

# **Aviva Central Services UK Limited**

**Registered in England and Wales No. 03259447**

## **Annual Report and Financial Statements 2015**

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## Directors and officers

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### Directors

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

N B M Amin  
C J Holmes  
J R Lister  
D F S Rogers

### Officer – Company Secretary

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

### Independent Auditors

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

### Registered Office

8 Surrey Street  
Norwich  
NR1 3NG

### Company Number

Registered in England and Wales No. 03259447

### Other Information

Aviva Central Services UK Limited (the Company) is a member of the Aviva plc group of companies (the Group).

## Strategic report

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This strategic report is addressed to, and written for, the members of Aviva Central Services UK 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.

### Principal activities

The company is a wholly owned subsidiary of Aviva Group Holdings Limited (AGH). The principal activity of the Company is the provision of physical infrastructure and associated support services to other companies within the Aviva plc group of companies (the Group).

### Financial position and performance

The financial position of the Company at 31 December 2015 is shown in the Statement of Financial Position on page 19, with the results shown in the Income Statement on page 16 and the Statement of Cash Flows on page 20.

Revenue has decreased during 2015 as a result of year on year efficiencies and changes in the services provided by the Company.

The profit before tax for the year is £2 million (2014: £1 million). There is a loss for the year after tax attributable to owners of the company of £4 million (2014: £2 million profit) which includes a tax charge of £6 million within the year (2014: tax credit £1 million).

Total equity has increased to £77 million net assets as at 31 December 2015 from £45 million net liabilities as at 31 December 2014 largely due to the issue of additional share capital as described in significant events below.

### Significant events

On 14 December 2015 the Company issued 126,372,513 ordinary shares of £1 each to settle the intercompany balance with its parent, AGH.

### Future outlook

High level strategies are determined by the Board of Aviva plc and these are shown in the Aviva plc Annual Report and Accounts and Preliminary Announcement for year ended 31 December 2015. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future (see Directors' report).

### Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 23 to the financial statements.

The principal risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include credit and liquidity risk, as well as operational risk.

#### 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 approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default and rating transition.

The Company's primary financial assets are primarily 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.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade.

The carrying amount of assets included in the Statement of Financial Position represents the maximum credit exposure.

The credit quality of receivables and other financial assets is monitored by the Company, and provisions for impairment are made for irrecoverable amounts. As at 31 December 2015 and 2014 no receivables were impaired or overdue.

Receivables and other financial assets include loans and amounts due from the parent and other Group companies of £222 million (2014: £235 million) (see note 24).

## Strategic report continued

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### Principal risks and uncertainties continued

#### *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.

Current liabilities, including current provisions and other liabilities, exceed current assets by £24 million (2014: £189 million). In extreme circumstances, the Company would approach the Aviva Group for additional short-term borrowing whilst the Company liquidated other assets. The Aviva Group maintains significant committed borrowing facilities from a range of highly-rated banks to mitigate this risk further.

#### *Operational risk*

The Company's income, other than finance income of £4 million (2014: £4 million), is entirely derived from the provision of physical infrastructure and associated support services to other companies within the Aviva Group. As such, the Company is exposed to operational risks which might cause interruption or adversely impact the provision of these services, for example as a result of failed internal processes, people and systems, or external events. The Company has limited appetite for operational risk and aims to reduce these risks as far as is commercially sensible.

Business units are primarily responsible for identifying and managing operational risks within their businesses, within the Aviva group-wide operational risk framework including the risk and control self-assessment process. Businesses must be satisfied that all material risks falling outside our risk tolerances are being mitigated, monitored and reported to an appropriate level. Any risks with a high potential impact are monitored centrally on a regular basis. Businesses use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events; taking appropriate action to address actual control breakdowns and promote internal learning.

## Strategic report continued

### Key performance indicators

The performance of the business can be assessed through the use of key performance indicators (KPIs). The most relevant KPIs that communicate the financial performance are as follows:

- Changes in revenue
- Changes in cost of sales

A summary of the KPIs is set out below:

	2015	2014
(Decrease) in revenue	(7%)	(34%)
(Decrease) in cost of sales	(7%)	(34%)

Revenue has decreased during 2014 due to direct costs for Aviva plc no longer being processed through Aviva Central Services UK Limited. The Company's recharges are determined by the underlying activity to which they relate. Revenue has decreased during 2015 as a result of year on year efficiencies and changes in the services provided by the Company.

By order of the Board



R Hostler  
For and on behalf of Aviva Company Secretarial Services Limited  
Company Secretary

22 July 2016

## Directors' report

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The directors present their annual report and audited financial statements for Aviva Central Services UK Limited (the Company) for the year ended 31 December 2015.

### Directors

The names of the present directors of the Company appear on page 3.

C J Abrahams resigned as a director of the Company on 1 July 2015.

J R Lister was appointed as a director of the Company on 1 July 2015.

### Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: £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. In addition, the financial statements include notes on the Company's management of its major risks including market, credit and liquidity risk (note 23).

The Company has net assets of £77 million (2014: £45 million net liability). 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

There are no events since Statement of Financial Position date to report.

### Financial instruments

The business of the Company includes the use of financial instruments. Details of the Company's risk management objectives and policies and exposures to risk relating to financial instruments are set out in note 23 to the financial statements.

### Employees

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

### 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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Independent auditors

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

## Directors' report continued

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### 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting 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. 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



R Hostler  
For and on behalf of Aviva Company Secretarial Services Limited  
Company Secretary

22 July 2016



## Independent auditors report to the members of Aviva Central Services UK Limited

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### Report on the financial statements

#### Our opinion

In our opinion, Aviva Central Services 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 2015 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

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the accounting policies;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Financial Position as at 31 December 2015;
- the Statement of Cash Flows for the year then ended; 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 IFRSs as adopted by the European Union, and applicable law.

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.

#### 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 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 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.

## Independent auditors report to the members of Aviva Central Services UK Limited continued

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### 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 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.



Lee Clarke (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

22 JULY 2016

## 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 IFRS as adopted by the EU, the Company has also complied with IFRS as issued by the IASB and applicable at 31 December 2015. 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 has net assets of £77 million (2014: £45 million net liability). 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.

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 amendments to standards which became effective for the annual reporting period beginning 1 January 2015.

#### (i) Amendments to IAS 19, Employee Benefits – Employee Contributions

These narrow scope amendments simplify accounting for defined benefit plans that require contributions from employees or third parties. The adoption of the amendments has no impact on Company's financial statements as the Company does not have defined benefit plans that require employees or third parties to contribute to the cost of the plan.

#### (ii) Annual Improvements to IFRSs 2011-2013

These improvements to IFRSs consist of amendments to four IFRSs including IFRS 3 *Business Combinations* and IFRS13 *Fair Value Measurement*. The amendments clarify existing guidance and there is no impact on the Company's financial statements.

### 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 not yet effective and have not been adopted early by the Company:

#### (i) Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. The amendments to IAS 16 and IAS 38 prohibit the use of revenue-based depreciation for property, plant and equipment and significantly limit the use of revenue-based amortisation for intangible assets.

The adoption of these amendments is not expected to have any impact on the Company's financial statements as the Company has no property plant and equipment. These amendments are effective for annual reporting periods beginning on or after 1 January 2016 and have yet to be endorsed by the EU.

#### (ii) Amendments to IAS 27, Equity Method in Separate Financial Statements

The amendments to IAS 27 allow investments in subsidiaries to be accounted for using the equity method within the Company's financial statements. The Company does not intend on electing to use the equity method in separate financial statements. The amendments to IAS 27 are effective for annual reporting periods beginning on or after 1 January 2016 and have not yet been endorsed by the EU.

#### (iii) Narrow scope amendments to IFRS10, IFRS 12 and IAS 28 – Applying the Consolidation Exception

These narrow-scope amendments clarify the application of the requirements for investment entities to measure subsidiaries at fair value instead of consolidating them. There are no implications for the Company's financial statements as the Company does not meet the definition of an investment entity. These amendments are effective for annual reporting periods beginning on or after 1 January 2016 and have not yet been endorsed by the EU.

## Accounting policies continued

### (A) Basis of preparation continued

#### (iv) Amendments to IAS 1 – Disclosure Initiative

These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The adoption of these amendments will have no impact for the Company's profit or loss or equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2016 and have not yet been endorsed by the EU.

#### (v) Annual Improvements to IFRSs 2012-2014

These improvements consist of amendments to five IFRSs including IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures and IAS 19 Employee Benefits. The amendments clarify existing guidance. The adoption of these amendments is not expected to have a significant impact on the Company's financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2016 and have yet to be endorsed by the EU.

#### (vi) IFRS 15, Revenue from Contracts with Customers

IFRS 15 will replace IAS 18 Revenue and establishes a principle based five-step model to be applied to all contracts with customers, except for insurance contracts, financial instruments and lease contracts. IFRS 15 also includes enhanced disclosure requirements. The impact of the adoption of the new standard has yet to be fully assessed by the Company. This standard applies to annual reporting periods beginning on or after 1 January 2018 and has not yet been endorsed by the EU.

#### (vii) 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 standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets 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 assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach. The IASB is currently drafting an Exposure Draft to consult on a package of temporary measures that would address the application of IFRS 9 to insurers prior to the publication of the new accounting standard of insurance contracts. A final standard is expected to be issued in 2016. The impact of the adoption of the new standard on the Company's financial statements has yet to be fully assessed. IFRS 9 has not been endorsed by the EU.

#### (viii) Amendments to IFRS 10 and IAS 28 – Sale of Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10 and IAS 28 clarify that for transactions between an investor and its associate or joint venture, full gains are to be recognised where the assets sold or contributed constitute a business as defined in IFRS 3 Business Combinations. Where the assets sold or contributed do not constitute a business, gains and losses are recognised only to extent of other investors' interests in associate or joint venture. The adoption of these amendments is not expected to have any implications for the Company's financial statements. These amendments will be effective for annual reporting periods beginning on or after 1 January 2016. However the IASB has decided to postpone it indefinitely pending the outcome of its research project on the equity method of accounting.

### (B) Critical accounting policies and the 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
Deferred income taxes	K
Provisions and contingent liabilities	M

## Accounting policies continued

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### (C) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value added tax, rebates and discounts.

- (i) Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- (ii) Interest income is recognised using the effective interest method.
- (iii) Dividend income is recognised when the right to receive payment is established.
- (iv) Revenue received in advance is recorded as deferred income in the Statement of Financial Position and recognised in the Income Statement over the period that the revenue is earned.

### (D) Finance costs

All borrowing costs are expensed as they are incurred.

### (E) Intangible assets

Intangible assets consist of software costs. These are amortised over their useful lives of between five and ten years, using the straight-line method. The amortisation charge for the period is included in the Income Statement under 'cost of sales'. An impairment review is carried out bi-annually or where there is an indication that intangible assets are impaired. Where the carrying amount exceeds the recoverable amount, an impairment is recognised (see policy F).

### (F) Impairment of non-financial assets

Equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### (G) Equipment

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives as follows:

Computer equipment	Three to five years
Other assets	Three to five years

Gains and losses on disposal of equipment are determined by reference to their carrying amount.

Repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

### (H) Investments in subsidiary

A subsidiary is an entity (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.

In the Statement of Financial Position, the Company's subsidiary is stated at its fair value. It is classified as an available for sale financial asset, with changes in its 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 investment is reviewed annually to test whether 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.

### (I) Trade receivables

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

## Accounting policies continued

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### (J) Leases

Leases include hire purchase contracts that have characteristics similar to operating or finance leases.

#### (i) Finance leases

Leases, in which a significant portion of the risks and rewards of ownership is passed to the Company, are classified as finance leases. Assets held under finance leases are capitalised in the Statement of Financial Position and are depreciated over their useful lives, as described in Policy G above. The capital elements of future obligations under the leases are included as liabilities in the Statement of Financial Position. The interest element of the rental obligations is charged to the Income Statement over the period of the leases and represents a sum of the digits proportion of the balance of capital repayments outstanding.

#### (ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made as lessee under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the relevant leases.

### (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 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.

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, owner-occupied properties and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

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

### (L) 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.

### (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 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.

Restructuring provisions comprise lease termination penalties. Provisions are not recognised for future operating losses. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure.

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.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

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 reasonably estimated.

## Accounting policies continued

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### (N) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (O) 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.

### (P) 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:

- 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
- the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares, or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

### (Q) 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.

## Income Statement

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
<b>Revenue</b>	C & 1	<b>659</b>	709
Cost of sales	2	(658)	(710)
<b>Gross profit/(loss)</b>		<b>1</b>	(1)
<b>Operating profit/(loss)</b>		<b>1</b>	(1)
Finance income	C & 3	4	4
Finance costs	D & 4	(3)	(2)
<b>Net finance income</b>		<b>1</b>	2
<b>Profit for the year before tax</b>		<b>2</b>	1
Tax (charge) / credit	K & 8	(6)	1
<b>(Loss) / profit for the year after tax attributable to owners of the Company</b>		<b>(4)</b>	2

The accounting policies (identified alphabetically) on pages 11 to 15 and notes (identified numerically) on pages 21 to 37 are an integral part of these financial statements.



## Statement of Comprehensive Income

For the year ended 31 December 2015

	2015	2014
	£m	£m
(Loss) / profit for the year	(4)	2
Total comprehensive (loss) / income for the year	(4)	2

The accounting policies (identified alphabetically) on pages 11 to 15 and notes (identified numerically) on pages 21 to 37 are an integral part of these financial statements.

## Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Ordinary share capital £m	Other reserves £m	Accumulated losses £m	Total equity £m
<b>Balance at 1 January 2014</b>		50	3	(100)	(47)
Profit for the year		-	-	2	2
Total comprehensive income for the year		-	-	2	2
<b>Balance at 31 December 2014</b>		50	3	(98)	(45)
Loss for the year		-	-	(4)	(4)
Total comprehensive loss for the year		-	-	(4)	(4)
Shares issued	P & 16	126	-	-	126
<b>Balance at 31 December 2015</b>		176	3	(102)	77

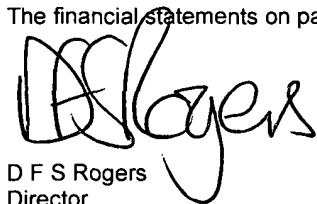
The accounting policies (identified alphabetically) on pages 11 to 15 and notes (identified numerically) on pages 21 to 37 are an integral part of these financial statements.

## Statement of Financial Position

As at 31 December 2015

	Notes	2015 £m	2014 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	E & 9	17	30
Equipment	G & 12	39	12
Receivables and other financial assets	I & 13	70	121
Deferred tax asset	K & 15	52	55
Current tax asset	K & 15	9	10
<b>Current assets</b>			
Receivables and other financial assets	I & 13	305	250
Cash and cash equivalents	L & 22	-	82
<b>Total assets</b>		<b>492</b>	<b>560</b>
<b>Equity</b>			
Ordinary share capital	P & 16	176	50
Other reserves	17	3	3
Accumulated losses	18	(102)	(98)
<b>Total equity</b>		<b>77</b>	<b>(45)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	M & 14	70	68
Payables and other financial liabilities	N & 19	8	-
Other liabilities	20	8	16
<b>Current liabilities</b>			
Provisions	M & 14	9	14
Payables and other financial liabilities	N & 19	145	312
Other liabilities	20	175	195
<b>Total liabilities</b>		<b>415</b>	<b>605</b>
<b>Total equity and liabilities</b>		<b>492</b>	<b>560</b>

The financial statements on pages 15 to 18 were approved by the Board of Directors on 19 July 2016 and signed on its behalf by

  
D F S Rogers  
Director

22 July 2016

## Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	22(a)	27	(100)
<b>Net cash generated from/(used in) operating activities</b>		<b>27</b>	<b>(100)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	12	(33)	(5)
Disposal of property and equipment	12	-	1
Loan provided by parent	19	8	-
Repayment of funding provided to parent	13	16	6
Interest received		1	1
<b>Net cash (used in)/generated from investing activities</b>		<b>(8)</b>	<b>3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>19</b>	<b>(97)</b>
Cash and cash equivalents at 1 January		(35)	62
<b>Cash and cash equivalents at 31 December</b>	L & 22(b)	<b>(16)</b>	<b>(35)</b>

The accounting policies (identified alphabetically) on pages 11 to 15 and notes (identified numerically) on pages 21 to 37 are an integral part of these financial statements.

## Notes to the financial statements

### 1. Revenue

The Company's activities consist solely of the provision of physical infrastructure and associated support services to other companies within the Group. Refer to note 24 for further information on income earned during the year.

### 2. Cost of sales

#### (a) Cost of sales comprises:

	Note	2015 £m	2014 £m
Staff costs and other employee related expenses	2(b)	170	192
Depreciation of equipment:			
Owned assets	12	6	6
Amortisation of intangible assets	9	13	13
Onerous lease provision charge for the year	14	6	-
Restructuring costs	2(c) & 14	15	12
Other expenses		448	487
		<b>658</b>	<b>710</b>

#### (b) Staff Costs

Staff costs are recharged by Aviva Employment Services Limited (AES), a subsidiary of the Company. Disclosures relating to staff costs may be found in the annual report and financial statements of AES.

#### (c) Restructuring Costs

Restructuring costs of £15 million in 2015 relate to costs associated with the exit of Sentinel House of £22 million, offset by £6 million release of a provision in relation to the property at Monk's cross due to the partial re-occupation of the building.

### 3. Finance income

Finance income comprises:

	2015 £m	2014 £m
Bank interest receivable	1	1
Unwind of discount on deferred consideration	3	3
	<b>4</b>	<b>4</b>

### 4. Finance costs

Finance costs comprise:

	Note	2015 £m	2014 £m
Unwind of discount on provisions	14	(3)	(2)

### 5. Employees

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

## Notes to the financial statements continued

### 6. Directors

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

N B M Amin's remuneration is disclosed within the aggregate of key management compensation in the annual report and financial statements of Aviva plc.

J R Lister's remuneration was disclosed in Aviva plc accounts up to 30 June 2015 when he was a Person Discharging Managerial Responsibility (PDMR). From 1 July 2015 J Lister's remuneration was included within the Aviva Life Holdings UK Limited and other main Life company accounts due to his appointment as a director.

C J Holmes was a director of Aviva Insurance Limited and his remuneration is disclosed in the annual report and financial statements of that company.

D F S Rogers is remunerated for his role as an employee across the Group.

Mr Abraham's was a director of Aviva Life & Pensions UK Limited and Aviva Annuity UK Limited and his remuneration is disclosed in the annual report and financial statements of those entities.

### 7. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its principal auditors, PricewaterhouseCoopers LLP is shown below:

	2015 £'000	2014 £'000
Fees payable to the Company's auditors for the audit of the Company's Annual Report and Financial Statements	53	53

There were no non-audit fees paid to the Company's auditors during the year (2014: £nil). All fees are borne by fellow Group Company, Aviva Insurance Limited (refer note 24).

### 8. Tax (charge)/credit

#### (a) Tax (charged)/credited to the Income Statement

##### (i) Tax (charge)/credit comprises:

	Note	2015 £m	2014 £m
<b>Current tax</b>			
For this year		9	10
Adjustments in respect of prior years	8(a)(ii)	(13)	2
<b>Total current tax</b>		(4)	12
<b>Deferred tax</b>			
Origination and reversal of temporary differences	8(a)(ii)	(3)	(12)
Changes in tax rates or tax laws	8(a)(ii)	1	1
<b>Total deferred tax</b>		(2)	(11)
<b>Total tax (charged)/credited to the Income Statement</b>	8(c)	(6)	1

(ii) The £13 million prior year adjustment charge within current tax relates to the reversal of a capital allowances claim which was anticipated in support of group relief surrender by the Company and which is no longer required. The displaced capital allowances have been duly recognised in a credit to deferred taxation in origination and reversal of temporary differences. The net effect on the prior year adjustment recorded in the tax reconciliation in note 8(c) is £Nil.

(iii) There were no unrecognised tax losses and no temporary differences of previous years used to reduce current tax expense in either 2015 or 2014.

## Notes to the financial statements continued

### 8. Tax (charge)/credit continued

(iv) Deferred tax credited to the Income Statement represents movements on the following items:

	2015 £m	2014 £m
Accelerated capital allowances	(3)	(11)
Other temporary differences	1	-
<b>Total deferred tax credited to Income Statement</b>	<b>(2)</b>	<b>(11)</b>

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

There was no tax charged or credited to other comprehensive income in either 2015 or 2014.

### (c) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	Note	2015 £m	2014 £m
Profit for the year before tax		2	1
Tax calculated at standard UK corporation tax rate of 20.25% (2014: 21.5%)		-	-
Adjustments in respect of prior years	8(a)(ii)	-	2
Disallowable expenses		(2)	(2)
Deferred tax assets not recognised		1	-
Impact of change in rate of tax		(5)	1
<b>Total tax (charged)/credited to the Income Statement</b>		<b>(6)</b>	<b>1</b>

UK legislation was substantively enacted in July 2013 to reduce the UK corporation tax rate from 21% to 20% from 1 April 2015, resulting in an effective rate for the year ended 31 December 2015 of 20.25%. The 20.25% corporation tax rate has been used in the calculation of the UK's current tax liability for the year ended 31 December 2015.

UK legislation was substantively enacted on 26 October 2015 to reduce the UK corporate rate further to 19% from 1 April 2017 and to 18% from 1 April 2020. The reductions in rate from 20% to 19% and then to 18% have been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2015. The reduction in the future corporation tax rates has resulted in a reduction to the Company's net deferred tax asset of £7 million charged to the income statement.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. As the changes had not been substantively enacted at the statement of financial position date, their effects are not included in these financial statements. If the changes had applied at the statement of financial position date, there would be no material impact on the Company's net assets.

## Notes to the financial statements continued

### 9. Intangible assets

	Note	2015 £m	2014 £m
<b>Gross amount</b>			
At 1 January		75	75
At 31 December		75	75
<b>Accumulated amortisation</b>			
At 1 January		(41)	(28)
Amortisation for the year	2	(13)	(13)
At 31 December		(54)	(41)
<b>Accumulated impairment</b>			
At 1 January		(4)	(4)
At 31 December		(4)	(4)
<b>Carrying value at 31 December</b>		<b>17</b>	<b>30</b>

The intangible assets represent the capitalisation of software costs.

Impairment losses recognised in 2014 represent those costs relating to systems now considered to be redundant.

### 10. Investment in subsidiary

The investment in shares of a subsidiary, which is registered in England and Wales, comprises:

Company	Type of business	Class of share	Proportion held
Aviva Employment Services Limited	Employment of the majority of Aviva plc Group's UK based staff.	Ordinary	100%

The Company's subsidiary, AES, is the employing company for most of the Aviva staff in the UK. It bears all staff-related costs, including contributions to the Aviva Staff Pension Scheme and RAC Pension Scheme (the Schemes). All staff related costs (excluding the RAC Pension Scheme) are recharged to the operating divisions of the Aviva Group as part of an overall charge for payroll-related items. The level of recharges for pension and other costs to each business is reviewed annually.

The fair value of the company's investment in subsidiary is based on net asset value, excluding assets and liabilities in respect of the subsidiary's pension schemes. As AES is in a net liability position, on this basis, the investment in subsidiary's carrying value is deemed to be nil (2014: £Nil).

The investment in subsidiary is recorded as a Level 3 investment in the fair value hierarchy (see note 11(d)).

### 11. Fair value methodology

This note explains the methodology for valuing our assets and liabilities measured at fair value, and for fair value disclosures. It also provides an analysis of these according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

#### (a) Basis for determining fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

##### Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date.



## Notes to the financial statements continued

### 11. Fair value methodology continued

#### (a) Basis for determining fair value hierarchy continued

##### 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 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, implied volatilities, and credit spreads).
- Market-corroborated inputs.

Where we use broker quotes and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- Where the broker price is validated by using internal models with market observable inputs and the values are similar, we classify the investment as Level 2.
- In circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

##### 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. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Examples are investment properties, certain private equity investments and private placements.

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 investments in subsidiaries 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) Changes to valuation techniques

There were no changes in the valuation techniques during the year compared to those described in the 2014 Annual Report and Financial Statements.

#### (c) Comparison of the carrying amount and fair values of financial instruments

The Company's financial asset, comprising of investment in subsidiary, has a fair value and carrying amount of nil. This is unchanged from the prior year.

Fair value of the following assets and liabilities approximate to their carrying amounts:

- Receivables
- Cash and cash equivalents
- Payables and other financial liabilities

#### (d) Fair value hierarchy

The company's investment in subsidiary (refer note 10) is reported as level 3 in the fair value hierarchy (2014: Level 3).

#### (e) Transfer between levels of the fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

There were no transfers into or out of Level 3 either in 2015 or 2014.

## Notes to the financial statements continued

### 11. Fair value methodology continued

#### (f) Further information on Level 3 assets and liabilities

Where possible, the Company tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs to reasonable alternatives. Valuations for Level 3 investments are sourced from independent third parties when available and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes. Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations, the Company undertakes, where feasible, sensitivity analysis on the following basis:

- For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

On the basis of the methodology outlined above the Company is not able to perform a sensitivity analysis on its Level 3 asset. It is estimated that a 10% change in valuation downwards of this asset would result in a change in fair value of £nil (2014: £nil).

### 12. Equipment

	Note	Computer Equipment £m	Other assets £m	Total £m
<b>Cost or valuation</b>				
At 1 January 2014		446	19	465
Additions		2	3	5
Disposals		(1)	-	(1)
<b>At 31 December 2014</b>		<b>447</b>	<b>22</b>	<b>469</b>
Additions		1	32	33
Derecognition of depreciated assets		(293)	-	(293)
<b>At 31 December 2015</b>		<b>155</b>	<b>54</b>	<b>209</b>
<b>Depreciation</b>				
At 1 January 2014		(433)	(18)	(451)
Charge for the year	2	(5)	(1)	(6)
<b>At 31 December 2014</b>		<b>(438)</b>	<b>(19)</b>	<b>(457)</b>
Charge for the year	2	(5)	(1)	(6)
Derecognition of depreciated assets		293	-	293
<b>At 31 December 2015</b>		<b>(150)</b>	<b>(20)</b>	<b>(170)</b>
<b>Carrying amount</b>				
At 31 December 2014		9	3	12
<b>At 31 December 2015</b>		<b>5</b>	<b>34</b>	<b>39</b>

During the year, the Company has derecognised £293 million of fully depreciated IT equipment from the fixed assets register.

## Notes to the financial statements continued

### 13. Receivables

	Note	2015 £m	2014 £m
Trade receivables	I	1	2
Loans due from parent	24(a)(i)	6	22
Amounts due from fellow Group companies	24(a)(iii)	216	213
Prepayments and accrued income		73	66
Other receivables		79	68
<b>Total at 31 December</b>		<b>375</b>	<b>371</b>
Expected to be recovered within one year		305	250
Expected to be recovered in more than one year		70	121
<b>Total at 31 December</b>		<b>375</b>	<b>371</b>

All receivables are carried at amortised cost, which approximates to fair value.

Other receivables include deferred consideration of £51 million (2014: £48 million) on disposal in 2009 of the Company's data centre of which £28 million is expected to be recovered within one year and £23 million is expected to be recovered in more than one year after the Statement of Financial Position date.

### 14. Provisions

#### (a) Carrying value

	2015 £m	2014 £m
Onerous lease provisions	12	11
Restructuring provision	67	71
<b>Total at 31 December</b>	<b>79</b>	<b>82</b>
Expected to be settled within one year	9	14
Expected to be settled in more than one year	70	68
<b>Total at 31 December</b>	<b>79</b>	<b>82</b>

#### (b) Movements in the year

	Note	Onerous lease provisions £m	Restructuring provision £m	Total £m
At 1 January 2014		36	48	84
Change in the discounted amount arising from passage of time	4	2	-	2
Charge for the year	2	-	12	12
Utilised during the year		(27)	(12)	(39)
Transfer from other group companies	24(a)(iii)	-	23	23
<b>At 31 December 2014</b>		<b>11</b>	<b>71</b>	<b>82</b>
Change in the discounted amount arising from passage of time	4	1	2	3
Charge for the year	2	6	15	21
Utilised during the year		(6)	(21)	(27)
<b>At 31 December 2015</b>		<b>12</b>	<b>67</b>	<b>79</b>

## Notes to the financial statements continued

### 14 Provisions continued

Onerous lease and restructuring provisions relate to operating lease agreements for property, where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

In 2014, £23 million of restructuring provisions were transferred from other group companies including provisions relating to properties from UK Life Holdings Limited. These provisions were transferred at their fair value for consideration of an intercompany receivable. No restructuring provisions were transferred in 2015.

### 15. Tax assets and liabilities

#### (a) Current tax

	2015 £m	2014 £m
<i>Tax asset</i>		
Expected to be recoverable in more than one year	9	10
<b>Tax asset recognised in Statement of Financial Position</b>	<b>9</b>	<b>10</b>

#### (b) Group relief

Liabilities for prior year's tax to be settled by group relief of £2 million (2014: £5 million) are included within payables (note 19) and the related party transactions (note 24) and are payable in less than one year.

#### (c) Deferred tax

##### (i) The balance at year end comprises:

	2015 £m	2014 £m
Accelerated capital allowances	52	55
<b>Total deferred tax asset</b>	<b>52</b>	<b>55</b>

##### (ii) The movement in the deferred tax asset comprises:

	Note	2015 £m	2014 £m
At 1 January		55	66
Amounts charged to the Income Statement	8(a)(iv)	(3)	(11)
<b>At 31 December</b>		<b>52</b>	<b>55</b>

The Company has unrecognised temporary differences of £31 million (2014: £38 million) to carry forward indefinitely against future taxable income and gains. The £31 million comprises capital losses (2014: £31 million of capital losses and £7 million temporary trading differences).

## Notes to the financial statements continued

### 16. Ordinary share capital

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

	2015 £m	2014 £m
Allotted, called up and fully paid		
176,373,513 (2014: 50,001,000) ordinary shares of £1 each	176	50

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) Movements in the year comprise:

	Number of shares	Share Capital £m
At 1 January 2014 and 31 December 2014	50,001,000	50
Issue of share capital	126,372,513	126
At 31 December 2015	176,373,513	176

On 14 December 2015 the Company issued 126,372,513 ordinary shares of £1 each to settle the intercompany balance with its parent, AGH.

### 17. Other reserves

	2015 £m	2014 £m
Capital reserve	3	3

The capital reserve represents a non-refundable cash contribution from the Company's immediate parent, AGH, made during the year ended 31 December 1997.

### 18. Accumulated losses

	2015 £m	2014 £m
At 1 January	(98)	(100)
(Loss) / profit for the year	(4)	2
At 31 December	(102)	(98)

## Notes to the financial statements continued

### 19. Payables and other financial liabilities

	Note	2015 £m	2014 £m
Trade payables	N	27	9
Loans due to parent	24(a)(ii)	8	-
Amounts due to parent	24(a)(iii)	-	122
Amounts due to subsidiaries	24(a)(iii)	28	28
Amounts due to fellow Group companies	24(a)(iii)	63	28
Bank overdraft	22(b)	16	117
Group relief	15(b)	2	5
Other payables		9	3
<b>Total at 31 December</b>		<b>153</b>	<b>312</b>
Expected to be paid in less than one year		145	312
Expected to be paid in more than one year		8	-
<b>Total at 31 December</b>		<b>153</b>	<b>312</b>

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

### 20. Other liabilities

	2015 £m	2014 £m
Accruals	183	211
<b>Total at 31 December</b>	<b>183</b>	<b>211</b>
Expected to be paid in less than one year	175	195
Expected to be paid in more than one year	8	16
<b>Total at 31 December</b>	<b>183</b>	<b>211</b>

### 21. Commitments

#### (a) Operating lease commitments

The Company has obligations under operating leases for property and equipment. Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 £m	2014 £m
Within one year	42	39
Later than one year and not later than five years	149	142
Later than five years	279	290
<b>Total at 31 December</b>	<b>470</b>	<b>471</b>
The total of future minimum sublease payments expected to be received under non-cancellable subleases	3	3

## Notes to the financial statements continued

### 21. Commitments continued

#### (b) Other financial commitments

The Company has commitments in respect of software licences as shown below, which have not been provided for but will be recognised in the income statement through the life of the agreements. The agreements are due to expire in no later than four years.

	2015 £m	2014 £m
Amounts contracted for but not provided for in the financial statements	61	13

### 22. Cash and cash equivalents

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

	Note	2015 £m	2014 £m
Profit for the year before tax		2	1
<b>Adjustments for:</b>			
Amortisation of intangible assets	9	13	13
Depreciation of equipment	12	6	6
Finance income	3	(4)	(4)
Finance costs	4	3	2
		18	17
<b>Changes in working capital:</b>			
Increase in receivables		(20)	(65)
Decrease in provisions		(6)	(4)
Increase/(decrease) in payables		33	(49)
		7	(118)
<b>Cash generated from/(used in) operations</b>		<b>27</b>	<b>(100)</b>

Increase in receivables is stated after eliminating £6 million (2014: £22 million) loans due from parent.

Decrease in payables is stated after eliminating £8 million (2014: £nil) loans due to parent, £16 million (2014: £117 million) of bank overdrafts, £126 million intercompany balance with parent settled by share issue (2014: £nil) and £2 million (2014: £5 million) of corporation tax liability settled or to be settled by group relief.

#### (b) Cash and cash equivalents in the Statement of Cash Flows at 31 December comprise:

	Note	2015 £m	2014 £m
Cash and cash equivalents		-	82
Bank overdrafts	19	(16)	(117)
<b>Total at 31 December</b>		<b>(16)</b>	<b>(35)</b>

## Notes to the financial statements continued

### 23. Risk management

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 proportionate to its activities as a company providing physical infrastructure and associated support services solely to other companies within the Aviva plc Group. It does not provide any services to third parties. At least annually the Company's management review the key risks specific to the Company.

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.

The risks to the Company's subsidiary are managed through the risk management framework described above. Sections (a) to (e) below are limited to the specific risks of the Company.

#### (a) 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 approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default and rating transition.

The Company's primary financial assets are primarily 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.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade.

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

	2015						
	Credit rating						Carrying value in the financial statements £m
	AAA	AA	A	BB	BBB	Speculative grade Non-rated	
	%	%	%	%	%	%	
Trade and other receivables	-	-	-	-	64%	- 36%	80

	2014						
	Credit rating						Carrying value in the financial statements £m
	AAA	AA	A	BB	BBB	Speculative grade Non-rated	
	%	%	%	%	%	%	
Trade and other receivables	-	-	-	-	69%	- 31%	70

The carrying amount of assets included in the Statement of Financial Position represents the maximum credit exposure.

The credit quality of receivables and other financial assets is monitored by the Company, and provisions for impairment are made for irrecoverable amounts. As at 31 December 2015 and 2014 no receivables were impaired or overdue.

Receivables and other financial assets include loans and amounts due from the parent and other Group companies of £222 million (2014: £235 million) (see note 24).



## Notes to the financial statements continued

### 23. Risk management continued

#### (b) Market risk

Market risk is the risk of adverse financial impact resulting, directly or indirectly from fluctuations in interest rates, equity prices, foreign currency exchange rates, and property prices. 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 Asset Liability Management (ALM) 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	Interest rate risk arises primarily from the Company's loan to its parent undertaking, AGH, exposing it to interest rate risk. The interest received on the loan is linked to LIBOR and so a change in LIBOR would impact the level of interest income earned by the Company.
Equity price risk	The Company is subject to equity price risk due to changes in the market values of its investment in Aviva Employment Services Limited (AES), a subsidiary company. The investment in AES valued at £nil (2014: £nil), is included at fair value based on its net asset value, excluding assets and liabilities in respect of the staff pension schemes, as at the Statement of Financial Position date.

#### (c) 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.

Current liabilities, including current provisions and other liabilities, exceed current assets by £24 million (2014: £189 million). In extreme circumstances, the Company would approach the Aviva Group for additional short-term borrowing whilst the Company liquidated other assets. 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:

					2015
	Note	On demand or within 1 year £m	1-5 years £m	Greater than 5 years £m	Total £m
Receivables and other financial assets	13	305	48	22	375
Cash and cash equivalents	22	-	-	-	-
		<b>305</b>	<b>48</b>	<b>22</b>	<b>375</b>
					2014
	Note	On demand or within 1 year £m	1-5 years £m	Greater than 5 years £m	Total £m
Receivables and other financial assets	13	250	88	33	371
Cash and cash equivalents	22	82	-	-	82
		<b>332</b>	<b>88</b>	<b>33</b>	<b>453</b>

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

## Notes to the financial statements continued

### 23. Risk management continued

#### (c) Liquidity risk continued

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

					2015
	Note	On demand or within 1 year £m	1-5 years £m	Greater than 5 years £m	Total £m
Provisions	14	9	25	45	79
Payables and other financial liabilities	19	145	8	-	153
Other liabilities	20	175	4	4	183
		<b>329</b>	<b>37</b>	<b>49</b>	<b>415</b>

					2014
	Note	On demand or within 1 year £m	1-5 years £m	Greater than 5 years £m	Total £m
Provisions	14	14	30	38	82
Payables and other financial liabilities	19	312	-	-	312
Other liabilities	20	195	12	4	211
		<b>521</b>	<b>42</b>	<b>42</b>	<b>605</b>

#### (d) 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.

We have limited appetite for operational risk and aim to reduce these risks as far as is commercially sensible.

Business units are primarily responsible for identifying and managing operational risks within their businesses, within the Aviva group-wide operational risk framework including the risk and control self-assessment process. Businesses must be satisfied that all material risks falling outside our risk tolerances are being mitigated, monitored and reported to an appropriate level. Any risks with a high potential impact are monitored centrally on a regular basis. Businesses use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events; taking appropriate action to address actual control breakdowns and promote internal learning.

#### (e) 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, having taken into account financial support available from its parent undertaking. The sources of capital used by the Company are equity shareholders' funds. At 31 December 2015 the Company had £77 million (2014: £45 million deficit) of total capital employed.

## 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 group companies in the normal course of business.

#### (i) Loan receivable

##### *Loan due from parent*

On 1 June 2009 the Company provided an unsecured loan facility of £71 million to its parent, AGH. The facility accrues interest at 100 basis points above 1 month LIBOR with settlement to be received at maturity in November 2016. As at the Statement of Financial Position date, the total amount drawn down on the facility was £6 million (2014: £22 million).

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

	2015	2014
	£m	£m
Within 1 year	6	22
Effective interest rate	1.51%	1.16%

The interest received on this loan shown in the Income Statement is £nil million (2014: £nil million). Refer note 3.

#### (ii) Loan payable

##### *Loan due to parent*

On 20 January 2015 the following loans were provided to the Company from its parent, AGH:

- an unsecured loan of £2 million, accruing interest at 110 basis points above 3 month LIBOR. The settlement expected to be received at maturity in December 2018. As at the Statement of Financial Position date, the total loan balance outstanding was £2 million.
- an unsecured loan of £6 million, accruing interest at 150 basis points above 3 month LIBOR. The settlement expected to be received at maturity in December 2024. As at the Statement of Financial Position date, the total loan balance outstanding was £6 million.

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

	2015	2014
	£m	£m
1-5 years	(2)	-
Over 5 years	(6)	-
Effective interest rate	0.89%	-

The interest payable on this loan shown in the Income Statement is £nil million (2014: £nil million). Refer note 4.

## Notes to the financial statements continued

### 24. Related party transactions continued

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

(iii) Other transactions

*Services provided and expenses recharged to related parties*

	2015		2014	
	Income earned in the year £m	Receivable at year end £m	Income earned in the year £m	Receivable at year end £m
Fellow Group companies	653	216	704	213
Group employee pension schemes	6	-	5	-
	<b>659</b>	<b>216</b>	<b>709</b>	<b>213</b>

Income earned relates to the provision of physical infrastructure and associated support services.

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.

In 2014, £23 million of onerous lease provisions were transferred from other group companies including provisions relating to properties from Aviva Life Services UK Limited. These provisions were transferred at their fair value for consideration of an intercompany receivable (refer note 14). No transfers were made in 2015.

*Services provided and expenses recharged by related parties*

	2015		2014	
	Expenses incurred in the year £m	Payable at year end £m	Expenses incurred in the year £m	Payable at year end £m
Parent	-	-	-	122
Subsidiary	153	28	181	28
Fellow Group companies	-	63	-	28
	<b>153</b>	<b>91</b>	<b>181</b>	<b>178</b>

Expenses incurred relates to provision of staff from AES.

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.

#### *Audit Fees*

Audit fees as described in note 7 are borne by fellow Group Company, Aviva Insurance Limited.

#### *Group relief*

Transactions with Group companies for settlement of corporation tax assets and liabilities by group relief are described in note 15.

### (b) Key management compensation

Key management, which comprises the directors of the Company are not remunerated directly for their services as directors for the Company and the amount of time performing their duties are incidental to their role across the Aviva Group. The majority of such costs are borne by Aviva plc and are not recharged to the Company. Refer note 6 for details of director's remuneration.

## Notes to the financial statements continued

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### 24. Related party transactions continued

#### (c) Immediate parent entity

The immediate parent entity is Aviva Group Holdings Limited, a private limited company incorporated and domiciled in England and Wales.

#### (d) Ultimate parent entity

The ultimate parent entity and controlling party is Aviva plc, a public limited company incorporated and domiciled in England and Wales, 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 Aviva Central Services UK, London EC3P 3DQ, and on the Aviva plc website at [www.aviva.com](http://www.aviva.com).