AVIVA INVESTORS UK FUND SERVICES LIMITED

Registered in England and Wales No. 1973412

Annual report and financial statements 2014

Aviva Investors UK Fund Services Limited

Registered in England and Wales No. 1973412

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Directors and Officers

Directors

P Neville
I Buckle
E Potter
J Misselbrook
D Dahan
S Ebenston

Officer - Company Secretary

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Registered Office

No 1. Poultry
London
EC2R 8EJ

Company Number

Registered in England and Wales: No. 1973412

Other Information

Aviva Investors UK Fund Services Limited ("the Company") is authorised and regulated by the Financial Conduct Authority

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

Aviva Investors UK Fund Services Limited
Registered in England and Wales No. 1973412
Strategic report

The directors present their strategic report for Aviva Investors UK Fund Services Limited (the Company) for the year ended 31 December 2014.

Review of the Company's business

The principal activity of the Company is the sale of units in, and the management of authorised unit trusts and the sale of shares in, and the management of open ended investment company (OEIC) funds. In addition, the Company acts as the Alternative Investment Fund Manager for a range of real estate funds, structured as English Limited Partnerships.

During the year, the Company launched two new multi-strategy funds, three funds were closed and two funds were merged into existing funds.

Revenue for the year has decreased by 3% to £39.7 million *(2013: £41.0 million)*. During the year Annual Management Charge income has decreased mainly due to reduced margins. The average Funds Under Management (FUM) decreased from £13.2 billion in 2013 to £13.1 billion in 2014.

Total equity has decreased by £3.8 million *(2013: increased by £2.1 million)*, reflecting the profit for the year of £4.2 million less the dividend payment of £8.0 million.

Financial position and performance

The financial position of the Company at 31 December 2014 is shown in the statement of financial position on page 12, with the results shown in the income statement on page 11 and the statement of cash flows on page 14.

Future outlook

The Company has ambitious long term growth aspirations, seeking to exploit Aviva's distribution and fund management capability and the Aviva Brand. The 2015 outlook indicates a modest growth in profits driven by a focus on our core strengths, the continuation of a fund rationalisation programme and maintaining a stable cost base, subject to the impact of short term market fluctuations.

Principal risks and uncertainties

The major risk facing the business is operational risk, which is in line with FCA expectations for investment businesses which hold assets in a fiduciary capacity and off balance sheet. Operational risk of loss can result from inadequate or failed internal processes, people and systems, or from external events, including regulatory risk. Exposure to credit default is low as exposure only arises on cash balances held. Credit risk is assessed on a regular basis, with credit ratings of banks closely monitored.

The company holds financial instruments on a short-term rolling basis ("the box") to facilitate the efficient management of customers' supply and demand for shares and units. Exposure to market risk is minimal due to the size of the box and adherence to the box policy.

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. A description of the principal risks and uncertainties facing the Company and its risk management policies are set out in note 16 to the financial statements.

Key performance indicators (KPIs)

Revenue primarily represents AMC income derived from OEICs and authorised unit trust funds in the Company's capacity as Authorised Corporate Director or Manager, net of rebates and distribution allowances. Revenue for the year decreased by 3% to £39.7 million *(2013: £41.0 million)*, as detailed in the business review above.

Profit after tax for the year was £4.2 million *(2013: £8.1 million)*.

By order of the Board

P Neville *Director* — *24 April 2015*

Directors' report

The directors present their annual report and audited financial statements for Aviva Investors UK Fund Services Limited (the Company) for the year ended 31 December 2014.

Directors

The current directors and those in office during the year are as follows:

A Beswick	(ceased 1September 2014)
B Curran	(ceased 7 March 2014)
J Green	(ceased 1 September 2014)
T Orton	(ceased 27 February 2015)
P Neville	(appointed 16 April 2014)
I Buckle	(appointed 4 June 2014)
E Potter	(appointed 4 June 2014)
J Misselbrook	(appointed 10 June 2014)
D Dahan	(appointed 25 June 2014)
S Ebenston	(appointed 17 December 2014)

Dividend

During the year the company paid a dividend of £8 million *(2013: £6 million).*

Major events

As a result of a review by the Group of its strategy for its Asset Management business and associated functions, the subsidiary undertakings, Aviva Investors UK Funds Limited and Aviva Investors UK Fund Services Limited were transferred on 9 May 2014 from the Company to Aviva Investors Holdings Limited, a fellow Group subsidiary company

On 7 February 2014, the Aviva Investors Blue Chip Tracking Fund was merged into the Aviva Investors UK Index Tracking Fund and the Aviva Investors Balanced Managed Fund was merged into the Aviva Investors Multi-Asset Fund III.

On 18 February 2014, the Company commenced the termination of the Aviva Investors Property Investment Fund.

On 21 July 2014, the Company commenced the termination of the Aviva Investors UK Absolute Returns Fund and the Aviva Investors Diversified Strategy Fund.

On 22 July 2014, the company became the Alternative Investment fund Manager for a range of real estate funds. As such, the company has responsibility for portfolio and risk management for these funds.

On 12 June 2014, the Board approved the launch of the Aviva Investors Target Return Fund which launched on 1 July 2014.

On 14 November 2014, the Board approved the launch of the Aviva Investors Target Income Fund which launched on 1 December 2014.

On 2 December 2014, the Company proposed a merger of the Aviva Investors UK Income & Growth Fund into the Aviva Investors UK Equity Income Fund.

Future outlook

Likely future developments in the business of the Company are discussed in the Strategic Report on page 2.

Employees

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Investors Employment Services Limited, who make a management charge for the provision of staff to the Company. It is not possible to ascertain separately the element of the management charge that relates to staff costs. Disclosures relating to employee remuneration and the average number of persons employed are made in the Financial Statements of Aviva Investors Employment Services Limited.

Disclosure of information to the auditors

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

(a) so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware; and

(b) each director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors

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

Qualifying indemnity provisions

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

By order of the Board

P Neville *Director* — *24 April 2015*

Report on the financial statements

Our opinion

In our opinion, Aviva Investors UK Fund Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Aviva Investors UK Fund Services Limited's financial statements comprise:

- the statement of financial position as at 31 December 2014;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the Accounting policies to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

24th April 2015

The Company is a limited company incorporated and domiciled in the United Kingdom (UK). The Company's principal activity is the sale of units in, and the management of authorised unit trusts and the sale of shares in, and the management of OEICs.

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

(A) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. In addition to fulfilling their legal obligation to comply with IFRS as adopted by the EU, the Company has also complied with IFRS as issued by the IASB and applicable at 31 December 2014. The financial statements have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value through profit and loss.

The financial statements are prepared on the going concern basis and in accordance with the Companies Act 2006.

The financial statements are stated in sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000).

The Company has adopted the following new standards and amendment to standards which became effective for financial years beginning on or after 1 January 2014.

Amendments to IAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of 'currently legally enforceable right to set-off' to reinforce that a right to set-off must not be contingent on any future event, including counterparty default or bankruptcy. Additionally, amendments to IAS 32 clarify that a settlement mechanism must be in place to ensure settlement in practice that is either simultaneous or sufficient to result in insignificant credit and liquidity risk. The amendments to IAS 32 have been applied retrospectively which has resulted in the grossing up of certain assets and liabilities related to trade receivables and trade payables in the statement of financial position that were previously reported net. There is no impact on the profit or loss or equity for either current or prior year.

The IASB has issued a new standard which is not yet effective and has not been early adopted by the Company.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 will replace IAS 18, Revenue and establishes a model to be applied to all contracts with customers, except for insurance contracts, financial instruments and lease contracts. The impact of the adoption of the new standard has yet to be fully assessed by the Company. The standard applies to accounting periods beginning on or after 1 January 2017 and has not yet been endorsed by the EU.

The IASB has issued a number of amendments to standards which are not yet effective and have not been adopted early by the Company.

- Amendments to IFRS 13, Fair Value Measurement are applicable for accounting periods beginning on or after 30 June 2015.

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation and IAS 27, Equity Method in Separate Financial Statements are applicable for accounting periods beginning on or after 1 January 2016.

(B) Critical accounting estimates and judgments

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 may differ from those estimates, possibly significantly.

(C) Revenue

Revenue, which excludes value added tax, consists primarily of annual management charges derived from OEICs and authorised unit trust funds in the Company's capacity as Authorised Corporate Director or Manager. Revenue is net of rebates and distribution allowances. All revenue is attributable to one continuing activity and arises in the UK.

Initial investment fees were deferred over the expected term of the investment contract.

(D) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Company takes into account the asset's use that is physically possible, legally permissible and financially feasible.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value.

(E) Financial instruments

Financial instruments comprise shares and units which are held by the Company to facilitate the efficient management of the demand for shares and units by the customers. Shares and units are recorded at fair value with changes in fair value being taken to the income statement. In general, the fair value category is used as, in most cases, the Company's investment or risk management strategy is to manage its financial investments on a fair value basis.

Purchases and sales of instruments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair value less transaction costs. Instruments carried at fair value are measured using a fair value hierarchy, described in note 5, with values based on quoted bid prices or amounts derived from cash flow models.

(F) Deferred acquisition costs

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

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. 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.

(G) Receivables and payables

Receivables and payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are held at amortised cost, which given the short term nature of the items is considered a reasonable approximation to fair value.

(H) Statement of cash flows

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held on call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

Operating cash flows

Purchases and sales of financial investments are included within operating cash flows as the purchases are funded from operational cash flows.

(I) 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 temporary differences arise from the difference between the accounting values and tax base cost of certain assets. The rates enacted or substantially 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. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

(J) Share capital

Equity instruments

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 for 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 Investors UK Fund Services Limited

Registered in England and Wales No. 1973412

Income statement

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	C	**39,674**	41,043
Operating expenses	I	**(36,166)**	(31,731)
Realised gains from investments designated as trading		**1,900**	1,292
Profit / (Loss) before tax		**5,408**	10,604
Tax	I & 4	**(1,156)**	(2,460)
Profit / (Loss) for the year	10	**4,252**	8,144

The Company has no other comprehensive income.

The accounting policies (identified alphabetically) on pages 8 to 10 and the notes (identified numerically) on pages 15 to 23 are an integral part of these financial statements.

Aviva Investors UK Fund Services Limited
Registered in England and Wales No. 1973412
Statement of financial position
As at 31 December 2014

	Note	2014 £'000	2013 £'000
Assets			
Financial instruments	E & 6	**7,032**	8,129
Deferred tax assets	I & 12	**23**	28
Receivables	G & 7	**48,799**	34,328
Deferred acquisition costs	F & 8	**-**	-
Cash and cash equivalents	H & 14	**29,349**	28,418
Total assets		**85,203**	70,903
Equity			
Ordinary share capital	J & 9	**12,000**	12,000
Retained earnings	10	**4,756**	8,504
Total equity		**16,756**	20,504
Liabilities			
Tax liabilities	I & 12	**1,157**	2,446
Payables and other financial liabilities	G & 11	**54,275**	35,506
Other liabilities	G & 13	**13,015**	12,447
Total liabilities		**68,447**	50,399
Total equity and liabilities		**85,203**	70,903

Approved by the Board on 24 April 2015

P Neville

P Neville *Director*

The accounting policies (identified alphabetically) on pages 8 to 10 and the notes (identified numerically) on pages 15 to 23 are an integral part of these financial statements.

Aviva Investors UK Fund Services Limited
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Statement of changes in equity
For the year ended 31 December 2014

	Note	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013		12,000	6,360	18,360
Profit for the year	10	-	8,144	8,144
Dividends paid	J	-	(6,000)	(6,000)
Balance at 31 December 2013		**12,000**	**8,504**	**20,504**
Profit for the year	10	-	**4,252**	**4,252**
Dividends paid	J	-	**(8,000)**	**(8,000)**
Balance at 31 December 2014		**12,000**	**4,756**	**16,756**

The accounting policies (identified alphabetically) on pages 8 to 10 and the notes (identified numerically) on pages 15 to 23 are an integral part of these financial statements.

Aviva Investors UK Fund Services Limited
Registered in England and Wales No. 1973412
Statement of cash flows
For the year ended 31 December 2014

The cash flows presented in this statement cover all the Company's activities.

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash generated from operations	14(a)	**8,931**	3,486
Net cash generated from operating activities		**8,931**	3,486
Cash flows from financing activities			
Dividends paid		**(8,000)**	(6,000)
Net cash used in financing activities		**(8,000)**	(6,000)
Net (decrease)/increase in cash and cash equivalents		**931**	(2,514)
Cash and cash equivalents at 1 January		**28,418**	30,932
Cash and cash equivalents at 31 December	14(b)	**29,349**	28,418

The accounting policies (identified alphabetically) on pages 8 to 10 and the notes (identified numerically) on pages 15 to 23 are an integral part of these financial statements.

1. Operating expenses

Under a management agreement Aviva Life Services UK Limited (UKLS), a fellow group undertaking, supplies and makes charges for the provision of operational assets and staff to the Company. The agreement specifies the amounts payable in respect of these expenses. The amount of this recharge is £3,222,000 *(2013: £6,308,000)*.

Aviva Investors Global Services Limited, a fellow group undertaking, makes charges for the fund management of the Company's funds. The charge for 2014 is £19,467,000 *(2013: £16,974,000)*. This charge includes performance fees of £5,616,000 *(2013: £5,687,000)*. The external fund management charge for the year is £6,438,000 *(2013: £6,170,000)* and other expenses amounted to £7,039,000 *(2013: £2,279,000)*.

2. Directors' emoluments

J Misselbrook receives fees from Aviva Investors Holdings Limited, the immediate parent undertaking, for his appointment as a non-executive director of AIHL. The other directors were remunerated by Aviva Investors Employment Services Limited, a fellow subsidiary of the ultimate parent company, Aviva plc. The emoluments are recharged, as part of a head office management charge under management service agreements, to all operating divisions of the Aviva Group. No direct recharge has been made to the Company in respect of these emoluments as these directors were not primarily remunerated for their services to the Company. Accordingly, no emoluments are disclosed in respect of these directors.

3. Auditors' remuneration

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

	2014	2013
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	**10**	3

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

Audit fees are payable by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies.

4. Tax

(a) Tax charged to the income statement

	2014	2013
	£'000	£'000
Current tax		
For this year	**1,157**	2,458
Adjustments in respect of prior years	**(6)**	(18)
Total current tax charge	**1,151**	2,440
Deferred tax		
Origination and reversal of timing differences	**5**	15
Change in tax rate	**-**	5
Total deferred tax charge	**5**	20
Total tax charged in the income statement (note 4(b))	**1,156**	2,460

(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:

	2014	2013
	£'000	£'000
Profit before tax	**5,408**	10,604
Tax calculated at standard UK corporation tax rate of 21.50% *(2013: 23.25%)*	**1,162**	2,465
Adjustment to tax charge in respect of prior years	**(6)**	(10)
Change in tax rate	**-**	5
Total tax charge to the income statement (note 4(a))	**1,156**	2,460

UK legislation was substantively enacted in July 2013 to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014, resulting in an effective rate for the year ended 31 December 2014 of 21.5%. A further reduction to 20% was also enacted with effect from 1 April 2015. The 20% rate has been used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2014.

5. Fair value methodology

(a) Basis for determining fair value hierarchy of financial instruments

For financial assets and liabilities carried at fair value, the measurement basis has been categorised into a 'fair value hierarchy' as follows:

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

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities.

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

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

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

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

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability.

Therefore, unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Examples are certain private equity investments and private placements.

Changes to valuation techniques:

There have been no changes in the valuation techniques during the year as compared to those described in the 2013 financial statements.

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

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

All of the Company's investments are categorized as Level 1 as they are valued based on quoted information in an active market. There have been no transfers between levels in current or prior years.

6. Financial instruments

(a) Financial instruments comprise shares and units at fair value through profit and loss

	2014	2013
	£'000	£'000
Trading		
Shares in OEICs and units in authorised unit trusts	**7,032**	8,129

None of the above total *(2013: £nil)* is expected to be recovered more than one year after the statement of financial position date.

None of the above balance is past due or impaired *(2013: £nil)*.

7. Receivables

	2014	2013
	£'000	£'000
Trade receivables	**30,057**	23,712
Amounts owed by group undertakings	**18,742**	10,616
	48,799	34,328

None of the above total *(2013: £nil)* is expected to be recovered more than one year after the statement of financial position date. There is no difference in contractual maturity and the value in the accounts.

8. Deferred acquisition costs

The carrying amount represents deferred acquisition costs in respect of investment contracts. The movements in deferred acquisition costs during the year were:

	2014	2013
	£'000	£'000
Carrying amount at 1 January	-	14
Amortisation	-	(14)
Carrying amount at 31 December	-	-

9. Ordinary share capital

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

	2014 £'000	2013 £'000
The allotted, called up and fully paid share capital of the Company was:		
12,000,000 *(2013: 12,000,000)* ordinary shares of £1 each	**12,000**	12,000

The Companies Act 2006 abolished the requirement for a company to have an authorized share capital and the articles of association adopted by the Company on 14 December 2012 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 authorized 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.

10. Retained earnings

	2014 £'000	2013 £'000
Balance at 1 January	**8,504**	6,360
Profit for the year	**4,252**	8,144
Dividend paid of £0.67 per share *(2013: £0.50 per share)*	**(8,000)**	(6,000)
Balance at 31 December	**4,756**	8,504

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to UCITs firms imposed by the Financial Conduct Authority (FCA). Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of regulatory capital.

11. Payables and other financial liabilities

	2014 £'000	2013 £'000
Trade payables	**27,788**	32,665
Amounts owed to group undertakings	**26,487**	2,841
	54,275	35,506

None of the above total *(2013: £nil)* is expected to be paid more than one year after the statement of financial position date.

12. Tax assets and liabilities

(a) General

Tax liabilities payable in more than one year are £1,157,000 *(2013: £2,446,000)*.

(b) Deferred taxes

	2014 £'000	2013 £'000
Capital allowances	**23**	28

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

	2014	2013
	£'000	£'000
At 1 January	28	48
Amounts charged to income statement (note 4(a))	(5)	(20)
At 31 December	**23**	28

The Company has no unprovided deferred tax balances at the year end *(2013: £nil)*.

The timing of reversal of deferred tax assets and liabilities depends on a number of external factors and cannot be calculated with certainty. The majority of deferred tax assets and liabilities are however expected to reverse in more than one year.

13. Other liabilities

	2014	2013
	£'000	£'000
Deferred income reserve	-	-
Accruals	13,015	12,447
	13,015	12,447

14. Statement of cash flows

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

	2014	2013
	£'000	£'000
Profit before tax	**5,408**	10,604
Adjustments for:		
Changes in working capital:		
Decrease in deferred acquisition costs	-	14
Decrease/(increase) in financial instruments at fair value	1,097	3,199
Decrease/(increase) in receivables	(14,466)	6,556
(Decrease)/increase in payables and other financial liabilities	16,324	(6,344)
(Decrease)/increase in other liabilities	568	(10,543)
Cash generated from operations	**8,931**	3,486

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

	2014	2013
	£'000	£'000
Cash at bank and in hand	29,349	28,418

15. Capital

In managing its capital, the Company seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength to support new business growth and satisfy the requirements of its customers and its regulator, the Financial Conduct Authority (FCA);
- Retain financial flexibility by maintaining liquidity; and
- Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company is subject to the capital requirements applicable to UCITs firms imposed by the FCA.

The Company manages the resources available to meet its regulatory capital requirements as capital, as set out below:

	2014	2013
	£'000	£'000
Total IFRS shareholders' funds	**16,756**	20,504
Adjustments onto a regulatory basis:		
Intangibles	**(23)**	(28)
Net deferred acquisition costs/deferred income reserve (net of tax)	**-**	-
Less illiquid assets	**(196)**	(44)
Total available capital resources	**16,537**	20,432

The illiquid assets deduction is in line with FCA reporting requirements.

Further details on risk and capital management are given in note 16.

In addition to the minimum regulatory requirements outlined above, the Company complies with Group mandated Capital Management Risk Standards which include the setting of risk appetites which are designed to give some buffer against adverse events when compared with minimum solvency. These appetites define what action should be taken by management where the actual capital level is above or below the desired target level.

16. Risk management

(a) Governance framework

The primary objective of our risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities.

The Company recognises the critical importance of having efficient and effective risk management systems in place. To this end, the Company has an established governance framework, which has three key elements:

- Defined terms of reference for the Board, its committees, and the associated executive management committees;
- A clear organisational structure with documented delegated authorities and responsibilities from the Board to executive management committees and senior management; and
- A framework of policies and business standards that sets out expected business outcomes and requirements for the Company's operations. Each business standard has a member of senior management who is charged with overseeing compliance with the requirements throughout the Company.

Regulatory impact on risk and risk assessments

Risks are actively and prudently managed in order to satisfy the Company's risk and reward objectives. In addition, the Company's operations are subject to regulatory requirements, which prescribe the level of assets to be maintained in order to meet liabilities. This is monitored by senior management and submitted quarterly to the FCA.

(b) Management of financial risk

The company holds financial instruments on a short-term rolling basis ("the box") to facilitate the efficient management of customers' supply and demand for shares and units. The Board has approved the Company's box policy, which is owned and reviewed by the policy committee. The Company adopts a passive approach to box management as shares and units are not created or cancelled with the aim of making a profit. Exposure to market risk is minimal due to the size of the box and adherence to the box policy.

(i) Liquidity risk

The nature of the business means that the Company is not exposed to significant liquidity risk. Through the Capital and Liquidity Policies and daily cash management process, the Company effectively manages liquidity risk and maintains sufficient financial resources to meet its obligations as they fall due.

(ii) Credit risk

The nature of the Company's business means that it is not exposed to significant credit risk. This is because its receivables are mainly trade debtors and inter-company balances. The Company has an actively managed debtors policy to minimize the risk that amounts due will not be collected. In the extreme event of non payment units can be cancelled and the loss limited to adverse market movements. A significant amount of business relates to the Aviva Group of companies and exposure is managed through regular and timely payments.

(iii) Operational risk

Operational risk would arise as a result of inadequate or failed internal processes, people or systems, or from external events. This definition is intended to include all risk exposures to which the Company is exposed, other than the financial risks described above. Hence, operational risks include IT, information security, projects, outsourcing, legal and fraud and compliance risks.

As with other risk categories, line management of business areas have primary responsibility for the effective identification, measurement, management, monitoring and reporting of risks to the AIUKFSL Board, in accordance with Aviva Group policies. The Aviva Investors risk team provides support and independent challenge on the completeness, accuracy and consistency of risk assessments, and the adequacy of mitigating action plans.

Operational risks are assessed according to the potential impact and probability of the event concerned. These impact assessments are made against financial, operational and reputational criteria.

(iv) Foreign currency exchange risk

Foreign currency exchange risk is the risk of adverse impact due to changes in values of foreign currency bank accounts due to fluctuations in foreign currency exchange rates. Exposure to foreign currency risk is minimal due to the size of the balances held.

(c) Sensitivity analysis and capital management

The Company uses a number of risk management tools to understand the volatility of earnings, the Company's capital requirements, and to manage the capital more efficiently. Sensitivities to economic and operating experience are regularly produced on all of the key financial performance indicators as part of the Company's decision making and planning process, and to set the framework for identifying and quantifying the risks to which the Company is exposed.

Some results of sensitivity testing for the business are set out below.

Sensitivity Factor	Description of sensitivity factor applied
Equity/property market values	The impact of a change in equity/property market values by +/- 10%

The above sensitivity factors are applied on the box position, with the following pre-tax impacts on profit and shareholders' equity at 31 December:

(i) Results of sensitivity analysis

The results of sensitivity testing for changes in equity prices are set out below. For each sensitivity test only the impact of the equity price change is shown, with other assumptions left unchanged.

		2014
	Equity/ property +10%	**Equity/ property -10%**
	£'000	**£'000**
Impact on profit before tax	**703**	**(703)**
Impact before tax on shareholders' equity	**703**	**(703)**

		2013
	Equity/ property +10%	Equity/ property -10%
	£'000	£'000
Impact on profit before tax	815	(815)
Impact before tax on shareholders' equity	815	(815)

(ii) Limitations of sensitivity analysis

The above table demonstrates the effect of a change in interest rates, equity and property prices whilst other assumptions remain unaffected. In reality, such an occurrence is remote, due to correlations between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed and may be different at the time that any actual market movement occurs.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent our view of reasonably possible near-term changes that cannot be predicted with any certainty; and the assumption that interest rates move in an identical fashion.

17. Related party transactions

(a) Income receivable from related parties

	2014	2013
	Income earned in year	Income earned in year
	£'000	£'000
Fellow subsidiaries	**23,791**	25,146

(b) Expenses payable to related parties

	2014 Expense incurred in year £'000	2013 Expense incurred in year £'000
Fellow subsidiaries	**22.689**	23,282

(c) Receivable at year end

	2014 £'000	2013 £'000
Fellow subsidiaries	**18,742**	10,616

The related parties' 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 *(2013:£nil)*.

(d) Payable at year end

	2014 £'000	2013 £'000
Fellow subsidiaries	**26,487**	2,841

The related parties' payables are not secured and no guarantees were issued in respect thereof.

(e) Key management compensation

No charge is disclosed by the Company for key management personnel as they are key management of a number of fellow subsidiary undertakings and it is not possible to make an accurate apportionment of their compensation in respect or each of the individual subsidiary undertakings.

(f) Ultimate parent undertaking and controlling party

The immediate parent undertaking is Aviva Investors Holdings Limited, a company incorporated in England.

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

Aviva plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2014. The consolidated financial statements of Aviva plc are available on www.aviva.com or by application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.