk

Credit risk is the risk of adverse financial impact resulting from fluctuations in credit quality of third parties, including default, rating transition and credit spread movements. The Company's management of credit risk under the oversight of ALCO, includes the articulation of risk appetite, exposure limit frameworks and investment and lending criteria within credit risk policies and management agreements.

The nature of the Company's business means that it is not exposed to significant credit risk. This is because its receivables are mainly inter-company balances. A significant amount of business relates to the Aviva Group of companies and exposure is managed through regular and timely payments. At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be in a position to meet its liabilities as they fall due. In relation to the Company, this largely relates to ensuring that there are sufficient liquid assets available to meet funding demands from customer transactions. Liquidity risk is managed daily, with oversight provided by ALCO. A contingency funding plan is in place to provide the Company with short term liquidity should it be required.

(e) Risk and capital management

Capital is managed within the regulatory framework in which the Company operates. This makes use of the Internal Capital Adequacy Assessment Process ('ICAAP'), closely aligned with Aviva's Internal Capital Assessment framework, to identify the risks to which the business is exposed and to quantify their impact on economic capital and changes thereto by way of stress and scenario tests. The ICAAP estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk.

The Company maintains an efficient capital structure, which is consistent with its risk profile and the regulatory and market requirements of its business. The Company's capital is managed in accordance with its Capital and Solvency Policy to maintain sufficient regulatory capital. The solvency position of the company is formally monitored on a monthly basis.

The Company uses sensitivity test-based analysis, including ICAAP, to understand the impact of volatile markets on expected earnings for decision-making and planning purposes. The impact of a fall in securities or property values at a point in time is limited to the impact on revenue, which is accrued based on those values. The Directors consider that a 10% fall or rise in markets at the year-end would not have a material impact on the pre tax profit or shareholder equity of the Company.

As the Company is currently loss making there is a risk that business volumes will not increase sufficiently to cover fixed platform costs and generate future profits. As a result, letters of support and potential capital injections will continue to be required in order to maintain the Company as a going concern.

(f) Regulatory capital

In managing its capital, the Company seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength to support new business growth and satisfy the requirements of its customers and its regulator, the Financial Conduct Authority (FCA);
- Retain financial flexibility by maintaining liquidity; and
- Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company is an IPRU (Investment) Chapter 5 firm and submits quarterly returns to comply with IPRU under the Integrated Regulatory Reporting (IRR) Regime. The Company has fully complied with the relevant regulatory capital requirements since it became regulated in 2007.

The Company manages the resources available to meet its regulatory capital requirements as capital, as set out below:

	2014	2013
	£'000	£'000
Total IFRS shareholders' funds	**15,419**	8,308
Less illiquid assets	**(1,176)**	(739)
Total available capital resources	**14,243**	7,569

The movement in the available capital resources is due to the losses for the year, plus the increase in the illiquid assets balance, which have been more than offset by share capital injections of £8,500,000 from the parent entity, Aviva Life & Pensions UK Limited (UKLAP), during the year.

The illiquid assets deduction relates to debtor balances over 90 days, in line with FCA reporting requirements.

The Company is dependent on continuing finance being made available by UKLAP to provide capital to enable it to meet its liabilities as they fall due. UKLAP has agreed to provide sufficient funds for these purposes on an ongoing basis.

In addition to the minimum regulatory requirements outlined above, the Company complies with Group mandated Capital Management Risk Standards, which include the setting of risk appetites which are designed to give some buffer against adverse events when compared with minimum solvency. These appetites define what action should be taken by management where the actual capital level is above or below the desired target level.

15. Related party transactions

(a) The members of the Board of Directors are listed on page 1 of these financial statements. There are no amounts receivable from or payments due to members of the Board of Directors.

(b) Income receivable from related parties

		2014		2013
	Income earned in year	**Receivable at year end**	Income earned in Year	Receivable at year End
	£'000	**£'000**	£'000	£'000
Parent	**185**	**185**	185	184
Fellow group undertakings	**-**	**828**	-	1,454
	185	**1,013**	185	1,638

The related party receivables are not secured and no guarantees were received in respect thereof. No provision or expense has been recognised during the year in respect of bad and doubtful debts *(2013: £nil).*

(c) Services provided by related parties

		2014		2013
	Expense incurred in year	**Payable at year end**	Expense incurred in year	Payable at year end
	£'000	**£'000**	£'000	£'000
Fellow group undertakings	**9,459**	**4,466**	7,447	5,971

The related party payables are not secured and no guarantees were given in respect thereof. Other relevant related party expense disclosures are shown in note 2.

(d) Key management compensation

The total compensation to those employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, including the executive directors, is as follows:

	2014 £'000	2013 £'000
Salary and other short-term benefits	**308**	-
Post-employment benefits	**26**	-
Other long-term benefits	**2**	-
Termination benefits	**10**	-
	346	-

There are no amounts receivable from, or payments due to, key management.

The directors are remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate holding company, Aviva plc. The emoluments of these directors are recharged to Aviva Life Services UK Limited, and details of their emoluments are given in note 3.

No charge was disclosed by the Company for key management personnel in 2013 as they were key management of a number of fellow subsidiary undertakings and it was not possible to make an accurate apportionment of their compensation in respect of each of the individual subsidiary undertakings.

(e) Ultimate parent undertaking and controlling party

The immediate parent undertaking is Aviva Life & Pensions UK Limited, a company incorporated in England.

The ultimate parent undertaking and controlling party is Aviva plc, a company incorporated in England.

Aviva plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2014. The consolidated financial statements of Aviva plc are available on www.aviva.com or by application to the Group Company Secretary, Aviva plc, St. Helen's,1 Undershaft, London EC3P 3DQ.

16. Post statement of financial position events

As part of the Direct-to-Consumer programme, a new platform proposition is due to be launched in 2015. Administration on the new platform will be provided by FNZ (UK) Limited. ISA, GIA and SIPP products will be available from launch, with drawdown functionality and a range of fixed term deposits being made available later in the year.

The launch of the new platform is likely to have a significant impact on the 2015 results as a consequence of the expected increase in operational costs at start up, with income in the early years being insufficient to cover operational expenses.