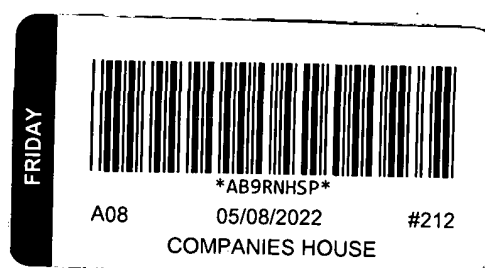


Aviva Management Services UK Limited

Registered in England and Wales No. 983330

Annual Report and Financial Statements 2021



Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

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Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Directors and officers

Directors

J. C. Baddeley

K. J. Bye

M. Robinson

Company Secretary

Aviva Company Secretarial Services Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

Independent Auditors

PricewaterhouseCoopers LLP

29 Wellington Street

Leeds

LS1 4DL

Registered office

Aviva

Wellington Row

York

YO90 1WR

Company number

Registered in England and Wales no. 983330

Other information

Aviva Management Services UK Limited (the Company) is a private company limited by shares and is a member of the Aviva plc group of companies ("the Group")

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Strategic report

The directors present their strategic report for Aviva Management Services UK Limited (the Company) for the year ended 31 December 2021.

Principal activities

The Company is a wholly owned subsidiary of Aviva Life Services UK Limited (UKLS) and is incorporated in the United Kingdom. The Company operates as part of the Aviva plc group of companies (the Group). Further information is contained in the 2021 financial statements of Aviva plc. The Company's ultimate parent and controlling company is Aviva plc.

The principal activities of the Company formerly comprised the processing of premiums and commission income and payments in respect of regulated sales on behalf of Aviva Life & Pensions UK Limited, a fellow subsidiary of the Group. As of 1 January 2021, it was agreed by all parties as part of an on-going simplification project that the application of the current management services agreement was to be interpreted beyond the original scope. As a result of this change in interpretation the Company no longer incurs any income or expenses in relation to this business.

Results and business review

The loss for the year ended 31 December 2021 is set out in the profit and loss account on page 10.

Key Performance Indicators (KPIs)

The directors consider that the Company's key performance indicators (KPIs) that communicate the financial performance are as follows:

	2021	2020
	£000	£000
Administrative expenses	—	(96)
Loss for the financial year	(9)	(318)
Capital and reserves	14,933	14,942

The net assets of the Company at 31 December 2021 are £14.9 million (2020: £14.9 million). As of 1 January 2021, all income and expenses other than deposit and bank interest are passed on to Aviva Life & Pensions UK Limited.

Section 172 (1) statement

We report here on how our Directors have discharged their duties under Section 172 of the Companies Act 2006.

S.172 sets out a series of matters to which the directors must have regard to in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard to other stakeholders. Where this statement draws upon information contained in other sections of the Strategic report, this is signposted accordingly.

Our Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our shareholder, customers and other stakeholders are met and Management drives the embedding of the desired culture throughout the organisation. The Board monitors adherence to our policies and compliance with local corporate governance requirements and is committed to acting where our businesses fall short of the standards we expect.

The Board is also focussed on the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

The Company's culture

Our culture is shaped, in conjunction with the wider Aviva Group, by our clearly defined purpose – with you today for a better tomorrow. As the provider of financial services to millions of customers, Aviva seeks to earn their trust by acting with integrity and a sense of responsibility at all times. We look to build relationships with all our stakeholders based on openness and transparency and we value diversity and inclusivity in our workforce and beyond.

Key strategic decisions in 2021

For each matter that comes before the Board, the Board considers the likely consequences of any decision in the long term, identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process.

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Strategic report (continued)**Stakeholder engagement**

The table below sets out our approach to stakeholder engagement during 2021:

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Employees	Our people's well-being and commitment to serving our customers is essential for our long-term success.	<ol style="list-style-type: none"> The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them. The Company's engagement mechanisms align with those of the Aviva Group, such as employee forums, internal communication channels, and informal meetings with the Directors and employee engagement surveys. We are committed to recruiting, training and retaining the best talent we can find. We are proud to have been a pioneer in some areas of employee benefits, including providing six months paid parental leave for all UK employees. Our people share in the businesses' success as shareholders through membership of the Group's global share plans. The Company supported the safety and well-being of staff through the provision of equipment to enable all employees to work from home through the Covid-19 pandemic as well as transitioning to a hybrid way of working in mid- 2021.
Customers	Understanding what's important to our customers is key to our long-term success.	<ol style="list-style-type: none"> The Company has no external customers. The Company's intermediate holding entity, Aviva Life Holdings UK Limited, is supported by a Conduct Committee to enable it to monitor customer metrics, the Company's Board can escalate any matter it feels necessary to the Aviva Life Holdings UK Limited Conduct Committee for further scrutiny.
Suppliers	We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries.	<ol style="list-style-type: none"> All supplier related activity is managed in line with the Group's Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure. An important part of our culture is the promotion of high legal, ethical, environmental and employee related standards within our business and also among our suppliers. Before working with any new suppliers we provide them with the Aviva Supplier Code of Behaviour, and our interaction with them is guided by Aviva's Business Code of Ethics. In the UK, Aviva is a signatory of the Prompt Payment Code which sets standards for high payment practices. We are a Living Wage employer in the UK, and our supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided at our premises in the UK.
Communities	We recognise the importance of contributing to our communities through volunteering, community investment, and long-term partnerships. As a major insurance company we are fully engaged in building resilience against the global impact of climate change.	<ol style="list-style-type: none"> Our Board supports the community activities of the Aviva Group including the wellbeing proposition for UK employees, the Aviva Communities to help drive greater diversity and inclusivity throughout the organisation and to support colleagues to volunteer in their communities. Recognising climate change presents risk and opportunities for customers, communities and business, Aviva is signed up to the United Nations Net-Zero Asset Owner Alliance commitment. As part of the Aviva Group, Aviva Management Services Limited is committed to Aviva's long-term strategy to reach net zero by 2040, and to support achieving this target the Aviva Group has defined climate risk preferences and operating risk limits. The Aviva plc Board approved the adoption of the new climate risk preferences during the year, along with its 2022-2024 Plan which takes the new climate risk preferences into consideration.
Shareholders	Our retail and institutional shareholders are the ultimate owners of the Company.	<ol style="list-style-type: none"> The Company's ultimate shareholder is Aviva plc and its immediate shareholder is Aviva Life Services UK Limited. Any matters requiring escalation are escalated by the Board through the Chair to its parent.

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2021 Annual Report and Accounts. The Company will work with the Group to support the implementation of these strategies.

The strategic direction of the Company is set by the directors of the Company. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

On 24 February 2022, on-going tensions between Russia and Ukraine developed into full-scale armed conflict between the two countries. The Group is monitoring and responding to this dynamic situation - note 13 gives more detail on this.

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Strategic report (continued)

Principal risks and uncertainties

The Company is exposed to financial risk through its financial assets and liabilities in the ordinary course of its business. It is exposed to operational risk of loss resulting from internal processes, people and systems, or from external events. The Company uses a number of metrics to identify, measure, manage, monitor and report risks and a fuller explanation of these risks, other than operational risk, may be found in note 13 to the financial statements.

Approved by the Board on 28 July 2022 and signed on its behalf by



Aviva Company Secretarial Services Limited

Company Secretary

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Directors' report

The directors present their annual report and audited financial statements for Aviva Management Services UK Limited (the Company) for the year ended 31 December 2021.

Directors

The names of the present directors of the Company appear on page 3.

S E Robinson resigned as a director of the Company on 21 May 2021. On the same date, M Robinson was appointed as a director of the Company.

Dividends

No dividend was paid for the financial year ending 31 December 2021 (2020: *Nil*).

Major events

Major events in 2021 are discussed in the key strategic decisions section of the Strategic Report on page 4.

Statement on going concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements of the Company. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the approval of the financial statements.

Future developments

Likely future developments in the business of the Company are discussed in the Strategic Report on page 5.

Financial risk management

Details of financial risk management are discussed in the principal risks and uncertainties section of the Strategic Report on page 5 and note 13 to the financial statements.

Employees

The Company has no employees (2020: *nil*). The majority of employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of Aviva Employment Services Limited. The Company is recharged with the costs of the staff provided by Aviva Employment Services Limited however the associated costs and average number of persons employed cannot be accurately disclosed.

Disclosure of information to the auditors

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditors, PricewaterhouseCoopers LLP, are unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PricewaterhouseCoopers LLP is aware of that information.

Independent auditors

Under the Competition and Markets Authority Regulations, the Company's ultimate parent Company, Aviva plc is required to tender for the provision of the external audit every 10 Years. PricewaterhouseCoopers LLP (PwC) was appointed for the first time for the 31 December 2012 financial year end and therefore a mandatory re-tender was required for the year ending 31 December 2022. The audit tender process was initiated during 2020 but, as previously reported, COVID-19 restrictions caused delays and Aviva sought a two-year extension from the FRC which was granted. Following a full and rigorous competitive tender process, which was overseen by the Aviva Life Holdings UK Limited Audit Committee, the selection of Ernst & Young LLP from the year ending 31 December 2024 was approved by the Aviva plc Board. PwC will continue in its role and, subject to reappointment by the Company's shareholders at the 2022 and 2023 Annual General Meetings, will undertake the audit for the financial years ending 31 December 2022 and 2023.

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 section 234 of the Companies Act 1985. These qualifying third party indemnity provisions were in force throughout the year and 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.

These qualifying third-party indemnity provisions were extended to the directors of the Company following acquisition of Friends Life Group Limited by Aviva plc.

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent.
- 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 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 also 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.

By order of the Board on 28 July 2022



Aviva Company Secretarial Services Limited

Company Secretary

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Independent auditors' report to the members of Aviva Management Services UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Management Services UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2021 (the "Annual Report"), which comprise: balance sheet as at 31 December 2021; profit and loss account and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Independent auditors' report to the members of Aviva Life Holdings UK Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiry of management and those charged with governance around actual and potential litigations and claims;
- enquiry of management and those charged with governance to identify any instances of non-compliance with laws and regulations;
- review of minutes of meetings held by those charged with governance;
- review of financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- performing procedures over the risk of management override of controls, including through testing journal entries based on specific risk criteria and other adjustments for appropriateness, and testing accounting estimates (considering the risk of management bias).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



James Wilkinson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

29 July 2022

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Profit and loss account

For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Administrative expenses	C	—	(96)
Gross loss		—	(96)
Interest receivable and similar income	B	10	152
Interest payable	B	(7)	—
Other expenses	D	—	(1,542)
Profit/(loss) before taxation	4	3	(1,486)
Tax on profit/(loss)	I & 5	(12)	1,168
Loss for the financial year		(9)	(318)

All of the above amounts are in respect of continuing operations.

The Company has no other comprehensive income (2020: none).

The information on pages 14 to 20 forms an integral part of these financial statements.

Aviva Management Services UK Limited


Annual Report and Financial Statements 2021

Balance sheet

As at 31 December 2021

	Note	2021 £000	2020 £000
Current assets			
Amounts owed by group undertakings	E	3,415	48,798
Other debtors	E & 8	7,061	8,616
Cash at bank and in hand	C	39,552	80,453
		50,028	137,868
Creditors: amounts falling due within one year			
Amounts owed to group undertakings	E	(31,095)	(116,083)
Other creditors including taxation and social security	E & 9	(4,000)	(3,058)
		(35,095)	(119,141)
Net current assets		14,933	18,726
Total assets less current liabilities		14,933	18,726
Creditors: amounts falling due after more than one year			
Provisions for liabilities	G & 10	—	(3,286)
Lease liabilities	H & 7	—	(498)
Net assets		14,933	14,942
Capital and reserves			
Called up share capital	11	10,100	10,100
Profit and loss account		4,833	4,842
Total equity		14,933	14,942

The financial statements were authorised for issue by the Board of directors on 28 July 2022 and were signed on its behalf:



M. Robinson

Director

The information on pages 14 to 20 forms an integral part of these financial statements.

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Statement of changes in equity

For the year ended 31 December 2021

	Called up share capital £000	Profit & loss account £000	Total Equity £000
Balance at 1 January 2021	10,100	4,842	14,942
Loss for the financial year	—	(9)	(9)
Balance at 31 December 2021	10,100	4,833	14,933

	Called up share capital £000	Profit & loss account £000	Total Equity £000
Balance at 1 January 2020	10,100	5,160	15,260
Loss for the financial year	—	(318)	(318)
Balance at 31 December 2020	10,100	4,842	14,942

The information on pages 14 to 20 forms an integral part of these financial statements.

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Notes to the financial statements

1. Accounting policies

(A) Basis of presentation

The financial statements have been prepared in accordance with The Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements of the Company. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the approval of the financial statements.

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021. These policies have been consistently applied to all years presented, unless otherwise stated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a. the requirements of paragraphs 10(d) and 111 of IAS 1 Presentation of Financial Statements to include a statement of cash flows and the requirements of IAS 7 Statement of Cash Flows;
- b. the requirements of paragraph 16 of IAS 1 to make a statement of compliance with the international accounting standards;
- c. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose when an entity has not applied a new accounting standard that has been issued but is not yet effective;
- d. the requirements of paragraph 17 of IAS 24 Related Party Disclosure to disclose key management personnel compensation;
- e. the requirements in IAS 24 'Related Party Disclosures', to disclose related party transactions entered into between two or more members of a group;
- f. Paragraph 18A of IAS 24, 'Related party disclosures', related to key management services provided by a separate management entity.

New standards and minor clarifications to existing guidance on a number of standards became effective for the reporting period beginning on 1 January 2021. Amendments to IFRS 16 leases: Covid-19 related rent concessions (published by the IASB in May 2020); Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (published by the IASB in August 2020). The amendments do not have any impact on the Company's financial statements.

(B) Interest receivable and payable

Interest receivable and payable is accounted for on an accruals basis.

(C) Administrative expenses

Administrative expenses, including commission payable, are accounted for on an accruals basis.

(D) Other (expenses)/income

Other (expenses)/income are recognised on an accrual basis. This includes foreign exchange gains and losses.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement within 'Other (expenses)/income'.

(E) Receivables and payables

The classification and measurement of financial assets, including receivables, is driven by an assessment of the Company's business model for managing financial assets, and the extent to which the financial assets' contractual cash flows are solely payment of principal and interest. Based on the outcome of this assessment, receivables are initially recognised at the transaction price, with subsequent measurement being at amortised cost.

The Company calculates expected credit losses for all financial assets held at amortised cost. Expected credit losses are generally calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition. The Company makes use of a simplified approach for trade receivables such that expected credit losses are always calculated on a lifetime basis.

Payables and other financial liabilities are initially recognised at their fair value, with subsequent measurement being at amortised cost.

(F) Cash

Cash and cash equivalents consist of cash at banks and in hand.

(G) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure.

(H) Leases

Where the Company is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of-use asset equal to the lease liability are initially recognised. The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term.

Aviva Management Services UK Limited

Annual Report and Financial Statements 2021

Notes to the financial statements (continued)**(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 components of other comprehensive income and equity as appropriate.

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

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

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.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, 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.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, except for the tax consequences of distributions from certain equity instruments, to be recognised in the income statement. Deferred tax related to any fair value re-measurement of available for sale investments, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

(J) Share capital**Equity instruments**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

2. Use of judgements, estimates and assumptions

The preparation of the Company's financial statements, in accordance with FRS 101, requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. 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. There are no major areas of judgement on policy application for the Company.

3. Auditor's remuneration

Auditors' remuneration for audit services for 2021 of £31,000 (2020: £34,000) was borne by other companies within the Group. The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'Other services' as the Company is a subsidiary of Aviva plc, which prepares consolidated financial statements. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP (PwC) and its associates for services other than the statutory audit of the Company and other Group undertakings are disclosed in the consolidated financial statements of Aviva plc.

4. Profit/(loss) before taxation

	2021 £000	2020 £000
Profit/(loss) before tax is stated after charging:		
Auditors' remuneration	31	34

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Notes to the financial statements (continued)**5. Tax on profit/(loss)****(a) Tax (charged)/credited to the income statement**

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

	2021 £000	2020 £000
Current tax		
For this year	4,906	1,599
Prior period adjustments	—	33
Total current tax	4,906	1,632
Deferred tax		
Origination and reversal of temporary differences	(4,918)	(1,097)
Changes in tax rates or tax laws	—	633
Total deferred tax	(4,918)	(464)
Total tax (charged)/credited to the income statement	(12)	1,168

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

	2021 £000	2020 £000
Accelerated capital allowances	(4,883)	(407)
Provisions and other temporary differences	(35)	(57)
Total deferred tax charged to the income statement	(4,918)	(464)

(b) Tax charged to other comprehensive income

There was no tax charged to other comprehensive income in either 2021 or 2020.

(c) Tax reconciliation

The tax on the Company's profit/(loss) before tax differs from (2020: differs from) the theoretical amount that would arise using the tax rate of the United Kingdom as follows:

	2021 £000	2020 £000
Total profit/(loss) before tax	3	(1,486)
Tax calculated at standard UK corporation tax rate of 19% (2020: 19%)	(1)	282
Movement in deferred tax not recognised	(11)	—
Change in future statutory tax rates	—	633
Adjustment to tax charge in respect of prior years	—	253
Total tax (charge)/credit to the income statement	(12)	1,168

During 2021 the UK Government enacted an increase in the UK corporation tax rate to 25%, from 1 April 2023. During 2020 the reduction in the UK corporation tax rate that was due to take effect was cancelled and, as a result, the rate remained at 19%.

As the company has no deferred tax assets or liabilities at the year end, there is no impact on the Company's net assets as a consequence of the amendments to the tax rates.

Notes to the financial statements (continued)**6. Tax assets and liabilities****(a) Current Tax**

Current tax assets recoverable in more than one year are £4,905,000 (2020: £1,598,000).

(b) Deferred tax

(i) The balance at 31 December comprises:

	2021	2020
	£000	£000
Deferred tax assets	—	4,918
Total deferred tax asset	—	4,918

(ii) The total deferred tax asset arises on the following items:

	2021	2020
	£000	£000
Provisions and other temporary differences	—	35
Accelerated capital allowances	—	4,883
Total deferred tax asset	—	4,918

(iii) The movement in the total deferred tax asset was as follows:

	2021	2020
	£000	£000
Total deferred tax asset at 1 January	4,918	5,382
Amounts charged to profit and loss account	(4,918)	(464)
Total deferred tax asset at 31 December	—	4,918

The Company has unrecognised temporary differences of £171,000 (2020: *Nil*) to carry forward against future taxable income.

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

7. Lease assets and liabilities

(i) The following table analyses the right of use assets relating to leased properties occupied by the Company.

	2021	2020
	£000	£000
Balance at 1 January	—	215
Depreciation charge for the year	—	(215)
Balance at 31 December	—	—

(ii) Future undiscounted contractual aggregate minimum lease payments are as follows:

	2021	2020
	£000	£000
Within one year	—	498
Within two to five years	—	—
	—	498

(ii) Future contractual aggregate minimum lease rentals receivable under non-cancellable leases are as follows:

	2021	2020
	£000	£000
Within one year	—	156
Within two to five years	—	—
	—	156

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Notes to the financial statements (continued)**8. Other debtors**

	2021 £000	2020 £000
Amounts falling due within one year		
Corporation tax receivable	1,599	1,272
Other debtors	557	789
	2,156	2,061
Amounts falling due after more than one year		
Corporation tax receivable	4,905	1,598
Deferred tax	—	4,919
Policy related debtors	—	38
	4,905	6,555
	7,061	8,616

9. Other creditors including taxation and social security

	2021 £000	2020 £000
Amounts falling due within one year :		
Other creditors	(4,000)	(3,058)

10. Provisions for liabilities

	2021			2020		
	Property £000	Other £000	Total £000	Property £000	Other £000	Total £000
Balance at 1 January	3,191	95	3,286	3,863	1,238	5,101
Provided in the year	—	—	—	250	34	284
Utilised in the year	(1,047)	—	(1,047)	(922)	—	(922)
Amounts released	(2,144)	(95)	(2,239)	—	(1,177)	(1,177)
Balance at 31 December	—	—	—	3,191	95	3,286

11. Called up share capital

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

	2021 £000	2020 £000
Allotted and issued		
10,100,000 Ordinary Shares of £1 each (2020: 10,100,000)	10,100	10,100

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.

Notes to the financial statements (continued)

12. Directors' emoluments

All directors were remunerated by Aviva 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 and their remuneration cannot be accurately calculated or disclosed. Accordingly, no emoluments are disclosed in respect of these directors.

13. Risk management

(a) Risk management framework.

The Company operates a risk management framework (RMF) that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report (IMMMR) risks.

The RMF has been adopted by the boards of the legal entities within the business collectively referred to as "UK Life" (including this Company).

For the purposes of risk identification and measurement, and aligned to the Company's risk policies, risks are usually grouped by risk type: credit, market, liquidity, life insurance (including long-term health), and operational risk. Risks falling within these types may affect a number of metrics including those relating to statement of financial position strength, liquidity and profit. They may also affect the performance of the products the Company delivers to its customers and the service to its customers and distributors, which can be categorised as risks to brand and reputation or as conduct risk.

To promote a consistent and rigorous approach to risk management across the business, the Company has a set of risk policies and business standards which set out the risk strategy, appetite, framework and minimum requirements for the Company's operations. The UK Life Chief Executive Officer makes an annual declaration that the system of governance and internal controls was effective and fit for purpose for their business throughout the year; this declaration is supported by an opinion from the Chief Risk Officer. Any material weaknesses in subsidiary companies are considered as part of this overall process.

The Risk Appetite Framework was refreshed during the year, with revised and new risk appetites, preferences and tolerances considered and approved by the Board Risk Committee. Climate Risk was integrated and defined within the risk appetite framework to be incorporated into risk-based decision-making.

A regular top-down key risk identification and assessment process is carried out by the risk function. This includes the consideration of emerging risks and is supported by deeper thematic reviews. The Company also operates a risk and control self-assessment process. The risk assessment processes are used to generate risk reports which are shared with the relevant risk committees.

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence model' where ownership for risk is taken at all levels. Line management in the business is accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. The risk function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework. Internal Audit provides an independent assessment of the risk management framework and internal control processes.

Board oversight of risk and risk management across the Company is maintained on a regular basis through its Management Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take.

(b) Market Risk

Market risk is the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices. The nature of the business means that the Company is not exposed to significant market risk.

(c) Credit Risk

Credit risk is the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's management of credit risk under the oversight of the Asset & Liability Committee (ALCO), includes the articulation of risk appetite, exposure limit frameworks and investment and lending criteria within credit risk policies and management agreements.

The nature of the Company's business means that it is not exposed to significant credit risk. This is because its receivables are mainly inter-company balances. This is because its receivables are mainly inter-company balances. A significant amount of business relates to the Aviva Group of companies and exposure is managed through regular and timely payments.

(d) Liquidity Risk

The nature of the business means that the Company is not exposed to significant liquidity risk. ALCO seeks to determine that the Company has sufficient financial resources to meet its obligations as they fall due.

(e) Conflict in Ukraine

As a result of the escalation in the conflict on 24 February 2022, UK Life's crisis management framework was invoked with meetings of the Crisis Action Leadership Team in order to assess the business response, provide strategic direction and manage communications. The Company does not conduct operations in the affected region, and does not have material direct investment holdings there.

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Notes to the financial statements (continued)

14. Related party transactions

The Company is a wholly owned subsidiary undertaking of Aviva plc. The results of the Company are consolidated in the results of Aviva plc, the Company's ultimate parent and controlling company, whose financial statements are publicly available.

Under FRS 101 the Company is exempt from the requirements of IAS 24 Related Party Disclosures, concerning the disclosure of transactions entered into between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

15. Ultimate parent undertaking

The Company's ultimate parent undertaking is Aviva plc, St Helens, 1 Undershaft, London, EC3P 3DQ. Copies of the Group Financial Statements of Aviva plc can be viewed via its website at www.aviva.com.

16. Subsequent events

On 4 March 2022 the Company resolved to approve the extension of the Global Framework Services Agreement with FNZ for UK Life Savings & Retirement Workplace and Retail Platform software and investment administration services with FNZ from 31st August 2025 to 31st August 2029.