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

Aviva Wrap Group UK Limited ("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 2011

Directors

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

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 The Company was deemed to cease trading following the outsourcing of the client portfolios to Scottish Friendly Assurance in January 2009 The directors anticipate that the Company will be placed in liquidation at some point in the future

Shareholders' equity has decreased by £19 0 million *(2010 increased by £0 7 million)* as a result of the share capital reduction carried out during the year and subsequent dividend payment

Financial position and performance

The financial position of the Company at 31 December 2011 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 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 £nil *(2010 £0 7 million profit)*

Dividend

During the year the Company paid a dividend of £18,963,289 *(2010 £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 7 December 2011, the share capital of the Company was reduced from £34,427,085 to £1,000 by cancelling and extinguishing in full 34,426,085 ordinary shares of £1 each On the same date the share premium reserve of £25,738,847 was eliminated in full

Employees

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

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

Following a competitive tender process by the Company's ultimate parent company, Aviva plc, PricewaterhouseCoopers LLP are to be appointed as auditor to the Company Ernst & Young LLP will resign as auditor with effect from the signing of the Company's annual report and financial statements for the year ended 31 December 2011, and the directors will appoint PricewaterhouseCoopers LLP as auditor to the Company in accordance with the provisions 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 2006 These indemnities were granted at different times, according to the law in place at the time, and where relevant are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006 These indemnity provisions were in force throughout the year and are currently in force

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 12 June 2012

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 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, the Accounting Policies and the related notes 1 to 13 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 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 2011,
- 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 matters 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

15 June 2012

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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable at 31 December 2011 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

During 2009 and 2010, the IASB issued amendments to IFRS 1, *First Time Adoption of IFRS*, IAS 24, *Related Party Disclosures*, and IAS 32, *Financial Instruments – Presentation*, and the results of its annual improvements project, all of which have been endorsed by the EU In addition, 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*, issued in 2008 and 2009, have now been endorsed by the EU These are all applicable for the first time in the current accounting period and have had no impact on the Company's financial reporting

Further amendments to IFRS 1, IFRS 7, *Financial Instruments – Disclosures*, IAS 12, *Income Taxes*, and IAS 32 have been issued but have not yet been so endorsed These are applicable prospectively for accounting periods commencing 1 July 2011 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

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 2015 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 On adoption they will not have any impact on the Company's financial reporting

During 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13, *Fair Value Measurement*, and reissued IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures* It also issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 19, *Employee Benefits* They are applicable for accounting periods commencing 1 July 2012 or later, and are therefore not applicable for the current accounting period None of these has yet been endorsed by the EU but, on adoption, IFRS 10 will require us to review the entities we classify as subsidiaries, and we are currently assessing its impact The other new and amended standards deal mainly with disclosures On adoption these 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)

(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

(C) 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

(D) Financial assets and liabilities

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

(E) 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

(F) 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

(G) 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

(H) 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

(I) 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 period in which they are paid Final dividends on these shares are recognised when they have been approved by shareholders

Aviva Wrap Group UK Limited
Income statement
For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Income			
Interest receivable and similar income		-	42
		-	42
Expenses			
Fair value losses on subsidiary investments	4	-	(265)
		-	(265)
Profit/(loss) before tax		-	(223)
Tax credit	H & 3	-	957
Profit for the year		-	734

Statement of comprehensive income
For the year ended 31 December 2011

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 18 are an integral part of these financial statements

Aviva Wrap Group UK Limited
Statement of financial position
As at 31 December 2011

	Note	2011 £'000	2010 £'000
Assets			
Investment in subsidiaries	C & 4	-	-
Deferred acquisition costs	E & 5	-	-
Receivables	D & 6	1	16,983
Cash and cash equivalents	F & 11(b)	-	1,993
Total assets		1	18,976
Equity			
Ordinary share capital	I & 7	1	34,427
Share premium	8	-	25,739
Retained earnings	8	-	(41,202)
Total equity		1	18,964
Liabilities			
Provisions	G & 10	-	-
Tax liabilities	H & 9	-	12
Total liabilities		-	12
Total equity and liabilities		1	18,976

Approved by the Board on 12 June 2012

J R Lister *Director*

The accounting policies (identified alphabetically) on pages 7 to 9 and the notes (identified numerically) on pages 14 to 18 are an integral part of these financial statements

Aviva Wrap Group UK Limited
Statement of changes in equity
For the year ended 31 December 2011

	Note	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010		34,427	25,739	(41,936)	18,230
Profit for the year	8	-	-	734	734
Balance at 31 December 2010		**34,427**	**25,739**	**(41,202)**	**18,964**
Share capital reduction	8	(34,426)	(25,739)	60,165	-
Dividends		-	-	(18,963)	(18,963)
Balance at 31 December 2011		**1**	**-**	**-**	**1**

The accounting policies (identified alphabetically) on pages 7 to 9 and the notes (identified numerically) on pages 14 to 18 are an integral part of these financial statements

Aviva Wrap Group UK Limited
Statement of cash flows
For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash generated from/(used in) operations	11(a)	**16,970**	(10,111)
Net cash from/(used in) operating activities		**16,970**	(10,111)
Cash flows from financing activities			
Dividends paid		**(18,963)**	-
Net cash used in financing activities		**(18,963)**	-
Net decrease in cash and cash equivalents		**(1,993)**	(10,111)
Cash and cash equivalents at 1 January		**1,993**	12,104
Cash and cash equivalents at 31 December	11(b)	**-**	1,993

The accounting policies (identified alphabetically) on pages 7 to 9 and the notes (identified numerically) on pages 14 to 18 are an integral part of these financial statements

1. Directors' emoluments

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

2. Auditor's remuneration

	2011	2010
	£'000	£'000
Fees for the statutory audit of the Company's financial statements	**10**	49

The fees are payable to Ernst & Young LLP Audit fees are borne by a fellow group undertaking

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

3. Tax

(a) Tax credited to the income statement

	2011	2010
Current tax	**£'000**	£'000
For the year	-	(12)
Prior year adjustments	-	969
Total tax credited to the income statement (note 3(b))	-	957

The 2010 prior year tax credit of £969,000 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 *(2010 none)*

(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

	2011	2010
	£'000	£'000
Loss before tax	-	(223)
Tax calculated at standard UK corporation tax rate of 26 5% *(2010 28%)*	-	62
Adjustment to tax charge in respect of prior years	-	969
Fair value losses on subsidiaries	-	(74)
Total tax credited to the income statement (note 3(a))	-	957

A reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and is effective from 1 April 2011 A further reduction from 26% to 25% was substantively enacted in July 2011 and will be effective from 1 April 2012 Accordingly, these rates have been applied in the measurement of the Company's deferred tax assets and liabilities as at 31 December 2011

In addition, a further 1% reduction in the UK corporation tax rate to 24%, effective from 1 April 2012, was announced in the 2012 Budget on 21 March 2012 On the same day it was announced that the UK corporation tax rate would reduce to 23% from 1 April 2013 and to 22% from 1 April 2014 No material impact is expected to arise on the Company's net assets as a result of the further 3% reduction in rate from 25% to 22%

4. Investment in subsidiaries

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

	2011	2010
Fair Value	**£'000**	£'000
At 1 January	-	9,798
Fair value losses	-	(265)
Disposals	-	(9,533)
At 31 December	-	-

(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

5. Deferred acquisition costs

The movements in deferred acquisition costs during the year were

	2011 £'000	2010 £'000
Carrying amount at 1 January	-	2,237
Amortisation	-	(22)
Transfer to fellow group undertaking	-	(2,215)
Carrying amount at 31 December	-	-

6. Receivables

	2011 £'000	2010 £'000
Amounts owed by parent	1	16,983

All of the above total *(2010 none)* is expected to be recovered more than one year after the statement of financial position date

7. Ordinary share capital

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

	2011 £'000	2010 £'000
The allotted, called up and fully paid share capital of the Company was 1,000 *(2010 34,427,085)* ordinary shares of £1 each	1	34,427

Ordinary shares in issue in the Company rank pari passu All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company

(b) Details of share movements are as follows:

On 7 December 2011, 34,426,085 ordinary shares of £1 each were cancelled and extinguished in full

	2011 Issued shares	2011 Issued share capital £'000	2010 Issued shares	2010 Issued share capital £'000
At 1 January	34,427,085	34,427	34,427,085	34,427
Share capital reduction	(34,426,085)	(34,426)	-	-
At 31 December	1,000	1	34,427,085	34,427

8. Share premium and retained earnings

	2011 Share premium account £'000	2011 Retained earnings £'000	2010 Share premium account £'000	2010 Retained earnings £'000
At 1 January	25,739	(41,202)	25,739	(41,936)
Profit for the year	-	-	-	734
Capital restructure	(25,739)	60,165	-	-
Dividend of £18,963 per share *(2010 £nil)*	-	(18,963)	-	-
At 31 December	-	-	25,739	(41,202)

9. Tax assets & liabilities

(a) General

Current tax liabilities payable in more than one year are £nil *(2010 payable of £12,000)*

(b) Deferred tax

The Company has no unprovided deferred tax balances at the year end *(2010 £nil)*

10. Provisions

	2011 £'000	2010 £'000
At 1 January	-	2,375
Amounts utilised	-	(1,020)
Transfer to fellow group undertaking	-	(1,355)
At 31 December	-	-

The provision related to obligations arising as a result of the restructure of the operations of the Company This included the best estimate of customer redress required following a full review of all customer accounts in 2010

11. Statement of cash flows

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

	2011 £'000	2010 £'000
Profit/(loss) before tax	-	(223)
Adjustments for		
Fair value losses on subsidiaries	-	265
Changes in working capital		
Decrease in financial investments	-	194
Decrease in receivables	16,982	26,437
Decrease in prepayments and accrued income	-	175
Decrease in deferred acquisition cost	-	2,237
Decrease in payables and other financial liabilities	(12)	(32,230)
Decrease in accruals and deferred income	-	(4,591)
Decrease in provisions	-	(2,375)
Cash generated from/(used in) operations	16,970	(10,111)

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

	2011 £'000	2010 £'000
Cash at bank and in hand	-	1,993

12. Capital

In managing its capital, the Company seeks to maintain liquidity and repatriate excess capital where appropriate

The Company manages IFRS shareholders' equity of £1,000 *(2010 £18,900,000)*

The Company is not subject to any externally imposed capital requirements

13. 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

Amounts receivable from related parties are disclosed in note 6 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 *(2010 £nil)*

(b) 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

(c) Parent entity

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

(d) 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