AVIVA INVESTORS LONDON LIMITED

Directors' report and financial statements

For the year ended 31 December 2009

Aviva Investors London Limited
Report and financial statements for the year ended 31 December 2009

Directors' report and financial statements

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Directors and other information

Directors
P A Abberley (appointed 21 January 2009)
S G Boylan
A H P Dromer
J G Hodgson (appointed 20 April 2009)
C M Oglethorpe (resigned 30 January 2009)

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

Auditors
Ernst & Young LLP
1 More London Place
London
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Regulator
Financial Services Authority
25 The North Colonnade
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London
E14 5HS

Registered office
No 1 Poultry
London
EC2R 8EJ

Company Number
2152949

Directors' report

The Directors present their report together with the audited financial statements of Aviva Investors London Limited (the Company') for the year ended 31 December 2009 The Company is a 100% subsidiary of Aviva Investors Holdings Limited ('the Group' or 'Aviva Investors')

Company number 2152949

Business review and principal activities

Principal activity
The principal activity of the Company is to provide fund management services The Company also has a sub-advisory agreement in respect of the Aviva Investors G7 hedge fund, managed by Aviva Investors Channel Islands Limited, and has a branch in Boston, USA

In January 2009, the Company entered into a business transfer agreement with Aviva Investors Global Services Limited (AIGSL), a fellow subsidiary of the Group The sub-delegation agreement with AIGSL allows for the Company to carry out investment management services in relation to certain activities managed by the AIGSL ('the High Alpha Business').

The Company is registered with the Securities and Exchange Commission in the USA and the Financial Services Authority ('FSA') in the UK

The Directors consider the activities of the Company will remain unchanged for the foreseeable future

Market environment
Following a turbulent start to 2009, market conditions improved with some markets registering their best annual performance in over 20 years and with the FTSE closing at 5412, up 22% from 2008, its best annual performance since 1997 The pace of any further rally across markets is likely to be more modest with the uncertainty around central banks removing stimulus measures Although some economies remain in recession, there is a general optimism that the recovery will gather pace

Financial position and performance
The position of the Company at the year-end is shown in the statement of financial position on page 10, with trading results shown in the income statement on page 9 The main factors affecting these financial statements were as follows

During 2009, total revenue increased by £55m to £70m This performance was driven by the transfer of the High Alpha Business, which led to additional revenues of £57m, £4m of which relates to performance fees The G7 fund and the convertibles desk in the Boston branch generated a further £13m of revenues of which £6m relates to performance fees The cost associated with the transfer of the High Alpha Business resulted in an increase in expenses of £61m to £65m

Principal risks, uncertainties and financial instruments
A description of the principal risks and uncertainties facing the Company and the Company's risk and capital management policies are set out in note 14 to the financial statements Risk factors beyond the Company's control, that could cause actual results to differ materially from those estimated include, but are not limited to the following

- Economic and business conditions in the markets in which the Company operates,
- The impact of competition, inflation and deflation, and
- The timing and impact of new legislation or regulation

Key performance indicators
The Directors consider that the Company's financial key performance indicators ('KPIs') are those that communicate the Company's financial performance and position Performance against KPIs enables the Company to measure its success in achieving targets and include the following

Directors' report (continued)

Measure	2009	2008	Change
Profit before tax (£'000)	4,955	11,242	(6,287)
FUM (£'000)	54,255	478	53,777
Return on capital employed (%)	17 0	44 5	-

The decrease on return on capital employed in 2009 reflects the decreased profit compared to 2008 Return on capital employed is used as a measure of the returns that the Company is realising from its capital employed It is used as a measure for comparing the performance of the business and for assessing whether the business generates enough returns to pay for its cost of capital

The Company's Funds Under Management (FUM) was up by £53 8 billion due to the transfer of the High Alpha Business from AIGSL, a fellow subsidiary of the Group

Parent and ultimate controlling entity
The immediate holding company of the Company is Aviva Investors Holdings Limited The ultimate controlling entity of the Company is Aviva plc

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital and its financial risk management objectives

The Company has considerable financial resources with a number of customers across different geographic areas and industries As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Result and dividends
The profit after tax for the year ended 31 December 2009 was £3 6m (2008 £8 0m) No interim dividend was paid during the financial year (2008 £nil) The Directors recommend the payment of a final dividend of £2 0m (2008 £nil)

Directors
The names of the Directors of the Company, all of whom served throughout the year, unless otherwise stated, appear on page 3 C M Oglethorpe resigned as Director on 30 January 2009 P A Abberley and J G Hodgson were appointed as Directors on 21 January 2009 and 20 April 2009 respectively

Subsequent events
There have been no material events between 31 December 2009 and the date of this report that require disclosure in the financial statements of the Company

Employees
The Company has no employees All UK employees of the Group are employed by a fellow subsidiary undertaking, Aviva Investors Employment Services Limited Disclosures relating to employees may be found in the accounts of that Company All staff of the Boston branch of the Company were employed by Aviva Service Corporation, a fellow subsidiary of Aviva plc that is domiciled in the United States of America. Disclosures relating to employee services may be found in note 3 to these accounts

Directors' report (continued)

Creditor payment policy and practice
It is the Company's policy to pay creditors when they fall due for payment Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions

The Company did not have any trade creditors at 31 December 2009 (2008 nil)

Auditors
It is the intention of the Directors to reappoint Ernst & Young LLP as the auditors under the deemed appointment rules of Section 487 of the Companies Act 2006

Directors' statement as to disclosure of information to auditors
The Directors who were members of the Board at the time of approving the Directors' report are listed on page 3 of these financial statements. Each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the Company's auditor is unaware, and
- having made enquiries of fellow Directors and the Company's auditors, each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Indemnity to the Directors
Aviva plc, the Company's ultimate parent, has granted an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 This indemnity and the provisions in the Company's Articles of Association constitute "qualifying third party indemnities" for the purposes of section 236 of the Companies Act 2006 These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' report

By order of the Board

Claire Valentine
C H VALENTINE
Aviva Company Secretarial Services Limited
Company Secretary
26 April 2010

Statement of Directors' responsibilities in relation to the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 total 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 UK Accounting Standards 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

Independent auditor's report to the members of Aviva Investors London Limited

We have audited the financial statements of Aviva Investors London Limited ('the Company') for the year ended 31 December 2009, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash flows and the related notes 1 to 15 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 auditor's 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 Directors' Responsibilities Statement set out on page 7, 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 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 2009 and of the Company's profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Ratan Engineer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 April 2010

Income statement
For the year ended 31 December 2009

	Note	2009	2008
		£'000	£'000
Fee income	1(D)	70,051	14,851
Administrative expenses	2	(65,257)	(4,106)
Net investment income	5	161	497
Profit before tax		4,955	11,242
Tax expense	1(K), 6	(1,387)	(3,200)
Profit for the year		3,568	8,042

All amounts reported in the income statement relate to continuing operations

Statement of comprehensive income
For the year ended 31 December 2009

	2009	2008
	£'000	£'000
Profit for the year	3,568	8,042
Currency gains/(losses) in respect of the re-translation of overseas branches	476	(1,154)
Total comprehensive income for the year	4,044	6,888

Statement of changes in equity
For the years ended 31 December 2008 and 2009

	Ordinary Share Capital	Retained earnings	Currency translation reserve	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2008	23,500	(6,407)	163	17,256
Total comprehensive income for the year	-	8,042	(1,154)	6,888
Balance at 31 December 2008	23,500	1,635	(991)	24,144
Total comprehensive income for the year	-	3,568	476	4,044
Balance at 31 December 2009	23,500	5,203	(515)	28,188

The accounting policies on pages 12 to 15 and notes on pages 16 to 24 are an integral part of these financial statements

Statement of financial position

As at 31 December 2009

	Note	2009	2008
ASSETS		**£'000**	**£'000**
Non-current assets			
Property and equipment	1(G), 7	32	15
Total non-current assets		32	15
Current assets			
Trade and other receivables	9	40,197	29,204
Cash and cash equivalents		672	1,269
Total current assets		40,869	30,473
Total assets		40,901	30,488
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	1(L), 12	23,500	23,500
Retained earnings		5,203	1,635
Currency translation reserve		(515)	(991)
Total equity		28,188	24,144
Non-current liabilities			
Non-current tax liabilities	1(K), 8	1,386	3,200
Total non-current liabilities		1,386	3,200
Current liabilities			
Trade and other payables	10	8,126	1,955
Current tax liabilities	1(K), 8	3,201	1,189
Total current liabilities		11,327	3,144
Total liabilities		12,713	6,344
Total equity and liabilities		40,901	30,488

The accounting policies on pages 12 to 15 and notes on pages 16 to 24 are an integral part of these financial statements

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by

S G Boylan
Director
26 April 2010

Statement of cash flows

For the year ended 31 December 2009

	Note	2009	2008
		£'000	**£'000**
Cash flows (used in)/generated from operating activities			
Cash generated from operations	13a	457	1,088
Tax paid		(1,188)	(294)
Net cash used in operating activities		(731)	794
Cash flows generated from/(used in) investing activities			
Interest received		161	497
Purchases of property and equipment	7	(27)	(13)
Net cash generated from investing activities		134	484
Net (decrease)/increase in cash and cash equivalents		(597)	1,278
Cash and cash equivalents at 1 January		1,269	(9)
Net (decrease)/increase in cash and cash equivalents		(597)	1,278
Cash and cash equivalents at 31 December	13b	672	1,269

The accounting policies on pages 12 to 15 and notes on pages 16 to 24 are an integral part of these financial statements

Aviva Investors London Limited

Notes to the financial statements for the year ended 31 December 2009

1. Accounting policies

The financial statements of the Company for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 26 April 2010 The Company is incorporated and domiciled in the United Kingdom

The financial statements are prepared under historical cost convention, except for those financial instruments and financial liabilities that have been measured at fair value The principal accounting policies adopted in the preparation of the Company's financial statements are set out below

(A) Basis of presentation

Items included in the financial statements are measured in the currency of the primary economic environment in which the Company operates ('the functional currency') The Company has operations in the UK and USA The functional currency for its US operations is US dollars and the functional currency for its UK operations is pounds sterling The Company's presentational currency is pounds sterling Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling ('£'000')

Statement of compliance
The Company has opted to prepare financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU) The Company's financial statements have been prepared in accordance with IFRSs effective at 31 December 2009

Changes in accounting policies and disclosure
The financial statements have been prepared in accordance with *IAS 1 (Revised), Presentation of Financial Statements* Adoption of this standard has created several presentational changes but has had no material impact on the Company's financial reporting

Standards issued but not yet effective
The following new or amended standards that have been issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) are not expected to have a significant impact on the Company once they become effective

In 2008, the IASB issued a revised version of *IFRS 3, Business Combinations,* which introduces a number of changes in accounting for such transactions that will impact the amount of goodwill recognised on acquisition, the reported results in the period an acquisition occurs, and future reported results A consequential amendment to *IAS 27, Consolidated and Separate Financial Statements,* 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 The standard introduces changes for accounting for losses incurred by a subsidiary and the loss of control of a subsidiary These are applicable prospectively for accounting periods commencing 1 July 2009 or later, and are therefore not applicable for the current accounting period On adoption, these amendments will not have any impact on the Company's financial reporting, as the Company does not produce consolidated financial statements

In 2009, the IASB issued *IFRS 9, Financial Instruments – Classification and Measurement,* the first part of a replacement standard for *IAS 39, Financial Instruments Recognition and Measurement* This is applicable prospectively for accounting periods commencing 1 January 2013 or later, and is therefore not applicable for the current accounting period It has not yet been endorsed by the EU but, on adoption, will require the Company to review the classification of certain investments while allowing the Company to retain the fair value measurement option as necessary

The IASB has also issued amendments to *IFRS 1, First Time Adoption of IFRS, IAS 32, Financial Instruments Presentation* and *IAS 39, Financial Instruments Recognition and Measurement, IFRS 2, Share-Based Payment,* (applicable in 2010), *IAS 24, Related Party Disclosures,* (not applicable until 2011), and the results of its 2009 annual improvements project have been issued but have not yet been endorsed by the EU These are applicable prospectively for accounting periods commencing 1 July 2009 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

Aviva Investors London Limited
Notes to the financial statements for the year ended 31 December 2009

1. Accounting policies (continued)

(A) Basis of presentation (continued)

Interpretations issued but not yet effective
IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, and IFRIC 17- Distributions of Non-cash Assets to Owners, were issued during 2008 They have not yet been endorsed by the EU and are not applicable for the current accounting period On adoption, none of these interpretations will have any impact on the Company's financial reporting

IFRIC 18 Transfer of Assets from Customers was issued in January 2009 and is applicable for accounting periods beginning or after 1 July 2009 It clarifies the requirements under IFRS for agreements in which an entity receives from a customer an item or property, plant or equipment that the entity must then use to either connect to the customer network or to provide the customer with ongoing access or support This is not considered to have any impact on the Company's financial reporting

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments was issued in November 2009 and is applicable for accounting periods beginning on or after 1 July 2010 It provides guidance when a company's shares or other equity instrument are used to settle a financial liability fully or partially This is not considered to have any impact on the Company's financial reporting

(B) Critical accounting policies and 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 statement of financial position and income statement, 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

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

Item	Accounting policy
Provisions and contingent liabilities	I
Deferred tax	K

(C) Foreign currency translation
Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions or at average rates if they are a suitable proxy Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the statement of financial position date 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 Differences arising from translating from functional to presentational currency are recognised directly in equity

The Company's principal overseas operations during the year were located in the USA The results and cash flows of these operations have been translated into sterling at an average rate for the year of £1 = $1 57 (2008 £1 = $1 85) Assets and liabilities have been translated at the year end rate of £1 = $1 61 (2008 £1 = $1 44)

(D) Fee income
Income for fund management services is recognised on an accruals basis as it is earned Income from performance fees is recognised when entitlement to receive income is crystallised

1. Accounting policies (continued)

(E) Cash and cash equivalents
Cash and cash equivalents consist of cash at bank and on hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities on the statement of financial position

(F) Receivables and other financial assets
The Company reviews the carrying value and recoverability of its receivables on a regular basis If the carrying value of a receivable is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment

Reversals of impairments are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write-down (i e improvement in the debtor's credit rating), and are generally not recognised in respect of equity instruments

(G) Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value

Depreciation is calculated using the straight line method, which writes the cost of computer equipment and other assets down to their residual values, over their estimated useful lives as follows

Computer equipment	Two to five years
Fixtures and fittings	Three to five years

(H) Impairment of non-financial assets
The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount Gains and losses on disposal of these assets are determined by reference to their carrying amount and are taken into account in determining operating profit

(I) Provisions and contingent liabilities
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is more probable than not

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

Contingent liabilities are disclosed if the future obligation is possible and the amount cannot be reasonably estimated, or if they are possible but not probable

(J) Employee benefits
Employee benefits are recognised when they accrue to employees

(K) 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, as appropriate based on the tax rate prevailing in the relevant jurisdiction

1. Accounting policies (continued)

(K) Income taxes (continued)
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 items in the income statement 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 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

Deferred tax is provided on temporary differences arising from the re-valuation of investments in subsidiaries and other financial assets, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future

(L) Share capital
Equity instruments
An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities Accordingly, a financial instrument is treated as equity if

(i) the instrument does not commit the Company to any contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities with the holder of the instrument; and

(ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments

All of the share capital of the Company has been treated as an equity instrument

(M) 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 in equity in the period in which they are approved

(N) Fiduciary activities
Assets and income arising from fiduciary activities are excluded from these financial statements where the Company has no contractual rights to the assets and acts in a fiduciary capacity as investment manager

2. Operating profit

	Note	2009	2008
		£'000	£'000
Administrative expenses include the following.			
Employee cost recharge	3	973	1,450
Fee and commission expense		84	2,990
Property lease rentals		148	86
Depreciation	7	10	3
Foreign exchange gains/(losses)		675	(657)

Auditors' remuneration is charged in the financial statements of Aviva Investors Global Services Limited, a fellow subsidiary company of the Group and not recharged Auditors' remuneration in relation to the Company for 2009 was £50,000 (2008 £33,060)

3. Employee information

The Company had no employees The employees who discharge their duties in the UK were remunerated by Aviva Investors Employment Services Limited in respect of their services to the Group as a whole The costs associated with the activities of the Company by the employees of the Group were recharged to the Company and are included in expenses Disclosures relating to employees may be found in the financial statements of Aviva Investors Employment Services Limited

The employees who discharge their duties in the Boston branch were remunerated by Aviva Service Corporation (a fellow subsidiary of Aviva Plc) in respect of their services to the Group as a whole The costs associated with the activities of the Company by the employees of the Aviva Service Corporation were recharged to the Company and are included in expenses The total cost recharged for the year ended 31 December 2009 was £973,079 (2008 £1,444,902)

4. Directors

All Directors who discharge their duties in the United Kingdom were remunerated by Aviva Investors Employment Services Limited in respect of their services to the Group as a whole Aviva Investors Employment Services Limited made no charge to the Company (2008 £nil) for the services of these Directors

The emoluments of the Directors of the Company who are also Directors of Aviva Investors Holdings Limited are disclosed in the financial statements of that company, since it is not possible to calculate accurately the amount attributable to the Company

5. Net investment income

	2009	2008
	£'000	£'000
Interest receivable and similar income	161	497
Net investment income	161	497

6. Tax

(a) Tax charged to the income statement

The total tax charge comprised

	2009	2008
	£'000	£'000
Current tax.		
For the year	1,386	3,200
Prior year adjustments	1	-
Total tax charged to the income statement (note 6b)	1,387	3,200

(b) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows

	2009	2008
	£'000	£'000
Profit before tax	4,955	11,242
Tax calculated at standard UK corporation tax rate of 28 0% (2008 28 5%)	1,387	3,204
Adjustment to tax charge in respect of prior years	1	-
Disallowable expenses	1	-
Deferred tax assets not recognised	(2)	(4)
Total tax charged to the income statement (note 6a)	1,387	3,200

7. Property and equipment

	Computer equipment	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2009	63	176	239
Additions	-	27	27
At 31 December 2009	63	203	266
Depreciation			
At 1 January 2009	63	161	224
Charge for the year	-	10	10
At 31 December 2009	63	171	234
Carrying amount			
At 1 January 2009	-	15	15
At 31 December 2009	-	32	32

8. Tax assets and liabilities

(a) General

Liabilities for current year tax of £1,385,729 (2008 £3,200,330) are payable in more than one year Current tax liabilities payable in less than one year are £3,201,275 (2008 £1,188,973)

(b) Deferred taxes

The Company has an unrecognised deferred tax asset due to temporary differences of £10,311 (2008 £12,552) arising from accelerated deprecation of £36,824 (2008 £44,829) to carry forward indefinitely against future taxable income

9. Trade and other receivables

	2009	2008
	£'000	£'000
Receivables from fellow subsidiaries	37,199	27,650
Other receivables	2,998	1,554
	40,197	29,204

All trade and other receivables are expected to be collected in less than one year

As at 31 December, the ageing analysis of receivables is as follows

	Total	< 30 days	31–60 days	61–90 days	91–120 days	> 121 days
	£'000	£'000	£'000	£'000	£'000	£'000
2009	40,197	2,465	8,411	9	1,009	28,303
2008	29,204	5,894	681	118	803	21,708

Trade and other receivables are non-interest bearing and are generally on 30-90 days terms The balances greater than 90 days are past due but not impaired Of the £40 2m total receivables, £32 5m relates to bank deposits held by Aviva Investors Global Services Limited, a fellow subsidiary of AIHL, on the Company's behalf Therefore the amounts due greater than the general term days are considered recoverable Impairment is measured on a case by case basis

Concentrations of credit risk with respect to receivables are limited due to the size and spread of the Company's trading base The Company only trades with reputable companies and significant balances held with related parties The Directors' consider that the carrying vote of all trade and other receivables equates to fair value

10. Trade and other payables

	2009	2008
	£'000	£'000
Accrued expenses and other payables	8,095	1,694
Payables to other subsidiaries	31	261
	8,126	1,955

Accrued expenses and other payables are non-interest bearing and normally settled within 30 days

The following table sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis

	Statement of Financial position	Contractual cash flows	< 6 months	6-12 months	1-2 years	2-5 years
	£'000	£'000	£'000	£'000	£'000	£'000
2009	8,126	8,126	8,126	-	-	-
2008	1,955	1,955	1,955	-	-	-

11. Contingent liabilities and commitments

(a) Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2009	2008
	£'000	£'000
Within 1 year	108	67
Later than 1 year and not later than 5 years	93	73
	201	140

(b) Contingent liabilities

There were no contingent liabilities at the statement of financial position date (2008 nil)

12. Ordinary share capital

	2009	2008
	£'000	£'000
The authorised share capital of the Company at 31 December 2009 was 40,000,000 (2008 40,000,000) ordinary shares of £1 each	40,000	40,000
The allotted, called up and fully paid share capital of the Company at 31 December 2009 was 23,500,000 (2008 23,500,000) ordinary shares of £1 each	23,500	23,500

All ordinary shares rank equally with regard to voting rights and dividend entitlements declared, made or paid by the Company

13. Additional cash flow information

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

	2009	2008
	£'000	£'000
Profit before tax	4,955	11,242
Adjustments for:		
Interest receivable	(161)	(497)
Currency losses/(gains) in respect of retranslation of overseas branches	476	(1,154)
Depreciation of property and equipment	10	3
Changes in working capital:		
(Increase) in trade and other receivables	(10,993)	(7,322)
Increase/(decrease) in trade and other payables	6,170	(1,184)
Cash generated from operations	457	1,088

13. Additional cash flow information (continued)

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

	2009	2008
	£'000	£'000
Cash at bank and on hand	672	1,269
	672	1,269

Cash at bank earns interest at floating rates based on daily bank deposit rates The fair value of cash and cash equivalents equates to the carrying value

14. Risk and capital management policies

(a) Approach to operational risk and capital management

The Group, which includes the Company, operates within the governance structureframework of the Aviva group of companies It also has its own established governance framework, with clear terms of reference for the Board and Aviva Investors Executive Committee and a clear organisation structure, with documented delegated authorities and responsibilities (largely through role profiles) The Aviva Investors Executive Committee is responsible for risk management and is supported by the Risk Management and Compliance teams which are reviewed by Internal Audit Aviva Investors also has a Risk Committee, comprising senior representatives from all areas of the business, and an Audit Committee, which includes shareholder representatives

All risks facing the Group are assessed regularly, together with the effectiveness of existing controls This qualitative assessment is supported by risk indicators Actions are put in place to address any deficiencies identified

Capital is managed within the regulatory framework in which the Company operates with the purpose of maintaining a strong capital base to uphold investor, creditor and market confidence and sustain future development of the business This framework uses the Internal Capital Adequacy Assessment Process ('ICAAP') of the Financial Services Authority, which is closely aligned with Aviva's Internal Capital Assessment framework, to identify the risks to which the business is exposed and to quantify their impact on the Company's capital and changes thereto by way of stress and scenario tests The ICAAP estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk

The nature of the funds that are managed by the Company means that market risks are borne by the beneficial owners of those funds These risks are actively managed within the investment mandates given to Aviva Investors and the regulatory environment within which the Company operates

Operational risk could arise as a result of inadequate or failed internal processes, people or systems, or from external events As with other risk categories, line management of business areas have primary responsibility for the effective identification, management, monitoring and reporting of risks to the Aviva Investors Executive Committee, in accordance with the policies of the Group The risk management function 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 Operational risks are reported to the Aviva Investors Executive Committee and to Aviva Risks assessed to be at the two highest impact assessments are escalated intra-quarter A holistic view of the financial and non-financial risks, including operational risks, is monitored by the Aviva Investors Risk Committee on a quarterlybasis

14. Risk and capital management policies (continued)

(b) Management of financial risks and sensitivities

The Company's exposure to different types of risk is limited by the nature of its business and the fact that it manages assets on a fiduciary basis and does not trade securities on its own account

(i) Market risk and sensitivities

Market risk is the risk of adverse impact on the performance of the Company following changes in fee income from fluctuations in foreign currency exchange rates, interest rates and market prices Market price risk is managed from the perspective of the Group rather than being separately managed by the Company and the Group uses sensitivity test-based analysis, including Internal Capital Adequacy Assessment Process ('ICAAP'), to understand the impact of volatile markets on expected earnings for decision-making and planning purposes

(ii) Foreign currency exchange risk

Foreign currency exchange risk is the risk of adverse impact on the Company's result due to changes in the carrying value of trade receivables and payables and entities with different functional currencies, from fluctuations in foreign currency exchange rates The Company's operations are predominately in the UK, but the Company has overseas operations in the USA

The Company's exposure to movements in foreign currency is illustrated in the table below

	10% Increase in rates	10% Decrease in rates
Net asset increase/(decrease) at 31 December 2009	13	(16)
Profit/(loss) exposure at 31 December 2009	13	(16)
Net asset increase/(decrease) at 31 December 20098	9	(11)
Profit/(loss) exposure at 31 December 2008	9	(11)

(iii) Interest rate risk

The Company has exposure to fluctuations in interest rates on its bank balances The Company's exposure to movements in interest rates is illustrated in the table below

A change in 50bps in interest rates would have had the following impact on the Company

	Increase by 50bps	Decrease by 50bps
	£'000	£'000
Net asset increase/(decrease) at 31 December 2009	(166)	166
Profit/(loss) exposure at 31 December 2009	(166)	166
Net asset increase/(decrease) at 31 December 2008	(75)	75
Profit/(loss) exposure at 31 December 2008	(75)	75

(iv) Credit risk

The nature of the Company's business and counterparties means that it is not exposed to significant credit risk arising from accrued income and debtor balances held A significant amount of business relates to assets managed on behalf of the Aviva group of companies which is managed through regular payments on account The Company also receives income from another subsidiary of the Group in relation to hedge fund income, given the debtor is a related party the credit risk is not considered to be significant

14. Risk and capital management policies (continued)

(v) Liquidity risk
The Company maintains a prudent level of liquidity which meets the expectations of the Financial Services Authority (FSA) The Company evaluates its liquidity requirements on an ongoing basis and generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities

(c) Capital management

The Company maintains an efficient capital structure, which is consistent with its risk profile and the regulatory and market requirements of its business

(d) Regulatory compliance
The FSA regulates the Company's UK investment business The FSA has broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate financial resources

The Directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted However, all regulated financial services companies face the risk that their regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required

The impact of any such finding could have a negative impact on the Company's reported results or on its relations with current and potential customers Regulatory action against the Company could result in adverse publicity, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from theday-to-day management of the business

The Company met all of its regulatory capital requirements during the year

15. Related party transactions

The Company provides investment management services to fellow subsidiaries in the Aviva group of companies It also receives investment management and administration services from a fellow subsidiary in the Group In addition, certain costs are incurred on behalf of the Company by fellow subsidiaries in the Aviva group of companies and recharged to it Sales to and purchases from related parties are at normal market prices

(a) Services provided to related parties		2009		2008
	Income receivable	Receivable at year end	Income receivable	Receivable at year end
Investment management	£'000	£'000	£'000	£'000
Fellow subsidiaries	69,981	37,199	5,962	15,229

The related parties' receivables are not secured and no guarantees were received by the Company in respect thereof The receivables will be settled in accordance with normal credit terms

(b) Services provided by related parties		2009		2008
	Expense incurred	Payable at year end	Expense incurred	Payable at year end
	£'000	£'000	£'000	£'000
Fellow subsidiaries	63,352	31	4,106	256

The Company's payables are not secured and no guarantees were made by the company in respect thereof The payables will be settled in accordance with normal credit terms

15. Related party transactions (continued)

(c) Key management compensation
The members of the Board of Directors are listed on page 3 of these accounts There are no accounts receivable from or payments due to members of the Board of Directors The Directors' are considered to be the Company's key management Details of remuneration arrangements of the Directors are included in note 4

(d) Ultimate holding company

The ultimate holding company is Aviva plc, incorporated in England Aviva plc's Group accounts are available on application to the

Group Company Secretary
Aviva plc
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