

Aviva (Peak No.1) UK Limited

Directors and Officers

Directors

S A Hampson
J J Wilman

Officer - Company Secretary

J J Wilman
Wellington Row
York
YO90 1WR

Independent Auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Registered Office

Pitheavlis
Perth
PH2 0NH

Company Number

Registered in Scotland: No SC119820

Other Information

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

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Aviva (Peak No.1) UK Limited

Contents

	Page
Directors and officers	1
Directors' report	3
Independent auditors' report.....	6
Accounting policies	7
Income statement	12
Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to the financial statements	16

Aviva (Peak No.1) UK Limited
Registered in England No. SC119820
Directors' report

The directors present their annual report and audited financial statements for Aviva (Peak No.1) UK Limited ("the Company") for the year ended 31 December 2012.

Directors

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

J R Lister resigned as a director of the Company on 18 April 2012.

R I Houghton resigned as a director of the Company on 18 June 2012.

G S Boffey resigned as a director of the Company on 5 December 2012.

C J Thornton was appointed as a director of the Company on 5 December 2012.

C J Thornton resigned as a director of the Company on 8 March 2013.

D B Barral resigned as a director of the Company on 27 June 2012

S A Hampson and J J Wilman were appointed directors of the Company on 27 June 2013

Business review, principal activities and future outlook

The principal activity of the Company prior to 1 October 2011 was the provision of life assurance, investment and pension products in the United Kingdom.

On 5 September 2011, the Company approved the transfer of the whole of its long-term insurance business to Aviva Life & Pensions UK Limited (UKLAP), an intermediate parent undertaking. The transfer was effective from 30 September 2011.

On transfer of the long-term insurance business of the Company to UKLAP, the Company retained sufficient assets to cover the minimum capital requirement as directed by the Financial Services Authority (FSA). Upon de-authorisation the remaining assets in excess of the Company's share capital were paid up to UKLAP.

Since 1 October 2011, the Company has not traded in any capacity.

Financial position and performance

The financial position of the Company at 31 December 2012 is shown in the statement of financial position on page 13, with the results shown in the income statement on page 12 and the statement of cash flows on page 15.

Key performance indicators (KPIs)

Loss after tax for the year is £10,000 (2011: Profit of £4,766,000).

Dividend

During the year, the Company paid a dividend of £4,200,000 (2011: £147,400,000).

Going concern

On 30 September 2011, the trade, assets and liabilities were transferred to UKLAP and the Company ceased to trade. The financial statements have been prepared on the basis that the entity is no longer considered a going concern. Accordingly, the non current assets and liabilities have been classed as current and the assets and liabilities valued at their net realisable value.

Aviva (Peak No.1) UK Limited
Registered in England No. SC119820
Directors' report (continued)

Major events

The Company was de-authorised by the FSA on 27 June 2012.

On 21 December 2012, the subsidiary undertaking held by the company, Undershaft (Peak No. 3) Limited, was placed in liquidation. A final distribution was made on 12 March 2013.

Employees

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited who make a management charge for the provision of staff to the company. It is not possible to ascertain separately the element of the management charge that relates to staff costs directly. Disclosures relating to employees may be found in the Annual Report and Accounts of Aviva Employment Services Limited.

Disclosure of information to the auditors

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

- so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware; and
- 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.

Independent auditors

Following a competitive tender process by the Company's ultimate parent company, Aviva plc, PricewaterhouseCoopers LLP were appointed as auditors to the Company for the year ended 31 December 2012 in accordance with the provisions of the Companies Act 2006.

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, which continue to apply in relation to any provision made before 1 October 2007.

This indemnity was granted in 2004 and the provisions in the Company's articles of association constitute "qualifying third party indemnities" for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

Statement of directors' responsibilities

The directors are responsible for preparing the 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 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



J J Wilman
Company Secretary

16 July 2013

Aviva (Peak No.1) UK Limited

Independent auditors' report

Independent auditors' report to the members of Aviva (Peak No.1) UK Limited

We have audited the financial statements of Aviva (Peak No.1) UK Limited for the year ended 31 December 2012 which comprise the Accounting Policies, the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. 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.

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.

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.

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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its loss and cash flows 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.

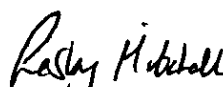
Opinion on other matter prescribed by the Companies Act 2006

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.


Lesley Mitchell (senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

19~~X~~ July 2013

Aviva (Peak No.1) UK Limited

Accounting policies

The Company, a limited company incorporated and domiciled in the United Kingdom (UK), transacted long-term insurance business until 30 September 2011.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). 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 2012.

As explained in note 18, the Company transferred its trade, assets and liabilities to its immediate parent undertaking, Aviva Life & Pensions UK Limited, on 30 September 2011, when it effectively ceased to trade. 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. No material adjustments arose as a result of ceasing to apply the going concern basis. The financial statements have been prepared in accordance with the Companies Act 2006.

The Company has adopted the following new amendments to standards which became effective for financial years beginning on or after 1 January 2012. Neither of these amendments has a material impact on these financial statements.

- (i) Amendment to IFRS 7, Financial Instruments – Disclosures, relating to the transfer of financial assets.
- (ii) Amendment to IAS 12, Income Taxes, relating to deferred tax.

The IASB has issued a number of standards and amendments which are applicable for accounting periods beginning on or after 1 January 2013 and are therefore not applicable for the current accounting period, namely IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12 Disclosure Of Interest In Other Entities, IFRS 13, Fair Value Measurement, reissues of IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures and amendments to IFRS 7, Financial Instruments - Disclosures. These have all been endorsed by the EU and are not expected to have an impact on the Company.

IFRS 9, Financial Instruments, will replace IAS 39, Financial Instruments – Recognition and Measurement. IFRS 9 is applicable prospectively for accounting periods beginning on or after 1 January 2015 and is 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 do not expect IFRS 9 to have an impact on the Company.

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

As permitted under IAS 27 and under Section 400 of the Companies Act 2006, 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 17.

(B) Use of estimates

The preparation of financial statements requires the Company to 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. Although these estimates are based on management's knowledge of current facts, circumstances and, to some extent, future events and actions, actual results ultimately may differ from those estimates, possibly significantly.

Aviva (Peak No.1) UK Limited

Accounting policies (continued)

(C) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value and designated as held at fair value through profit or loss ("FV") are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items, such as equities which are designated as FV, are reported as part of the fair value gain or loss.

(D) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to pay significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

Insurance contracts and participating investment contracts in general continue to be measured and accounted for under existing accounting practices at the later of the date of transition to IFRS or the date of the acquisition of the entity, in accordance with IFRS 4. Accounting for insurance contracts in UK companies is determined in accordance with the Statement of Recommended Practice issued by the Association of British Insurers, the most recent version of which was issued in December 2005 and amended in December 2006.

(E) Premiums earned

Premiums on long-term insurance contracts are recognised as income when receivable, except for investment-linked premiums that are accounted for when the corresponding liabilities are recognised. For single premium business, this is the date from which the policy is effective. For regular premium contracts, receivables are recognised at the date when payments are due. Premiums are shown before deduction of commission and before any sales-based taxes or duties. Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

Non-participating investment contracts have no associated premium income.

(F) Fee and commission income

Non-participating investment contract policyholders are charged fees for mortality, policy administration, investment management, surrenders or other contract services. These fees are recognised as revenue in the period in which they are collected unless they relate to services to be provided in future periods. Amounts are considered to be assessed when the policyholder's balance has been adjusted for those fees. If the fees are for services to be provided in future periods, then they are deferred and recognised as the service is provided.

Initiation and other "front-end" fees (fees that are assessed against the policyholder balance as consideration for origination of the contract) are charged on some non-participating investment contracts. The front-end fees that relate to the provision of investment management services are deferred and recognised as the services are provided.

(G) Net investment income

Investment income consists of dividends, interest and rents receivable for the year, movements in fair value on debt securities, realised gains and losses, and unrealised gains and losses on FV investments at fair value through profit or loss (as defined in the Financial Investments policy). Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contracts and is net of interest paid on margin loans.

Aviva (Peak No.1) UK Limited

Accounting policies (continued)

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

(H) Insurance contract liabilities

Claims

Claims reflect the cost of all claims arising during the year, including claims handling costs.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

(I) Non-participating investment contract liabilities

Claims

For non-participating investment contracts with an account balance, claims reflect the excess of amounts paid over the account balance released.

Investment contract liabilities

Deposits collected under non-participating investment contracts are not accounted for through the income statement, except for the investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to the investment contract liability.

Nearly all of the Company's contracts classified as non-participating investment contracts are unit-linked contracts and are measured at fair value.

The fair value liability is determined in accordance with IAS 39, using a valuation technique to provide a reliable estimate of the amount for which the liability could be settled between knowledgeable willing parties in an arm's length transaction is subject to a minimum equal to the surrender value. For non-linked contracts, the fair value liability is based on a discounted cash flow analysis, with allowance for risk calibrated to match the market price for risk.

(J) Reinsurance

The Company cedes reinsurance in the normal course of business, with retention limits varying by line of business. The cost of reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies.

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities and investment contract liabilities. This includes balances in respect of contracts, which are legally reinsurance contracts but do not meet the definition of a reinsurance contract under IFRS. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in the income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

(K) Investment in subsidiaries

Shares in subsidiaries are included at cost less any impairment in value. Impairments in value are charged to the income statement.

Aviva (Peak No.1) UK Limited

Accounting policies (continued)

(L) Deferred acquisition costs

The costs directly attributable to the acquisition of new business for non-participating insurance contracts are deferred to the extent that they are expected to be recoverable out of future margins in revenues on these contracts. For non-participating investment contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are also deferred.

Where such business is reinsured, an appropriate proportion of the deferred acquisition costs is attributed to the reinsurer, and is treated as a separate liability.

Deferred acquisition costs are amortised systematically over a period no longer than that in which they are expected to be recoverable out of future margins. Deferrable acquisition costs for non-participating investment contracts are amortised over the period in which the service is provided.

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.

(M) 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.

Operating cash flows

Purchases and sales of financial investments are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims.

(N) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from unrealised gains and losses on capital assets, deferred acquisition costs, tax acquisition expenses and tax losses carried forward. The rates enacted or substantively enacted at the statement of financial position date are used to determine the deferred tax.

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

In addition to paying tax on shareholders' profits, the Company pays tax on policyholders' investment returns ("policyholder tax") on certain products at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included within the total tax expense.

Aviva (Peak No.1) UK Limited
Accounting policies (continued)

(O) 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.

Dividends

Interim dividends on ordinary shares are recognised in equity in the year in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

Aviva (Peak No.1) UK Limited
Income statement
For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Income	1		
Gross written premiums		-	48,293
Premiums ceded to reinsurers		-	(19,379)
Net premiums earned	E	-	28,914
Fee and commission income	F	-	5,140
Net investment income	G	25	(51,181)
		25	(17,127)
Expenses	2		
Claims and benefits paid, net of recoveries from reinsurers		-	(52,469)
Change in insurance liabilities, net of reinsurance		-	46,573
Change in non-participating investment contract provision		-	41,854
Fee and commission expense		-	(11,685)
Other expenses		-	(7,463)
Profit/(loss) before tax		25	(317)
Tax (charge)/credit	N & 5	(35)	5,083
(Loss)/profit for the year		(10)	4,766

All results relate to discontinued operations.

The Company has no other comprehensive income.

The accounting policies on pages 7 to 11 and notes on pages 16 to 27 are an integral part of these financial statements.

Aviva (Peak No.1) UK Limited
Statement of financial position
For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Assets			
Reinsurance assets	J & 6	-	-
Deferred acquisition costs	L & 7	-	-
Cash and cash equivalents	M & 15	-	4,210
Total assets		-	4,210
Equity			
Ordinary share capital	O & 8	-	-
Retained earnings	9	-	4,210
Total equity		-	4,210
Liabilities			
Gross insurance liabilities	H & 10	-	-
Gross liability for non-participating investment contracts	I & 11	-	-
Deferred tax liabilities	N & 13	-	-
Current tax liability	N & 13	-	-
Total liabilities		-	-
Total equity and liabilities		-	4,210

Approved by the Board on 16 July 2013



S A Hampson Director

The accounting policies on pages 7 to 11 and notes on pages 16 to 27 are an integral part of these financial statements.

Aviva (Peak No.1) UK Limited
Statement of changes in equity
For the year ended 31 December 2012

	Note	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2011		58,200	185,641	243,841
Total recognised income and expense for the year	9	-	4,766	4,766
Dividends	O & 14	-	(147,400)	(147,400)
Share capital reduction	O & 8	(58,200)	58,200	-
Transfer to parent entity		-	(96,997)	(96,997)
Balance at 31 December 2011		-	4,210	4,210
 Total recognised income and expense for the year	9	-	(10)	(10)
Dividends	14	-	(4,200)	(4,200)
Balance at 31 December 2012		-	-	-

The accounting policies on pages 7 to 11 and notes on pages 16 to 27 are an integral part of these financial statements.

Aviva (Peak No.1) UK Limited
Statement of cash flows
For the year ended 31 December 2012

The cash flows presented in this statement cover all the Company's activities and include flows from both policyholder and shareholder activities.

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash (used in) / generated from operations	15	(10)	46,156
Tax paid		-	(3,741)
Net cash (used in) / generated by operating activities		(10)	42,415
Cash flows from financing activities			
Ordinary dividends paid	14	(4,200)	(147,400)
Net cash used in financing activities		(4,200)	(147,400)
Net decrease in cash and cash equivalents		(4,210)	(104,985)
Cash and cash equivalents transferred to parent undertaking	15	-	(94,103)
Cash and cash equivalents at 1 January		4,210	203,298
Cash and cash equivalents at 31 December	15	-	4,210

The accounting policies on pages 7 to 11 and notes on pages 16 to 27 are an integral part of these financial statements.

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012

1. Income

	2012	2011
	£'000	£'000
Gross written premiums		
Insurance contracts	-	48,293
Less: premiums ceded to reinsurers	-	(19,379)
Net premiums earned	-	28,914
Fee and commission income		
Change in deferred income reserve	-	314
Fee income from investment contract business	-	4,826
Fee and commission income	-	5,140
Net investment income		
Interest and similar income	25	9,479
Dividend income	-	11,174
Other income from investments designated as trading		
Realised losses	-	(20,944)
Unrealised gains	-	16,083
Other income from investments designated as other than trading		
Realised gains	-	71,893
Unrealised losses	-	(137,809)
Foreign exchange losses	-	(134)
Other investment income	-	(923)
Net investment income	25	(51,181)
Total income	25	(17,127)

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

2. Expenses

	2012 £'000	2011 £'000
Claims and benefits paid to policyholders on long term business		
Insurance contracts	-	62,194
Less: Claim recoveries from reinsurers		
Insurance contracts	-	(9,725)
Claims and benefits paid, net of recoveries from reinsurers	-	52,469
Change in insurance liabilities	-	(22,416)
Less: Change in reinsurance asset for insurance provisions	-	(24,157)
Change in insurance liabilities, net of reinsurance	-	(46,573)
Investment income allocated to non-participating investment contracts	-	(41,854)
Change in non-participating investment contract provision	-	(41,854)
Acquisition costs		
Commission expenses and other acquisition costs for insurance contracts	-	11,677
Change in deferred acquisition costs for insurance contracts	-	184
Change in deferred acquisition costs for non-participating investment contracts	-	(176)
Fee and commission expense	-	11,685
Administrative expenses	-	7,463
Other expenses	-	7,463
Total expenses	-	(16,810)

Total commission paid to external agents in respect of direct business included above is £nil (2011: £11,205,000).

3. Directors' emoluments

None of the directors received any emoluments during the current or prior year in respect of their services as a director of the Company.

4. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditor PricewaterhouseCoopers LLP and its associates (2011: Ernst and Young LLP), in respect of the audit of these financial statements, is shown below.

	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	3	124

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

Fees paid to PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the Company's ultimate parent company, Aviva plc (see note 17), are required to disclose other (non-audit) services on a consolidated basis.

Audit fees are payable by Aviva Central Services UK Limited, a fellow Group company, and have been borne by a fellow group undertaking for 2012.

5. Tax charge/(credit)

(a) Tax charged/(credited) to the income statement

(i) The total tax charge/(credit) comprises:

	2012 £'000	2011 £'000
Current tax		
For the year	6	449
Prior year adjustments	29	1,151
Total current tax expense	35	1,600
Deferred tax		
Origination and reversal of temporary differences	-	(4,985)
Change in tax rate	-	(1,698)
Total deferred tax credit	-	(6,683)
Total tax charged/(credited) to the income statement (note 5(b))	35	(5,083)

(ii) Deferred tax credited to the income statement represents movements on the following items:

	2012 £'000	2011 £'000
Deferred acquisition costs	-	(159)
Provisions and other temporary differences	-	(6,524)
Total deferred tax credited to the income statement	-	(6,683)

(b) Tax reconciliation

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

	2012 £'000	2011 £'000
Profit before tax	25	(317)
Tax calculated at standard UK corporation tax rate of 24.5% (2011: 26.5%)	6	(84)
Different basis of tax for UK life insurance	-	(6,960)
Adjustment to tax charge in respect of prior years	29	(5,602)
Reduction in future UK tax rate	-	(1,698)
Deferred tax assets not recognised	-	9,261
Total tax charged /(credited) to the income statement (note 5(a))	35	(5,083)

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

The UK corporation tax rate reduced to 24% from 1 April 2012. A subsequent reduction in the UK corporation tax rate to 23% was substantively enacted on 3 July 2012 and will apply from 1 April 2013. Following announcements in the 2013 Budget, the corporation tax rate is expected to reduce further to 21% from 1 April 2014 and to 20% from April 2015. The reduction in rate from 23% to 20% is not expected to have any material impact on the Company's net assets.

6. Reinsurance assets

The following movements have occurred in the reinsurance asset during the year:

	2012 £'000	2011 £'000
Carrying amount		
At 1 January	-	127,070
Asset in respect of new business	-	2,507
Expected change in existing business asset	-	9,790
Variance between actual and expected experience	-	(2,110)
Impact of economic assumption changes	-	14,260
Other movements	-	(1,398)
Reallocate outstanding claims to receivables	-	(4,267)
Transferred to parent undertaking (note 18)	-	(145,852)
Change in asset	-	(127,070)
At 31 December	-	-

The effects of changes in the main assumptions are given in note 12.

7. Deferred acquisition costs

(a) The movements in deferred acquisition costs in respect of insurance contracts during the year were:

	2012 £'000	2011 £'000
Carrying amount		
At 1 January	-	15,040
Acquisition costs deferred during the year	-	14,232
Amortisation	-	(14,641)
Impact of assumption changes	-	586
Transfer to parent undertaking (note 18)	-	(15,217)
At 31 December	-	-

(b) The movements in deferred acquisition costs in respect of non-participating investment contracts during the year were:

	2012 £'000	2011 £'000
Carrying amount		
At 1 January	-	2,059
Amortisation	-	(184)
Transfer to parent undertaking (note 18)	-	(1,875)
At 31 December	-	-

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

8. Ordinary share capital

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

	2012 £	2011 £
The allotted, called up and fully paid share capital of the Company was:		
1 (2011: 1) ordinary share of £1 each	1	1

On 18 November 2011, the Company resolved to reduce its issued share capital from £58,200,000 to £1 by cancelling and extinguishing in full 58,199,999 ordinary shares of £1 each. The change took effect on 25 November 2011.

9. Retained earnings

	2012 £'000	2011 £'000
At 1 January	4,210	185,641
(Loss) / profit for the year	(10)	4,766
Dividends paid (note 14)	(4,200)	(147,400)
Share capital reduction (note 8)	-	58,200
Transferred to parent undertaking (note 18)	-	(96,997)
At 31 December	-	4,210

10. Insurance liabilities

(i) Business description

Until 30 September 2011, the Company underwrote long-term business on 'non-profit' funds where shareholders were entitled to 100% of the distributed profits. Shareholder profits on unitised business were derived from management fees and policy charges, and emerged in the non-profit funds.

The following sections relate to the methodology, company practice and assumptions up to the date of transfer.

(ii) Methodology

A prospective gross premium valuation method has been used for all non-linked business with the exception of some minor classes of business. For unit-linked contracts, the provisions are based on the market value of the related assets. The gross premium method uses the amount of contractual premiums payable and includes explicit assumptions for interest and discount rates, mortality, morbidity, persistency and future expenses. Provisions are sensitive to these assumptions. The assumptions can vary by contract type and reflect current and expected future experience. The assumptions contain an allowance for prudence and are reviewed annually against actual experience and industry and economic trends.

(iii) Company practice

Material judgement is required in calculating the provisions and is exercised particularly through the choice of assumptions where there is discretion over these. Provisions are most sensitive to assumptions regarding discount rates, mortality/morbidity rates and persistency.

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

(iv) Assumptions

The principal assumptions are:

The gross premium method is used for the majority of non-linked contracts.

For unit-linked business, the provisions are valued initially by adding a prospective non-unit reserve to the bid value of units. The prospective non-unit reserve is calculated by projecting the future non-unit cashflows on the assumption that future premiums continue.

Valuation discount rate assumptions are set with regard to yields on the supporting assets and the general level of long-term interest rates as measured by gilt yields. An explicit allowance for risk is included by making an explicit deduction from the yields on floating rate notes and deposits, based on historical default experience of each asset class. A further margin for risk is then deducted for all asset classes.

Valuation discount rates	2011
Term assurances	2.6% gross
Sterling interest	2.6% gross
Unit growth	3.0% gross
Expense inflation	4.0% gross

Mortality assumptions are set with regard to recent company experience.

Mortality tables used	2011
Term assurance mortality	TMC00/TFC00 adjusted for smoker status and sex
Term assurance critical illness	Reinsurer rates adjusted for smoker status and sex
Over 50's whole of life	AMC00/AFC00 adjusted for smoker status and sex
Unit linked/GCB mortality	AMC00/AFC00 adjusted for smoker status and sex

Lapse assumptions are set with regard to recent company experience. The table below shows the average over each 5-year duration period. The most prudent of the high and low lapse rates is chosen at each point in the projection.

Lapse rates used	2011
	High/Low
Level term assurance (duration 1-5 yrs)	22% / 11%
Level term assurance (duration 6+ yrs)	11% / 5%
Decreasing term assurance (duration 1-5 years)	19% / 9%
Decreasing term assurance (duration 6+ yrs)	15% / 7%
Over 50's whole of life (duration 1-5 yrs)	9% / 4%
Over 50's whole of life (duration 6+ yrs)	2% / 1%

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

Expense assumptions are set with regard to company experience.

Expense assumption used	2011
Written prior to October 1997	
Term assurances	£26.91 p.a.
Mortgage Protection Plan	£26.91 p.a.
Lifetime Security Plan	£89.70 p.a.
Flexible Mortgage Plan	£69.58 p.a.
Endowment Savings Plan	£65.55 p.a.
Income Security Plan	£89.70 p.a.
Written after October 1997	
Lifestyle Protection Plan (without/with CI)	£26.91/£29.44 p.a.
Mortgage Protection Plan (without/with CI)	£26.91/£29.44 p.a.
Pensions Term Assurance (standalone/in conjunction)	£25.88/£13.00 p.a.
Mortgage Savings Plan	£60.26 p.a.
Over 50's Plan	£28.41 p.a.
Joint Venture	
Term assurance	£17.60 p.a.
Mortgage protection	£17.60 p.a.
Standalone critical illness	£17.60 p.a.
Family Income Benefit Plan	£17.60 p.a.
Flexible Investment Bond	£17.60 p.a.
Guaranteed Capital Bond	£19.78 p.a.
Guaranteed Income Bond	£19.55 p.a.

(v) Movements

The following movements have occurred in the long-term business provisions during the year:

	2012	2011
	£'000	£'000
Carrying amount		
At 1 January	-	499,559
Provisions in respect of new business	-	(8,471)
Expected change in existing business provisions	-	(42,630)
Variance between actual and expected experience	-	(10,076)
Impact of economic assumption changes	-	17,395
Change in outstanding claims	-	21,369
Other movements	-	(3)
Transferred to parent undertaking (note 18)	-	(477,143)
Change in liability	-	(499,559)
At 31 December	-	-

11. Liability for non-participating investment contracts

(a) Long-term business investment liabilities

Non-participating investment contracts included under long-term business are those that do not transfer significant insurance risk from the contract holder to the issuer, and are therefore treated as financial instruments under IFRS.

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at fair value.

Most non-participating investment contracts measured at fair value are unit-linked in structure and the fair value liability is equal to the unit reserve plus additional non-unit reserves if required on a fair value basis. For this business, a deferred acquisition cost asset and deferred income reserve liability are recognised in respect of transaction costs and front-end fees respectively, that relate to the provision of investment management services, and which are amortised on a systematic basis over the contract term. The amount of the related deferred acquisition cost asset is shown in note 7.

(b) Movements in the year

	2012 £'000	2011 £'000
Carrying amount		
At 1 January	-	552,193
Premiums received	-	5,442
Fees deducted from account balances	-	(3,918)
Account balances paid on surrender and other terminations in the year	-	(41,205)
Investment income allocated to non-participating investment contracts	-	(41,519)
Transferred to parent undertaking (note 18)	-	(470,993)
At 31 December	-	-

The effect of changes in main assumptions is given in note 12.

12. Effect of changes in assumptions and estimates during the year

The following estimates and assumptions used in determining assets and liabilities for insurance and non-participating investment contract business were changed, and had the following effect on the profit recognised for the year. This disclosure only shows the impact on liabilities and related reinsurance assets and does not allow for offsetting movements in the value of backing financial liabilities.

	Effect on profit 2012 £'000	Effect on profit 2011 £'000
Assumptions		
Long-term insurance business		
Interest rates	-	(3,104)
Investment contracts – Non-participating		
Interest rates	-	17
Total	-	(3,087)

13. Tax assets and liabilities

(a) Tax assets and liabilities

All current and deferred tax balances were transferred to the immediate parent undertaking on 30 September 2011 (see note 18). Current tax balances arising subsequently have been similarly transferred at the balance sheet date.

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

(b) Deferred taxes

(i) The movement in the net deferred tax liability was as follows:

	2012	2011
	£'000	£'000
Net liability at 1 January	-	(18,295)
Amounts credited to profit (note 5(a))	-	6,683
Transferred to parent undertaking (note 18)	-	11,612
Net liability at 31 December	-	-

(ii) Unrecognised deferred tax assets:

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Company had unrecognised deferred tax assets of £46,447,000 which were transferred to the parent undertaking on 30 September 2011.

14. Dividends

	2012	2011
	£'000	£'000
Dividends paid:	4,200	147,400

During 2012, the Company paid a dividend of £4,200,000 on the sole remaining share issued.

On 17 August 2011, the Company paid a dividend of £93,000,000 representing £1.7816 per share. On 2 December 2011, following the share capital reduction to 1 share, the company paid a further dividend on the sole remaining share of £54,400,000

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

15. Statement of cash flows

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

	2012 £'000	2011 £'000
Profit/(loss) before tax	25	(317)
Adjustments for:		
Profit on sale of other financial investments	-	(50,949)
Fair value losses on investments	-	121,860
Changes in working capital:		
Increase in reinsurance assets	-	(18,782)
Decrease in deferred acquisition costs	-	7
Increase in receivables	-	(22,763)
Decrease in prepayments and accrued income	-	1,713
Decrease in insurance liabilities	-	(22,416)
Decrease in liability for non-participating investment contracts	-	(81,200)
Decrease in payables and other financial liabilities	(35)	(11,029)
Decrease in other liabilities	-	(490)
Net sale of operating assets		
Financial investments	-	130,522
Cash generated by operations	(10)	46,156

Purchases and sales of financial investments are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and non-participating investment contracts, net of payments of related benefits and claims.

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

	2012 £'000	2011 £'000
Cash at bank and in hand	-	4,210

16. Capital

In managing its capital, the Company seeks to retain financial flexibility by maintaining liquidity.

The Company manages IFRS shareholders' equity of £1 (2011: £4,210,000) as capital.

The Company is not subject to any externally imposed capital requirements.

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

17. Related party transactions

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

Management services have been provided throughout the financial year to the Company by Aviva Life Services UK Limited. Investment management services have been provided to the company by Aviva Investors Global Services Limited.

During the year, the Company paid dividends of £4,200,000 to its parent, Aviva Life and Pensions UK Limited (UKLAP). In the prior year, the company paid dividends totalling £147,400,000 to its former parent Aviva Life Investments UK Limited.

On 30 September 2011, the Company transferred its long term insurance business to UKLAP (see note 18).

On 21 December 2011, the Company became a direct subsidiary of UKLAP.

(b) Other expenses payable to related parties

	2012 Expense incurred in year £'000	2011 Expense incurred in year £'000
Fellow group undertakings:		
Expenses payable	-	897
Expense recharge	-	5,749
	-	6,646

(c) 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.

(d) Ultimate parent undertaking and controlling party

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

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

Aviva plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2012. The consolidated financial statements of Aviva plc are available on www.aviva.com or by application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.

18. Fund transfer

On 5 September 2011, the Company approved the transfer of its long-term insurance business to Aviva Life & Pensions UK Limited (UKLAP), an intermediate parent undertaking. The transfer was effective from 30 September 2011.

Certain assets, liabilities and reserves within the Company's shareholder fund were transferred to the shareholder fund of UKLAP at the same time. Sufficient assets to cover the higher of the share capital and regulatory minimum capital requirement remained within the Company. Following de-authorisation, the remaining assets in excess of the share capital of the Company have now been paid up to UKLAP.

Aviva (Peak No.1) UK Limited
Notes to the financial statements
For the year ended 31 December 2012 (continued)

The initial impact of the transfer on the Company's statement of financial position was as follows:

	30 September 2011 £'000	Effect of transfer £'000	After transfer £'000
Assets			
Financial investments	813,027	(780,019)	33,008
Reinsurance assets	145,852	(145,852)	-
Current tax assets	1,398	(1,398)	-
Receivables and other financial assets	38,437	(38,437)	-
Deferred acquisition costs	17,092	(17,092)	-
Prepayments and accrued income	3,524	(3,524)	-
Cash and cash equivalents	119,705	(94,103)	25,602
Total assets	1,139,035	(1,080,425)	58,610
Equity			
Ordinary share capital	58,200	-	58,200
Retained earnings	97,407	(96,997)	410
Total equity	155,607	(96,997)	58,610
Liabilities			
Gross insurance liabilities	477,143	(477,143)	-
Gross liability for investment contracts	470,993	(470,993)	-
Deferred tax liabilities	11,612	(11,612)	-
Payables and other financial liabilities	17,775	(17,775)	-
Other liabilities	5,905	(5,905)	-
Total liabilities	983,428	(983,428)	-
Total equity and liabilities	1,139,035	(1,080,425)	58,610

Financial assets and liabilities were transferred at fair value and insurance and participating investment contract liabilities were transferred at a value consistent with IFRS 4. The transfer was for £nil consideration in accordance with the Scheme of Transfer.