Commercial Union Life Assurance Company Limited

Directors and Officers

Directors

D B Barral
J R Lister

Secretary

J J Wilman
2 Rougier Street
York
YO90 1UU

Auditor

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

Registered Office

St Helen's
1 Undershaft
London
EC3P 3DQ

Company Number

Registered in England and Wales. No 79678

Other Information

Commercial Union Life Assurance Company Limited ("the Company") is a member of the Aviva plc group of companies ("the Group")

Contents

Directors' report

The directors present their annual report and financial statements for Commercial Union Life Assurance Company Limited (the Company) for the year ended 31 December 2010

Directors

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

M S Hodges resigned as a director of the Company on 30 April 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, prior to 1 October 2009, was the transaction of long-term insurance business, primarily with-profit bonds and pensions

In February 2008, UK Life announced a special bonus of £2 1bn for around 1 1 million with-profits policyholders who were invested in CGNU Life Assurance Limited (CGNU) and the Company's with-profits funds The first instalment of £0 7bn was allocated as at 1 January 2008, with the second instalment totalling £0 6bn being allocated to asset shares as at 1 January 2009 The remaining instalment was allocated in 2010

On 1 October 2009 a reorganisation of the with-profit funds of CGNU and the Company, was approved by the Board and became effective As part of the reorganisation the two funds were merged and transferred to another group undertaking, Aviva Life & Pensions UK Limited (UKLAP) This was followed by a reattribution to shareholders of the inherited estates of these funds The long-term business and ownership of Norwich Union Life (RBS) Limited, a subsidiary of the Company, was also transferred to UKLAP as part of the reorganisation Further details are provided in note 23

Following de-authorisation of the Company by the Financial Services Authority (FSA) on 22 September 2010, the remaining assets in excess of the Company's share capital have been transferred to UKLAP

Since 1 October 2009, the Company has not traded in any capacity

Financial position and performance

The financial position of the Company at 31 December 2010 is shown in the statement of financial position on page 15, with the results shown in the income statement on page 14 and the statement of cash flows on page 17

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 ("KPI")

Net premiums for the period were £nil *(2009 £493 million)*

Profit after tax for the period is £nil *(2009 £43 million)*

Dividend

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

Going concern

On 1 October 2009, the trade, assets and lıabılıtıes were transferred to UKLAP and the Company ceased to trade The financıal statements have been prepared on the basıs that the entıty ıs no longer consıdered a goıng concern Accordıngly the non current assets and lıabılıtıes have been classed as current and the assets and lıabılıtıes valued at theır net realısable value

Major events

On 11 June 2010, the company agreed to the dıssolutıon of the Norwıch Unıon Lıfe Investment Partnershıp

On 5 August 2010, the Company resolved to delete all the provısıons of ıts Memorandum of Assocıatıon, whıch by vırtue of sectıon 28 of the Companıes Act 2006, are treated as provısıons of the Company's Artıcles of Assocıatıon (Artıcles) and resolved to adopt New Artıcles The New Artıcles were adopted wıth effect from 5 August 2010

On 22 September 2010, the Company was de-authorısed by the Fınancıal Servıces Authorıty

Employees

All employees are employed by a fellow subsıdıary undertakıng of Avıva plc, Avıva Employment Servıces Lımıted Dısclosures relatıng to employees may be found ın the Annual Report and Accounts of Avıva plc

Disclosure of information to the auditor

Each person who was a dırector of the Company on the date that thıs report was approved, confirms that so far as the dırector ıs aware, there ıs no relevant audıt ınformatıon, beıng ınformatıon needed by the audıtor ın connectıon wıth preparıng theır report, of whıch the audıtor ıs unaware Each dırector has taken all the steps that he ought to have taken as a dırector ın order to make hımself aware of any relevant audıt ınformatıon and to establısh that the audıtor ıs aware of that ınformatıon

Audıtor

It ıs the ıntentıon of the dırectors to reappoınt the audıtor under the deemed appoıntment rules of Sectıon 487 of the Companıes Act 2006

Directors' liabılıties

Avıva plc, the Company's ultımate parent, has granted an ındemnıty to the dırectors agaınst lıabılıty ın respect of proceedıngs brought by thırd partıes, subject to the condıtıons set out ın the Companıes Act 1985 Thıs ındemnıty was granted ın 2004 and the provısıons ın the Company's Artıcles of Assocıatıon constıtute "qualıfyıng thırd party ındemnıtıes" for the purposes of sectıons 309A to 309C of the Companıes Act 1985 These qualıfyıng thırd party ındemnıty provısıons remaın ın force as at the date of approvıng the Dırectors' report by vırtue of the transıtıonal provısıons to the Companıes 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

JJ Wilman

JJ Wilman
Company Secretary

Independent auditor's report to the members of Commercial Union Life Assurance Company Limited

We have audited the financial statements of Commercial Union Life Assurance Company 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 23 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,
- 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*

The Company, a limited company incorporated and domiciled in the United Kingdom (UK), transacted long-term insurance business until 30 September 2009

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 explained in note 23, the Company transferred it trade, assets and liabilities to fellow subsidiary, UKLAP on 1 October 2009, 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 All assets and liabilities were transferred to the fellow subsidiary at their book value

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 millions of pounds sterling (£m)

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 22

(B) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions Actual results can always differ from those estimates, possibly significantly

(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

Some insurance and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits These are referred to as participating contracts

(E) Premiums earned

Premiums on long-term insurance contracts and participating investment 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

Deposits collected under investment contracts without a discretionary participating feature (non-participating contracts) are not accounted for through the income statement, except for the fee income (covered in policy F) and 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

(F) Fee and commission income

Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance 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, in which case 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 amortised cost on debt securities, realised gains and losses, and unrealised gains and losses on FV investments

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 Rental income is recognised on an accruals basis

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 Realised gains or losses on investment property represent the difference between the net disposal proceeds and the carrying amount of the property

(H) Insurance and participating investment contract liabilities

Claims

Claims reflect the cost of all claims arising during the year, including claims handling costs, as well as policyholder bonuses accrued in anticipation of bonus declarations

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

Long-term business provisions

Under IFRS 4, insurance and participating investment contract liabilities are measured using accounting policies consistent with those adopted previously under existing accounting practices, with the exception of those relating to with-profit contracts The Company has adopted FRS 27, *Life Assurance,* for liabilities relating to such contracts, which adds to the requirements of IFRS but does not vary them in any way

Calculation of the long-term business provisions are based on regulatory requirements and represent a determination within a range of possible outcomes, where the assumptions used in the calculations depend on the prevailing circumstances The principal assumptions are disclosed in note 15(e) & (f) For with-profit funds, FRS 27 requires liabilities to be calculated as the realistic basis liabilities as set out by the Financial Services Authority (FSA), adjusted to remove the shareholders' share of future bonuses For non-profit insurance contracts, the Company applies the realistic regulatory basis as set out in the FSA Policy Statement 06/14, *Prudential Changes for Insurers* where applicable

Present value of future profits (PVFP) on non-participating business written in a with-profit fund

For with-profit life funds falling within the scope of the FSA realistic capital regime, and hence FRS 27, an amount may be recognised for the present value of future profits on non-participating business written in a with-profit fund where the determination of the realistic value of liabilities in that with-profit fund takes account, directly or indirectly, of this value

This amount is recognised as a reduction in the liability rather than as an asset in the statement of financial position, and is then apportioned between the amounts that have been taken into account in the measurement of liabilities and other amounts which are shown as an adjustment to the unallocated divisible surplus

Unallocated divisible surplus

In certain participating long-term insurance and investment business, the nature of the policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain Amounts whose allocation either to policyholders or shareholders has not been determined by the end of the financial year are held within liabilities as an unallocated divisible surplus

Liability adequacy

At each reporting date an assessment is made of whether the recognised long-term business provisions are adequate, using current estimates of future cash flows If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in the light of the estimated future cash flows, the deficiency is recognised in the income statement by setting up an additional provision in the statement of financial position

(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

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 in principle established through the use of prospective discounted cash-flow techniques For unit-linked contracts, the fair value liability is equal to the current unit fund value, plus additional non-unit reserves if required on a fair value basis For non-linked contracts, the fair value liability is equal to the present value of expected cash flows on a market-consistent basis

(J) Reinsurance

The Company accepts and cedes reinsurance in the normal course of business, with retention limits varying by line of business Premiums on reinsurance accepted are recognised as revenue in the same manner they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured 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 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

Reinsurance contracts that principally transfer financial risk are accounted for directly through the statement of financial position and are not included in reinsurance assets or liabilities A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsurer

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) Subsidiaries

Subsidiaries are stated at their fair values, estimated using applicable valuation models underpinned by MCEV and IFRS net asset value Subsidiaries are managed on a fair value basis and classified as held at fair value through profit or loss, with movements recognised in the income statement

Dividends from subsidiaries are recognised when declared and approved

(L) Joint ventures

Property management undertakings

The Company has invested in a number of property limited partnerships (PLPs), either directly or via property unit trusts (PUTs), through a mix of capital and loans The PLPs are managed by general partners (GPs) in which the Company holds equity stakes and which themselves hold nominal stakes in the PLPs The PUTs are managed by a fellow group subsidiary Accounting for the PUTs and PLPs as subsidiaries, joint ventures or other financial investments depends on the shareholdings in the GPs and the terms of each partnership agreement

Where the Company exerts control over a PLP it has been treated as a subsidiary Where the partnership is managed by a contractual agreement such that no party exerts control, notwithstanding that the Company's partnership share in the PLP (including its indirect stake via the relevant PUT and GP) may be greater than 50%, such PUTs and PLPs have been classified as joint ventures Where the Company holds minority stakes in PLPs, with no disproportionate influence, the relevant investments are carried at fair value through profit or loss within financial investments

Joint ventures

Joint ventures are stated at their fair values, estimated using applicable valuation models underpinned by MCEV and IFRS net asset value Joint ventures are managed on a fair value basis and classified as held at fair value through profit or loss, with movements recognised in the income statement

(M) Investment property

Investment property is held for long-term rental yields and is not occupied by the Company Completed investment property is stated at its fair value, which is supported by market evidence, as assessed by qualified external valuers or by qualified staff of the Aviva group Changes in fair values are recorded in the income statement within net investment income

(N) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where

- the rights to receive cash flows from the asset have expired,
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- the Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

(O) Loans

Loans with fixed maturities, including policyholder loans and collateral loans, are recognised when cash is advanced to borrowers The majority of these loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method Loans with indefinite future lives are carried at unpaid principal balances or cost

For mortgage loans, the Company has taken advantage of the revised fair value option under IAS 39 to present the mortgages at fair value, since they are managed as a portfolio on a fair value basis This presentation provides more relevant information and eliminates any accounting mismatch that would otherwise arise from using different measurement bases for these items The fair values of mortgages classified as FV are estimated using discounted cash flow forecasts, based on a risk-adjusted discount rate which reflects the risks associated with these products They are revalued at each period end, with movements in their fair values being taken to the income statement

At each reporting date, loans carried at amortised cost are reviewed for objective evidence that they are impaired and uncollectable, either at the level of an individual security or collectively within a group of loans with similar credit risk characteristics To the extent that a loan is uncollectible, it is written down as impaired to its recoverable amount, measured as the present value of expected future cash flows discounted at the original effective interest rate of the loan, including any collateral receivable Subsequent recoveries in excess of the loan's written down carrying value are credited to the income statement

(P) 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 participating contracts, acquisition costs are generally not deferred, as the liability for these contracts is calculated in accordance with the FSA's realistic capital regime and FRS 27 For non-participating investment contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are also deferred

Long-term business deferred acquisition costs are amortised systematically over a period no longer than that in which they are expected to be recoverable out of these 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

(Q) 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 investment property, loans and 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

(R) 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 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

(S) 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

Commercial Union Life Assurance Company Limited

Income statement
For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Income	1		
Gross written premiums		-	510
Premiums ceded to reinsurers		-	(17)
Net premiums earned	E	-	493
Fee and commission income	F	-	3
Net investment income	G	-	481
		-	977
Expenses	2		
Claims and benefits paid, net of recoveries from reinsurers		-	(826)
Change in insurance liabilities, net of reinsurance		-	93
Change in investment contract provisions		-	(52)
Change in unallocated divisible surplus		-	(26)
Fee and commission expense		-	(27)
Other expenses		-	(24)
Finance costs		-	(11)
Profit before tax		-	104
Tax charge	R & 5	-	(61)
Profit for the year		-	43

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 13 and notes (identified numerically) on pages 18 to 32 are an integral part of these financial statements

Commercial Union Life Assurance Company Limited
Statement of financial position
As at 31 December 2010

	Note	2010 £m	2009 £m
Assets			
Investments in subsidiaries	K &6	-	-
Investments in joint ventures	L & 7	-	-
Investment property	M & 8	-	-
Loans	O & 9	-	5
Reinsurance assets	J & 10	-	-
Receivables	11	3	-
Deferred tax assets	R & 19(b)	-	-
Deferred acquisition costs	P & 12	-	-
Cash and cash equivalents	Q & 20(b)	-	-
Total assets		3	5
Equity			
Ordinary share capital	S & 13	3	3
Retained earnings	14	-	2
Total equity		3	5
Liabilities			
Gross insurance liabilities	H & 15	-	-
Gross liability for investment contracts	H, I & 16	-	-
Unallocated divisible surplus	H & 18	-	-
Deferred tax liabilities	R & 19(b)	-	-
Current tax liabilities	R & 19(a)	-	-
Total liabilities		-	-
Total equity and liabilities		3	5

Approved by the Board on 11 July 2011

J R Lister *Director*

The accounting policies (identified alphabetically) on pages 7 to 13 and notes (identified numerically) on pages 18 to 32 are an integral part of these financial statements

Commercial Union Life Assurance Company Limited
Statement of changes in equity
For the year ended 31 December 2010

	Note	Ordinary share capital £m	Retained earnings £m	Total equity £m
Balance at 1 January 2009		3	91	**94**
Profit for the year	14	-	43	**43**
Transfer to group undertakings	23	-	(132)	**(132)**
Balance at 31 December 2009		3	2	**5**
Transfer to group undertakings	23	-	(2)	(2)
Balance at 31 December 2010		3	-	**3**

The accounting policies (identified alphabetically) on pages 7 to 13 and notes (identified numerically) on pages 18 to 32 are an integral part of these financial statements

Commercial Union Life Assurance Company Limited
Statement of cash flows
For the year ended 31 December 2010

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

	Note	2010 £m	2009 £m
Cash flows from operating activities			
Cash generated from/(used in) operations	20(a)	**2**	(136)
Tax paid		**-**	(71)
Net cash from/(used in) operating activities		**2**	(207)
Cash flows from investing activities			
Acquisitions of joint ventures		**-**	(31)
Disposals of joint ventures		**-**	6
Net cash from/(used in) investing activities		**-**	(25)
Cash and cash equivalents transferred to fellow group undertakings	23	**(2)**	(1,137)
Net decrease in cash and cash equivalents		**-**	(1,369)
Cash and cash equivalents at 1 January		**-**	1,369
Cash and cash equivalents at 31 December	20(b)	**-**	-

The accounting policies (identified alphabetically) on pages 7 to 13 and notes (identified numerically) on pages 18 to 32 are an integral part of these financial statements

1. Details of income

	2010 £m	2009 £m
Gross written premiums		
Insurance contracts	-	164
Participating investment contracts	-	346
	-	510
Less Premiums ceded to reinsurers	-	(17)
Net premiums earned	-	493
Fee and commission income	-	3
Total revenue	-	496
Net investment income		
Interest and similar income	-	341
Dividend income	-	69
Other income from investments designated as trading		
Realised gains on disposals	-	19
Unrealised (losses)/gains		
Losses arising in the year	-	(137)
Gains recognised in prior periods and now realised	-	8
Other income from investments designated as other than trading		
Realised losses on disposals	-	(474)
Unrealised gains/(losses)		
Gains arising in the year	-	210
Gains recognised in prior periods and now realised	-	449
Foreign exchange gains	-	35
Net income from investment properties		
Rent	-	56
Expenses relating to these properties	-	(5)
Realised losses on disposal	-	(4)
Fair value losses on investment properties	-	(77)
Other investment expenses	-	(9)
Net investment income	-	481
Total income	-	977

2. Details of expenses

	2010 £m	2009 £m
Claims and benefits paid to policyholders		
Insurance contracts	-	703
Participating investment contracts	-	160
	-	863
Less Claim recoveries from reinsurers		
Insurance contracts	-	(23)
Participating investment contracts	-	(14)
Claims and benefits paid, net of recoveries from reinsurers	-	826
Change in insurance liabilities	-	(94)
Less Change in reinsurance asset for insurance provisions	-	1
Change in insurance liabilities, net of reinsurance	-	(93)
Investment income allocated to investment contracts	-	8
Other changes in provisions		
Participating investment contracts	-	83
Less Change in reinsurance asset for investment contract provisions	-	(39)
Change in investment contract provisions	-	52
Change in unallocated divisible surplus	-	26
Commission expenses and other acquisition costs for insurance and participating investment contracts	-	21
Change in deferred acquisition costs for non-participating investment contracts	-	2
Other fee and commission expense	-	4
Fee and commission expense	-	27
Other expenses	-	24
Finance costs	-	11
Total expenses	-	873

3. Directors' emoluments

None of the directors received any emoluments during the year in respect of services as directors of the Company For 2009, aggregate emoluments in respect of services as directors were £1,833,000, with the aggregate emoluments and benefits of the highest paid director being £723,000

Under a management service agreement, Aviva Life Services UK Limited (UKLS) supplied and made charges for the provision of staff to the Company, which included an element in respect of directors' emoluments It is not practical to calculate the exact charge borne by the Company in this respect

4. Auditor's remuneration

Fees for the audit of the Company were £5,000 *(2009 £200,000)* Auditor's remuneration for the current and prior year has been invoiced to UKLS These fees formed part of the charges for services to the Company made by UKLS under a management agreement Audit fees have been borne by a fellow group undertaking for 2010

Fees paid to Ernst & Young LLP 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

5. Tax

(a) Tax charged to the income statement

(i) The total tax charge comprises:

	2010 £m	2009 £m
Current tax		
For the year	-	60
Prior year adjustments	-	(1)
Total current tax	-	59
Deferred tax		
Origination and reversal of timing differences	-	2
Total deferred tax	-	2
Total tax charged to the income statement (note 5 (b))	-	61

(ii) Deferred tax charged to the income statement represents movements on the following items.

	2010 £m	2009 £m
Unrealised gains/(losses) on investments	-	27
Provisions and other temporary differences	-	(25)
Total deferred tax charged to the income statement	-	2

(b) Tax reconciliation

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

	2010 £m	2009 £m
Profit before tax	-	104
Tax calculated at standard UK corporation tax rate of 28% *(2009 28%)*	-	29
Different basis of tax for UK life insurance	-	33
Adjustment to tax charge in respect of prior years	-	(1)
Total tax charged to the income statement (note 5(a))	-	61

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

6. Investments in subsidiaries

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

	2010 £m	2009 £m
Carrying amount at 1 January	-	134
Fair value losses	-	(2)
Investments transferred to fellow group undertakings (see note 23)	-	(132)
At 31 December	-	-

All subsidiary undertakings were transferred to a fellow group undertaking on 1 October 2009

7. Investments in joint ventures

Movements in the Company's investments in joint ventures are as follows

	2010 £m	2009 £m
Carrying amount at 1 January	-	352
Additions	-	31
Disposals	-	(6)
Fair value losses	-	(87)
Investments transferred to fellow group undertakings (see note 23)	-	(290)
At 31 December	-	-

The joint ventures were transferred to a fellow group undertaking on 1 October 2009 Distributions received from joint ventures during the year amounted to £nil *(2009 £6 million)* Loans made to joint ventures during the year amounted to £nil *(2009 £110 million)*

8. Investment property

(a) Carrying amounts

	Freehold £m	Leasehold £m	Total £m
Carrying amount at 1 January 2009	789	140	929
Additions	3	-	3
Capitalised expenditure on existing properties	3	-	3
Realised losses on disposal	(4)	-	(4)
Fair value losses	(76)	(1)	(77)
Disposals	(106)	-	(106)
Property transferred to fellow group undertakings (see note 23)	(609)	(139)	(748)
At 31 December 2009 and 2010	-	-	-

Investment properties are stated at their market values as assessed by qualified external valuers or by local qualified staff of the Aviva Group Values are calculated using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, assuming no future growth in rental income This uplift and the discount rate are derived from rates implied by recent market transactions on similar properties

9. Loans

(a) Carrying amount

	2010 £m	2009 £m
Loans to fellow subsidiaries	-	5

The amount of change in the fair value of mortgage loans attributable to changes in the credit risk during the year was £nil *(2009 £18 million)* The cumulative amount of such change was £nil *(2009 £19 million)*

The carrying amount of the above loans that are stated at amortised cost is £nil *(2009 £5 million)* The carrying amount is a reasonable approximation for fair value at the statement of financial position date No impairment has been recognised

10. Reinsurance assets

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

	2010 £m	2009 £m
Carrying amount at 1 January	-	1,125
Assets in respect of new business	-	13
Expected change in existing business asset	-	79
Variance between actual and expected experience	-	92
Other movements	-	(3)
Change in asset	-	181
Transferred to fellow group undertaking (see note 23)	-	(1,306)
At 31 December	-	-

11. Receivables

	2010 £m	2009 £m
Amounts due from parent	**3**	-

Of the above amounts £nil *(2009 £nil)* is expected to be recovered more than one year after the statement of financial position date

12. Deferred acquisition costs and other assets

The movements in deferred acquisition costs during the year were

	2010 £m	2009 £m
Carrying amount at 1 January	-	35
Amortisation	-	(2)
Transferred to fellow group undertakings (see note 23)	-	(33)
At 31 December	-	-

13. Ordinary share capital

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

	2010	2009
	£	£
The allotted, called up and fully paid share capital of the Company was 3,175,000 ordinary shares of £1 each	**3,175,000**	3,175,000

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 5 August 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

14. Retained earnings

	2010	2009
	£m	£m
At 1 January	**2**	91
Profit for the year	**-**	43
Transferred to fellow group undertakings (see note 23)	**(2)**	(132)
At 31 December	**-**	2

15. Insurance liabilities

(a) Business description

Until 1 October 2009, the Company underwrote long-term business in a "with-profit" fund, where the with-profits policyholders were entitled to at least 90% of the distributed profits, the shareholders receiving the balance The following sections relate to the methodology, company practice and assumptions up to the date of transfer

(b) Methodology

The valuation of with-profit business uses the methodology developed for the Realistic Statement of financial position adjusted to remove the shareholders' share of future bonuses The key elements of the Realistic Statement of financial position methodology are the with-profit benefit reserve (WPBR) and the present value of the expected cost of any payments in excess of the WPBR (referred to as the cost of future policy related liabilities) The realistic liability for any contract is equal to the sum of the WPBR and the cost of future policy related liabilities

The WPBR for an individual contract is generally calculated on a retrospective basis, and represents the accumulation of the premiums paid on the contract, allowing for investment return, taxation, expenses and any other charges levied on the contract

For a small proportion of business, the retrospective approach is not available or inappropriate, so a prospective valuation approach is used instead, including allowance for anticipated future regular and final bonuses

The items included in the cost of future policy related liabilities include

- Maturity Guarantees
- Smoothing (which can be negative)
- Guaranteed Annuity Options (GAOs)

- Guaranteed Minimum Pension underpin on Section 32 transfers
- Expected payments under Mortgage Endowment Promise

The cost of future policy related liabilities are determined using a market consistent approach, and in the main this is based on a stochastic model calibrated to market conditions at the end of the reporting period Non market related assumptions, for example, persistency, mortality and expenses are based on experience, adjusted to take into account future trends Where policyholders have valuable guarantees, options or promises, then future persistency is assumed to improve, and future take-up rates of guaranteed annuity options are assumed to increase

The with-profit funds contain non-profit policies The reserves are calculated using the gross premium method, which discounts the projected future cash flows

(c) Company practice

Material judgement is required in calculating the provisions and is exercised particularly through the choice of assumptions, where discretion is permitted In turn, the assumptions used depend on the circumstances prevailing in each of the life funds Provisions are most sensitive to assumptions regarding future investment returns, discount rates, future bonus rates, mortality rates and persistency

Bonuses paid during the year are reflected in claims paid, whilst those allocated as part of the bonus declaration are included in the movements in insurance liabilities, as detailed below

(d) Assumption – with-profit business

The WPBR is in the main a historic calculation, and hence not affected by assumptions relating to the future The principal assumptions underlying the cost of future policy related liabilities are

(1) Future investment return

A 'risk-free' rate equal to the spot yield on gilts, plus a margin of 0 1% is used The rates vary according to the outstanding term of the policy – a typical rate as at 30 September 2009 was 3 84% (for a policy with 10 years outstanding)

Volatility assumptions are set with reference to implied volatility data on traded market instruments, where available Specimen values based on a policy with 10 years outstanding are as follows

Class	**Volatility**
UK equities	27%
Property	15%
Bond yields	14%

(2) Future regular bonuses

Annual bonus assumptions for 2009 have been set consistent with the 31 December 2008 declaration Future annual bonus rates reflect the principles and practices of the fund In particular the level is set with regard to the projected margin for final bonus, the change from one year to the next is limited to a level consistent with past practice

(3) Persistency

Rates, which will vary between classes of business, are based on experience adjusted to take into account future trends Where policyholders have valuable guarantees, options or promises the Company assumes that persistency improves in the future

(4) GAO take-up rates

The rates used vary between the funds based on fund-specific experience, plus an assumption that the level of take-up will increase in the future since the option is valuable to the policyholder

(5) Future expenses

Where expense charges are subject to a defined fee arrangement, the expense assumption reflects a continuation of that defined basis Assumptions for other expenses are based on experience, adjusted to take into account future trends

(6) Mortality

Mortality assumptions are set with regard to recent company experience and general industry trends

	Mortality tables used 2009
Assurances, pure endowments and deferred annuities before vesting	Nil or AM00/AF00 adjusted
Pensions business after vesting and pensions annuities in payment	PCMA00/PCFA00 adjusted plus allowance for future mortality improvement

(e) Assumptions – non-profit business in the with-profit funds

The gross premium method is used for all material classes of business

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 cash flows Where appropriate, allowance for persistency is based on actual experience

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 restricting the yields for equities and properties with reference to a margin over long-term interest rates or by making an explicit deduction from the yields on corporate bonds, mortgages 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 2009
Assurances	
Life conventional non-profit	2 7%
Pensions conventional non-profit	3 4%
Deferred annuities	
Non-profit – in deferment	3 4%
Non-profit – in payment	3 4%
Annuities in payment	
Conventional annuities	4 7%

Mortality assumptions are set with regard to recent company experience and general industry trends

	Mortality tables used 2009
Assurances	AM00/AF00 or TM00/TF00 adjusted for smoker status
Pure endowments and deferred annuities before vesting	Nil or AM00/AF00 adjusted
Annuities in payment	
General annuity business	IML00/IFL00 adjusted plus allowance for future mortality improvement
Pensions business	PCMA00/PCFA00 adjusted plus allowance for future mortality improvement

(f) Movements

The following movements have occurred in insurance liabilities during the year

	2010 £m	2009 £m
Carrying amount at 1 January	-	11,348
Provisions in respect of new business	-	389
Expected change in existing business provisions	-	(770)
Variance between actual and expected experience	-	325
Impact of operating assumption changes	-	3
Impact of economic assumption changes	-	(74)
Impact of other assumption changes	-	(14)
Other movements	-	47
Change in liability recognised as a gain	-	(94)
Transferred to fellow group undertaking (see note 23)	-	(11,254)
At 31 December	-	-

The effect of changes in the main assumptions is given in note 17

16. Liability for investment contracts

The following movements have occurred in the year

(i) *Participating investment contracts*

	2010 £m	2009 £m
Carrying amount at 1 January	-	2,334
Provisions in respect of new business	-	6
Expected change in existing business provisions	-	8
Variance between actual and expected experience	-	80
Impact of operating assumption changes	-	1
Impact of economic assumption changes	-	4
Impact of other assumption changes	-	(1)
Other movements	-	(15)
Change in liability recognised as an expense	-	83
Transferred to fellow group undertaking (see note 23)	-	(2,417)
At 31 December	-	-

(ii) *Non-participating investment contracts*

	2010 £m	2009 £m
Carrying amount at 1 January	-	881
Provisions in respect of new business	-	11
Expected change in existing business provisions	-	61
Variance between actual and expected experience	-	72
Change in liability recognised as an expense	-	144
Transferred to fellow group undertaking (see note 23)	-	(1,025)
At 31 December	-	-

The effect of changes in main assumptions is given in note 17

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

Certain estimates and assumptions used in determining liabilities for insurance and investment contract business were changed during 2009, and had the following effect on the unallocated divisible surplus (UDS) recognised for the year, both gross and net of reinsurance 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 assets

	2010 Effect on UDS before and after reinsurance £m	2009 Effect on UDS before and after reinsurance £m
Assumptions		
Insurance contracts		
Economic	-	74
Expenses	-	1
Persistency rates	-	(4)
Other assumptions	-	14
	-	85
Investment contracts – Participating		
Economic	-	(4)
Persistency rates	-	(1)
Other assumptions	-	1
	-	(4)
Total decrease as a result of changes in assumptions and estimates	-	81

18. Unallocated divisible surplus

The following movements have occurred in the year

	2010 £m	2009 £m
Carrying amount at 1 January	-	615
Change in participating contract assets	-	(839)
Change in participating contract liabilities	-	865
Change in liability recognised as an expense	-	26
Transfer to fellow group undertaking (see note 23)	-	(641)
At 31 December	-	-

19. Tax assets and liabilities

(a) General

Current tax liabilities include amounts payable in more than one year of £nil *(2009 £nil)*

(b) Deferred tax

(i) The deferred tax asset balance at 31 December 2010 is £nil *(2009 (nil)*

(ii) The movement in the net deferred tax asset was as follows:

	2010 £m	2009 £m
Net asset at 1 January	-	38
Amounts debited to profit (note 5(a))	-	(2)
Transferred to fellow group undertaking (see note 23)	-	(36)
Net asset at 31 December	**-**	-

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 At the 31 December 2010 the Company had unrecognised capital losses of £nil *(2009 £nil)* to carry forward against future taxable income Unrecognised capital losses of £26 million were transferred to UKLAP on the 1 October 2009 as part of the fund transfer (see note 23)

20. Statement of cash flows

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

	2010 £m	2009 £m
Profit before tax	-	104
Adjustments for		
Loss on sale of investment property	-	4
Loss on sale of other financial investments	-	455
Fair value losses on subsidiaries	-	2
Fair value losses on joint ventures	-	87
Fair value losses on investment property	-	77
Fair value losses on loans	-	37
Fair value gains on other investments	-	(596)
Amortisation of investments	-	29
Amortisation of deferred acquisition costs	-	2
Changes in working capital		
Increase in reinsurance assets	-	(181)
(Increase)/decrease in receivables	(3)	106
Increase in prepayments and accrued income	-	(42)
Decrease in insurance liabilities	-	(94)
Increase in liability for investment contracts	-	227
Increase in unallocated divisible surplus	-	26
Decrease in payables and other financial liabilities	-	(901)
Decrease in other liabilities	-	(11)
Purchases of investment property	-	(6)
Proceeds on sale of investment property	-	106
Net (purchase)/sale of operating assets		
Financial investments	-	(303)
Loans	5	736
Cash generated from/(used in) operations	**2**	(136)

Purchases and sales of investment property, loans and 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 for related benefits and claims

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

	2010 **£m**	2009 £m
Cash at bank and in hand	-	-

21. Capital

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

The Company manages IFRS shareholders' equity of £3 million *(2009 £5 million)* as capital

The Company is not subject to any externally imposed capital requirements

22. Related party transactions

The members of the Board of Directors are listed on page 1 of these financial statements

Under a management agreement, UKLS supplied and made charges for the provision of operational assets and staff to the Company The agreement specifies the amounts payable to UKLS in respect of acquisition costs and administrative expenses The amount of this recharge is £nil *(2009 £33 million)*

Investment management services have been provided to the Company by Aviva Investors Global Services Limited These services are included in the recharge above

Details of transactions with joint ventures may be found in note 7

Amounts receivable from related parties are disclosed in note 11 The related parties' receivables and payables are not secured, and no guarantees were received or issued in respect thereof No provisions or expense has been recognised during the year in respect of bad and doubtful debts *(2009 £nil)*

Loans to related parties are disclosed in note 9

The Company had indemnified the overdrafts and borrowings of certain other Aviva Group companies These indemnities have been transferred to a fellow group undertaking

On 1 October 2009, the Company transferred its long-term insurance business to UKLAP (see note 23)

(a) Reinsurance accepted from fellow subsidiaries

	2010 Reinsurance accepted in year £m	2009 Reinsurance accepted in year £m
Premiums	-	405
Claims	-	474
Commission	-	19
Expenses	-	7

(b) Reinsurance ceded to fellow subsidiaries

	2010 Reinsurance ceded in year £m	2009 Reinsurance ceded in year £m
Premiums	-	14
Claims	-	22
Expenses	-	1

(c) Other income receivable from related parties

	2010 Income earned in year £m	2009 Income earned in year £m
Fellow subsidiaries	-	4

(d) Other expenses payable to related parties

	2010 Expense incurred in year £m	2009 Expense incurred in year £m
Fellow subsidiaries	-	29

(e) 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 The total compensation to those employees classified as key management, including the executive directors, is as follows for 2009

	2009 £'000
Salary and other short-term benefits	5,505
Post-employment benefits	590
Other long-term benefits	501
	6,596

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

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

(f) Parent entity

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

(g) 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

23. Fund transfer

On 1 October 2009, a reorganisation of the with-profit funds of CGNU Life Assurance Limited (CGNU) and the Company, was approved by the Board and became effective As part of the reorganisation, the two funds were merged and transferred to another group undertaking Aviva Life & Pensions UK Limited (UKLAP), this was followed by a reattribution to shareholders of the inherited estates of these funds The long-term business and ownership of Norwich Union Life (RBS) Limited, a subsidiary of the Company, was also transferred to UKLAP as part of the reorganisation

Certain of the 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 regulatory minimum capital requirement remained within the Company

Within UKLAP, two new with-profit sub-funds were created Policies of non-electing policyholders were transferred to the Old With-Profit Sub-Fund Where policyholders elected to accept the reattribution their policies were transferred to the New With-Profit Sub-Fund

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

	30 September 2009 £m	Effect of transfer £m	**1 October 2009 £m**
Assets			
Investments in subsidiaries	132	(132)	-
Investments in joint ventures and associates	290	(290)	-
Investment property	748	(748)	-
Loans	495	(490)	**5**
Financial investments	11,206	(11,206)	-
Reinsurance assets	1,306	(1,306)	-
Deferred tax asset	36	(36)	-
Receivables and other financial assets	156	(156)	-
Deferred acquisition costs	33	(33)	-
Prepayments and accrued income	156	(156)	-
Cash and cash equivalents	1,137	(1,137)	-
Total assets	15,695	(15,690)	**5**
Equity			
Ordinary share capital	3	-	**3**
Retained earnings	134	(132)	**2**
Total equity	137	(132)	**5**
Liabilities			
Gross insurance liabilities	11,254	(11,254)	-
Gross liability for investment contracts	3,442	(3,442)	-
Unallocated divisible surplus	641	(641)	-
Deferred tax liabilities	-	-	-
Current tax liabilities	63	(63)	-
Payables and other financial liabilities	135	(135)	-
Other liabilities	23	(23)	-
Total liabilities	15,558	(15,558)	-
Total equity and liabilities	15,695	(15,690)	**5**

Commercial Union Life Assurance Company Limited
Notes to the financial statements
For the year ended 31 December 2010 (continued)

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

Following de-authorisation, the remaining assets in excess of the share capital of the Company were transferred to UKLAP

	1 Dec 2009 £m	Effect of transfer £m	**31 Dec 2010 £m**
Assets			
Receivables and other financial assets	-	3	**3**
Cash and cash equivalents	5	(5)	**-**
Total assets	5	(2)	**3**
Equity			
Ordinary share capital	3	-	**3**
Retained earnings	2	(2)	**-**
Total equity	5	(2)	**3**
Total equity and liabilities	5	(2)	**3**