# Aviva Wrap Group UK Limited

## Directors and Officers

### Directors

D B Barral
J R Lister

### Company Secretary

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

### Auditors

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

### Registered Office

2 Rougier Street
York
YO90 1UU



### Company Number

Registered in England and Wales No 4344611

### Other Information

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

# Aviva Wrap Group UK Limited
## Contents

The directors present their annual report and financial statements for Aviva Wrap Group UK Limited (the Company) for the year ended 31 December 2010

**Directors**

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

J R Lister was appointed as a director of the Company on 19 May 2010

I Butterworth and A C Seymour-Jackson resigned as directors of the Company on 31 December 2010

T E Strauss resigned as a director of the Company on 23 May 2011

**Business review, principal activities and future outlook**

The principal activity of the Company was formerly to act as a holding company and to provide administrative support to group companies

In January 2009, the client portfolios were outsourced to Scottish Friendly Assurance (SFA) through a third party administration agreement, providing customers access to a new IT platform with enhanced functionality and service levels

As a result of the outsourcing and the subsequent de-commissioning of the Lifetime IT Platform, the relationship between the Company, Aviva Pension Trustees UK Limited (UKPTL) and Aviva Wrap UK Limited (UKW) was reviewed Following the implementation of various contractual changes and revised Service Level Agreements during the year, from 1 January 2010 the Company no longer receives expense recharges from Aviva Life Services UK Limited (UKLS) UKLS now recharge UKPTL and UKW directly The Company also no longer receives assigned income and expenditure relating to the Self Invested Personal Pension (SIPP) business from UKPTL as of this date

As a result of the restructure of the Wrap and SIPP legal entities, the Company sold its subsidiary undertaking, Aviva Wrap UK Limited (UKW), to Aviva Life Holdings UK Limited (UKLH), the Company's immediate parent undertaking, on 31 March 2010 for the net asset value of £9 5 million

Shareholders' equity has increased by £0 7 million *(2009 decreased by £5 million)* as a result of the profit for the year This is driven by the current year tax credit of £1 0 million which has arisen from the crystallisation, on cessation of trade, of a previously unrecognised deferred tax asset in respect of capital allowances accrued in prior years

**Financial position and performance**

The financial position of the Company at 31 December 2010 is shown in the statement of financial position on page 11, with the results shown in the income statement on page 10 and the statement of cash flows on page 13

**Principal risks and uncertainties**

The Company is exposed to financial risk through its financial assets and liabilities in the ordinary course of its business The major component is credit risk due to counterparties failing to meet all or part of their obligations in a timely fashion, and operational risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including regulatory risk Management are responsible for the identification, assessment, control and monitoring of operational risks and for reporting these in accordance with the Group's escalation criteria for assessment in terms of their probability and impact in accordance with Group policy

**Key performance indicators (KPIs)**

Profit after tax for the year is £0 7 million *(2009 £4 8 million loss)*

**Dividend**

The directors do not recommend the payment of a dividend for the year *(2009 £nil)*

### Going concern

On 29 July 2008, an agreement was reached to outsource the administration of the wrap platform to SFA and consequently the activities of the Company have been treated as discontinued and these accounts have not been prepared on a going concern basis The statement of financial position reflects the net realisable value of all items, at which they are expected to be settled in due course

### Major events

On 30 March 2010, the Company approved the sale of the entire issued share capital of its wholly owned subsidiary undertaking, Aviva Wrap UK Limited, to Aviva Life Holdings UK Limited, for a consideration of the net asset value of £9 5 million

On 24 August 2010, the Company resolved to delete all the provisions of its Memorandum of Association, which by virtue of section 28 of the Companies Act 2006, are treated as provisions of the Company's Articles of Association (Articles) and resolved to adopt New Articles The New Articles were adopted with effect from 3 September 2010

### Employees

All employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited (AES) Disclosures relating to employees may be found in the Annual Report & Accounts of Aviva plc

### Disclosure of information to the auditor

Each person who was a director of the Company on the date that this report was approved confirms that so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

### Auditor

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

### Directors' liabilities

Aviva plc, the Company's ultimate parent, has granted an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 This indemnity was granted in 2004 and the provisions in the Company's Articles of Association constitute "qualifying third party indemnities" for the purposes of sections 309A to 309C of the Companies Act 1985 These qualifying third party indemnity provision remains in force as at the date of approving the Directors' report by virtue of the transitional provisions of the Companies Act 2006

**Statement of directors' responsibilities**

The directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the European Union, and which present fairly the financial position, financial performance and cash flows of the Company at the end of the accounting period A fair presentation of the financial statements in accordance with IFRS requires the directors to

- select suitable accounting policies and verify they are applied consistently in preparing the financial statements, on a going concern basis unless it is inappropriate to presume that the Company will continue in business,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements

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

By order of the Board 11 July 2011

**Aviva Company Secretarial Services Limited** *Company Secretary*

**Independent auditor's report to the members of Aviva Wrap Group UK Limited**

We have audited the financial statements of Aviva Wrap Group UK Limited for the year ended 31 December 2010 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 19 The financial statements have been prepared under the break-up basis, as set out in accounting policy A The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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

Ernst & Young LLP

*Stuart Wilson (Senior Statutory Auditor)*
*for and on behalf of Ernst & Young LLP, Statutory Auditor*
*London*

*12 July 2011*

# Aviva Wrap Group UK Limited
## Accounting policies

The Company, a limited company incorporated and domiciled in the United Kingdom (UK), acted as a holding company and was responsible for the development of the Group's personal portfolio 'wrap' platform and the provision of administrative support to Group companies

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

### (A) Basis of presentation

The financial statements have been prepared in accordance with IFRS applicable at 31 December 2010 As required by IAS 1, *Presentation of Financial Statements*, management have prepared the financial statements on the basis that the entity is no longer considered a going concern

In 2008, the IASB issued revised versions of IFRS 3, *Business Combinations*, and IAS 27, *Consolidated and Separate Financial Statements* The former introduced a number of changes in accounting for such transactions that impact the amount of goodwill recognised, the reported results in the period an acquisition occurs, and future reported results The latter now requires a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction, rather than giving rise to goodwill or a gain or loss Consequential amendments were made to IAS 7, *Statement of Cash Flows*, IAS 12, *Income Taxes*, IAS 21, *The Effects of Changes in Foreign Exchange Rates*, IAS 28, *Investments in Associates*, and IAS 31, *Interests in Joint Ventures* These amendments do not have any impact on the Company's financial reporting

During 2008 and 2009, the IASB also issued amendments to IFRS 1, *First Time Adoption of IFRS*, IFRS 2, *Share-Based Payment*, IAS 39, *Financial Instruments Recognition and Measurement* and the results of its annual improvements project IFRIC interpretation 17, *Distributions of Non-cash Assets to Owners*, issued in 2008, has also been endorsed by the EU These are all applicable for the first time in the current accounting period and they have no impact on the Company's financial reporting

Further amendments to IFRS 1, IAS 24, *Related Party Disclosures*, and IAS 32, *Financial Instruments – Presentation*, and the results of its next annual improvements project have been issued and endorsed by the EU, while other amendments to IFRS 1, IFRS 7, *Financial Instruments – Disclosures*, and IAS 12 have been issued but have not yet been so endorsed These are applicable prospectively for accounting periods commencing 1 February 2010 or later, and are therefore not applicable for the current accounting period On adoption, they will not have any material impact on the Company's financial reporting

In 2009, the IASB issued IFRS 9, *Financial Instruments – Classification and Measurement*, followed by additional requirements on accounting for financial liabilities in 2010 These are the first two parts of a replacement standard for IAS 39 They are applicable prospectively for accounting periods commencing 1 January 2013 or later, and are therefore not applicable for the current accounting period IFRS 9 has not yet been endorsed by the EU but, on adoption, will require us to review the classification of certain financial instruments while allowing us to retain fair value measurement as we deem necessary We have not yet completed our assessment of its impact

IFRIC interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*, and an amendment to interpretation 14, *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, were issued during 2008 and 2009 and have been endorsed by the EU These are applicable prospectively for accounting periods commencing 1 July 2010 or later, and are therefore not applicable for the current accounting period On adoption, they will not have any impact on the Company's financial reporting

Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000)

As permitted under IAS 27, the Company has elected not to present consolidated financial statements These financial statements present information about the Company as an individual undertaking and not about its group Information on the ultimate controlling parent and immediate parent can be found in note 19

**(B) Use of estimates**

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions Actual results can always differ from those estimates, possibly significantly

The table below sets out those items that are considered particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy

| Item | Accounting policy |
|---|---|
| Investment in subsidiaries | D |
| Deferred acquisition costs | G |
| Provisions | I |

**(C) Fee and commission income**

Fee and commission income consists of the annual management charge (AMC) and provider funded commission (PFC) The AMC is calculated on a daily basis on funds under administration and charged to the investor on a monthly basis Revenue is recognised on an accruals basis PFC is being deferred over the expected term of the investment contract Income also includes fees charged by the Company for the provision of operational assets and services during the year

**(D) Investment in subsidiaries**

Investments in subsidiaries are stated at fair value through profit or loss The fair value is based on net asset value Dividends from subsidiaries are recognised when declared and approved

**(E) Financial instruments**

Unit trusts are classified as trading and are stated at fair value through profit or loss Instruments carried at fair value are measured using a fair value hierarchy, described in note 7, with values based on quoted bid prices or amounts derived from cash flow models

**(F) Financial assets and liabilities**

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument

Receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

Payables and other financial liabilities are classified according to the substance of the contractual arrangements entered into

**(G) Deferred acquisition costs**

The incremental costs directly attributable to securing investment management contracts are deferred to the extent that they are expected to be recoverable out of future margins in revenues on these contracts

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable

**(H) Statement of cash flows**

*Cash and cash equivalents*

Cash and cash equivalents consist of cash at banks and in hand, deposits held on 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 within payables and other financial liabilities on the statement of financial position

**(I) 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 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

**(J) 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

**(K) 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 Wrap Group UK Limited
## Income statement
## For the year ended 31 December 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Income** | | | |
| Fee and commission income | C | - | 5,189 |
| Interest receivable and similar income | | 42 | 75 |
| Unrealised loss on investments | E | - | (123) |
| | | 42 | 5,141 |
| **Expenses** | | | |
| Administrative expenses | 1 | - | (11,867) |
| Fair value losses on subsidiary investments | 5(a) | (265) | (1,637) |
| Finance costs | | - | - |
| **Loss before tax** | | (223) | (8,363) |
| Tax credit | J & 4 | 957 | 3,587 |
| **Profit/(loss) for the year** | | 734 | (4,776) |

## Statement of comprehensive income
## For the year ended 31 December 2010

The Company has no other comprehensive income

The accounting policies (identified alphabetically) on pages 7 to 9 and the notes (identified numerically) on pages 14 to 21 are an integral part of these financial statements

# Aviva Wrap Group UK Limited
## Statement of financial position
## As at 31 December 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Investment in subsidiaries | D & 5 | - | 9,798 |
| Deferred acquisition costs | G & 6 | - | 2,237 |
| Financial instruments | E & 8 | - | 194 |
| Current tax assets | J & 12 | - | 2,447 |
| Receivables | F & 9 | **16,983** | 30,483 |
| Prepayments and accrued income | | - | 175 |
| Cash and cash equivalents | H &16(b) | **1,993** | 12,104 |
| **Total assets** | | **18,976** | 57,438 |
| **Equity** | | | |
| Ordinary share capital | K & 10 | **34,427** | 34,427 |
| Share premium | 11 | **25,739** | 25,739 |
| Retained earnings | 11 | **(41,202)** | (41,936) |
| **Total equity** | | **18,964** | 18,230 |
| **Liabilities** | | | |
| Provisions | I & 13 | - | 2,375 |
| Tax liabilities | J & 12 | **12** | - |
| Payables and other financial liabilities | F & 14 | - | 32,242 |
| Accruals and deferred income | 15 | - | 4,591 |
| **Total liabilities** | | **12** | 39,208 |
| **Total equity and liabilities** | | **18,976** | 57,438 |

Approved by the Board on 11July 2011

**J R Lister** *Director*

The accounting policies (identified alphabetically) on pages 7 to 9 and the notes (identified numerically) on pages 14 to 21 are an integral part of these financial statements

# Aviva Wrap Group UK Limited
## Statement of changes in equity
## For the year ended 31 December 2010

| | Note | Ordinary share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2009 | | 34,427 | 25,739 | (37,160) | 23,006 |
| Loss for the year | 11 | - | - | (4,776) | (4,776) |
| **Balance at 31 December 2009** | | **34,427** | **25,739** | **(41,936)** | **18,230** |
| Profit for the year | 11 | - | - | **734** | **734** |
| **Balance at 31 December 2010** | | **34,427** | **25,739** | **(41,202)** | **18,964** |

The accounting policies (identified alphabetically) on pages 7 to 9 and the notes (identified numerically) on pages 14 to 21 are an integral part of these financial statements

# Aviva Wrap Group UK Limited
## Statement of cash flows
## For the year ended 31 December 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 16(a) | **(10,111)** | (999) |
| **Net cash used in operating activities** | | **(10,111)** | (999) |
| **Net decrease in cash and cash equivalents** | | **(10,111)** | (999) |
| Cash and cash equivalents at 1 January | | **12,104** | 13,103 |
| **Cash and cash equivalents at 31 December** | 16(b) | **1,993** | 12,104 |

The accounting policies (identified alphabetically) on pages 7 to 9 and the notes (identified numerically) on pages 14 to 21 are an integral part of these financial statements

## 1. Administrative expenses

Administrative expenses include management recharges of £nil *(2009 £10,306,000)* Under a management agreement, Aviva Life Services UK Limited (UKLS), a fellow group undertaking, supplies and makes charges for the provision of operational assets, services and staff to the Company The agreement specifies the amounts payable in respect of these expenses

Project expenses, relating to the termination of operations, of £nil *(2009 £916,000)* for data remediation and transfer of the operations to SFA are also included in administration costs

In addition other expenses of £nil *(2009 £645,000)* were incurred directly by the Company

## 2. Directors' emoluments

None of the directors received any emoluments during the year in respect of services as directors of the Company

## 3. Auditor's remuneration

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Fees for the statutory audit of the Company's financial statements | **49** | 43 |

The fees for 2010 and 2009 are payable to Ernst & Young LLP Audit fees for the current year have been borne by a fellow group undertaking Audit fees for the prior year formed part of the recharge from UKLS

Fees paid for services other than the statutory audit of this Company are not disclosed in these financial statements since the consolidated financial statements of the ultimate parent, Aviva plc, are required to disclose non-audit fees on a consolidated basis

## 4. Tax

### (a) Tax credited to the income statement

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| **Current tax** | | |
| For this year | **(12)** | 2,447 |
| Prior year adjustments | **969** | 1,140 |
| Total tax credited to the income statement (note 4(b)) | **957** | 3,587 |

The current tax credit of £1 million arises as a result of the crystallisation, on cessation of trade, of a previously unrecognised deferred tax asset in respect of capital allowances accrued in prior years

There were no movements in previously unrecognised temporary differences which affected the current tax charge for the year *(2009 tax credit increased by £563,000)*

**(b) Tax reconciliation**

The tax on the Company's loss before tax differs from tax calculated at the standard UK corporation tax rate as follows

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Loss before tax | **(223)** | (8,363) |
| Tax calculated at standard UK corporation tax rate of 28% *(2009 28%)* | **62** | 2,342 |
| Adjustment to tax charge in respect of prior years | **969** | 1,140 |
| Fair value losses on subsidiaries | **(74)** | (458) |
| Movement in deferred tax asset not recognized | **-** | 563 |
| Total tax credited to the income statement (note 4(a)) | **957** | 3,587 |

A gradual reduction in the UK corporation tax rate from 28% to 23% over four years was announced in the Emergency Budget of 22 June 2010 and the Budget on 23 March 2011 On 29 March 2011, a resolution to reduce the corporation tax rate to 26% with effect from 1 April 2011 was passed under the Provisional Collection of Taxes Act 1968, with subsequent reductions to be dealt with by future legislation

## 5. Investment in subsidiaries

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

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Fair value** | | |
| At 1 January | **9,798** | 11,435 |
| Fair value losses | **(265)** | (1,637) |
| Disposals | **(9,533)** | - |
| **At 31 December** | **-** | 9,798 |

**(b) The Company's former principal subsidiary, which was wholly-owned, is shown below:**

| Name of company | Principal activity | Country of registration |
|---|---|---|
| Aviva Wrap UK Limited | Financial services | England |

**(c) Disposals**

On 30 March 2010, the Company transferred its wholly owned subsidiary, Aviva Wrap UK Limited, to Aviva Life Holdings UK Limited The transfer was at net asset value

## 6. Deferred acquisition costs

**(a) The carrying amount comprises:**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Deferred acquisition costs in respect of Investment contracts | **-** | 2,237 |

**(b) The movements in deferred acquisition costs during the year were:**

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| Carrying amount at 1 January | **2,237** | 3,870 |
| Additions | - | 38 |
| Amortisation | **(22)** | (219) |
| Write off | - | (1,452) |
| Transfer to UKPTL | **(2,215)** | - |
| **Carrying amount at 31 December** | - | 2,237 |

None of the above total is expected to be recovered more than one year after the statement of financial position date *(2009 £nil)*

## 7. Fair value methodology

Basis for determining fair value hierarchy of financial instruments

***Quoted market prices in active markets – ('Level 1')***

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

***Modelled with significant observable market inputs – ("Level 2")***

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

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

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

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

All of the Company's financial instruments were valued based on quoted market information or observable market data, and would therefore be categorised as 'Level 1' investments

Investments in subsidiaries were classified as Level 3 investments There have been no transfers between levels during the current or previous years

## 8. Financial instruments

### (a) Financial instruments at 31 December comprise:

| At fair value through profit and loss | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Trading | | |
| Unit trusts | - | 194 |

## 9. Receivables

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Amounts owed by parent | 16,983 | 23,429 |
| Amounts owed by subsidiary | - | 1,056 |
| Amounts owed by fellow group undertaking | - | 1,546 |
| Trade receivables | - | 1,806 |
| Other receivables | - | 2,646 |
| | 16,983 | 30,483 |

None of the above total *(2009 none)* is expected to be recovered more than one year after the statement of financial position date

## 10. Ordinary share capital

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

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| The allotted, called up and fully paid share capital of the Company was 34,427,085 ordinary shares of £1 each | 34,427 | 34,427 |

The Companies Act 2006 abolished the requirement for a company to have an authorised share capital and the Articles of Association adopted by the Company on 3 September 2010 reflect this Directors may exercise any power of the Company to allot shares or grant rights to subscribe for or to convert any security into such shares and are authorised to do so under the Company's articles of association 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

## 11. Share premium and retained earnings

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Share premium account £'000 | Retained earnings £'000 | Share premium account £'000 | Retained earnings £'000 |
| At 1 January | 25,739 | (41,936) | 25,739 | (37,160) |
| Profit/(loss) for the year | - | 734 | - | (4,776) |
| **At 31 December** | 25,739 | (41,202) | 25,739 | (41,936) |

## 12. Tax assets & liabilities

### (a) General

Current tax liabilities payable in more than one year are £12,000 (2009 tax assets recoverable £2,447,000)

### (b) Deferred tax

Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable The Company has unrecognised temporary differences of £nil *(2009 £3,460,000)* and unused tax losses of £nil *(2009 £1,782,000)* to carry forward against future taxable income

## 13. Provisions

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| At 1 January | **2,375** | 18,437 |
| Amounts utilised | **(1,020)** | (14,828) |
| Amounts released | **-** | (1,234) |
| Transfer to UKPTL | **(1,355)** | - |
| **At 31 December** | **-** | 2,375 |

The provision relates to obligations arising as a result of the restructure of the operations of the Company This includes the best estimate of customer redress that will be necessary following a full review of all customer accounts in 2010

## 14. Payables and other financial liabilities

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Amounts owed to group undertakings | **-** | 32,242 |

None of the above total is expected to be paid more than one year after the statement of financial position date *(2009 £nil)*

## 15. Accruals and deferred income

| | **2010** | 2009 |
|---|---|---|
| | **£'000** | £'000 |
| Accruals | **-** | 4,591 |

None of the above total *(2009 £nil)* is expected to be released more than one year after the statement of financial position date

## 16. Statement of cash flows

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

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Loss before tax** | **(223)** | (8,363) |
| Adjustments for | | |
| Fair value losses on subsidiaries | **265** | 1,637 |
| Changes in working capital | | |
| Decrease/(increase) in financial investments | **194** | (194) |
| Decrease in receivables | **26,437** | 31,469 |
| Decrease in prepayments and accrued income | **175** | 61 |
| Decrease in deferred acquisition cost | **2,237** | 1,633 |
| (Decrease)/increase in payables and other financial liabilities | **(32,230)** | 597 |
| Decrease in accruals and deferred income | **(4,591)** | (11,777) |
| Decrease in provisions | **(2,375)** | (16,062) |
| **Cash used in operations** | **(10,111)** | (999) |

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

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Cash at bank and in hand | **1,993** | 12,104 |

## 17. Capital

In managing its capital, the Company seeks to

- Retain financial flexibility by maintaining strong liquidity, and
- Allocate capital efficiently to support growth and repatriate excess capital where appropriate

The Company has positive IFRS shareholders' equity of £18 9 million *(2009 £18 2 million)*

The Company is not subject to any externally imposed capital requirements

## 18. 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**

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **Income earned in year** | **Receivable at year end** | Income earned in year | Receivable at year end |
| | **£'000** | **£'000** | £'000 | £'000 |
| Parent | - | **16,983** | - | 23,429 |
| Subsidiary | - | - | 2,494 | 1,056 |
| Group undertakings | - | - | - | 1,546 |

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 *(2009 £nil)*

**(c) Services provided by related parties**

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **Expense incurred in year** | **Payable at year end** | Expense incurred in year | Payable at year end |
| | **£'000** | **£'000** | £'000 | £'000 |
| Parent | - | - | - | - |
| Fellow group undertakings | - | - | 12,662 | 32,242 |

The related party payables are not secured and no guarantees were given in respect thereof

**(d) Key management compensation**

No charge is borne by the Company for key management personnel due to the insignificant amount of time spent in managing the Company's affairs

**(e) Parent entity**

The immediate holding entity is Aviva Life Holdings UK Limited, a company registered in England

**(f) Ultimate controlling entity**

The ultimate controlling entity is Aviva plc, a company registered in England Its Group financial statements are available on www aviva com or by application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ

## 19. Business restructure

Following the outsourcing of the SIPP administration function to Scottish Friendly Assurance (SFA) in January 2009, and the subsequent de-commissioning of the Lifetime platform, the relationship between the Company and Aviva Pension Trustees UK Limited (UKPTL) has been revised Following the implementation of various contractual changes and revised Service Level Agreements, as of 1 January 2010 the Company is no longer assigned income and expenditure relating to the SIPP business from UKPTL

As a result of the Wrap group business restructure detailed above, all assets and liabilities relating to the SIPP business were transferred from the Company to UKPTL during the year on an arm's length basis, following completion of the remediation work The initial impact of the transfer on the Company's statement of financial position is as follows

| | 2010<br>Transfer out<br>£'000 |
|---|---|
| **Assets** | |
| Deferred acquisition costs | 2,215 |
| Receivables | 144 |
| **Total assets** | **2,359** |
| | |
| **Liabilities** | |
| Provisions | 1,355 |
| Payables and other financial liabilities | 342 |
| **Total liabilities** | **1,697** |
| | |
| **Net asset value transferred out** | **662** |

Assets and liabilities were transferred at book value under the 'pooling of interests' method of accounting with no restatement of financial information for periods prior to the date of the combination The total consideration received represents the net asset value transferred out of £662,000, with settlement via inter company account