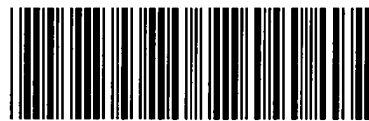


AVIVA INVESTORS PENSIONS LIMITED

Registered in England and Wales No. 1059606

Annual report and financial statements 2022

THURSDAY



AC1E7HIQ

A04

13/04/2023

#279

COMPANIES HOUSE

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Contents

Directors and officers	3
Strategic report	4
Directors' report	8
Independent auditors' report	11
Statement of comprehensive income	18
Statement of changes in equity	18
Statement of financial position	19
Statement of cash flows	20
Notes to the financial statements	21

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Directors and officers

Directors

N R Cosgrove

M D T Craston (Non-Executive Director)

K S Dhaliwal

T P Howard

Officer - Company secretary

Aviva Company Secretarial Services Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Registered office

St Helen's

1 Undershaft

London

EC3P 3DQ

Company number

Registered in England and Wales no. 1059606

Other information

Aviva Investors Pensions Limited ('the Company') is a member of the Association of British Insurers and its activities are covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA').

The Company is a wholly owned subsidiary of Aviva Investors Holdings Limited ('the Group' or 'Aviva Investors') and is a member of the Aviva plc group of companies ('the Aviva Group').

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Strategic report

The directors present their Strategic report for the Company for the year ended 31 December 2022.

Review of the Company's business

Principal activities

The Company is a private limited company, incorporated and domiciled in the United Kingdom. The principal activity of the Company is the provision and administration of unit-linked pension business in the United Kingdom.

Significant events

The Company is expected to commence a voluntary liquidation following the decision to close all its funds. Contracts with service providers will be terminated and an application to cancel the Company's regulatory permissions will be made before the Company is placed into voluntary liquidation.

Financial position and performance

The financial position of the Company at 31 December 2022 is shown in the Statement of financial position on page 19, with the trading results shown in the Statement of comprehensive income on page 18 and the Statement of cash flows on page 20.

The Property Fund is the Company's only remaining fund at 31 December 2022, which after the decision to close it in 2021 is in the process of disposing of its remaining properties. As a result policyholders' assets and liabilities decreased by £417.0 million to £59.3 million (2021: £476.3 million) due to sales of investment properties during the year, and subsequent policyholder redemptions. See notes 12 and 14 for policyholders' assets and liabilities and movements during the year.

The loss after tax for the year was £0.1 million (2021: profit £0.4 million). The decrease was driven by the reduction in policyholder assets in the unit linked funds. The Company's revenue fell by £2.2 million to £1.0 million (2021: £3.2 million), this was offset by lower investment management fees and cost recharge expenses charged by Aviva Investors Global Services Limited ('AIGSL'), a fellow Aviva Investors company.

The cash and cash equivalents balance at 31 December 2021 was significantly higher than 31 December 2022 due to receipt of proceeds from a number of investment property sales towards the end of 2021, with the majority of this policyholder cash being distributed in January 2022.

Section 172 Statement

We report here on how the Directors have discharged their duties under Section 172 of the Companies Act 2006 ('S.172').

S.172 sets out a series of matters to which the directors must have regard 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.

The 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 shareholders, 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.

Our 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 2022

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.

Following the Board decision in 2021 that it would be in policyholders' interests to wind-up the funds and return cash in a fair and orderly manner, this remained the Company's key strategy in 2022.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Strategic report (continued)

Stakeholder engagement

The table below sets out our approach to stakeholder engagement during 2022.

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them and how does this support the decision-making process?
Customers	Understanding what's important to our customers is key to our long-term success.	<ul style="list-style-type: none"> The Board regularly receives metrics on customer flows and customer conduct considerations. In addition, the Board also receives updates on the status of fund closures and monitors progress against the property sales plan.
Our people	Our people's well-being and commitment to serving our customers is essential for our long-term success.	<ul style="list-style-type: none"> The Company has no direct 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. Aviva Investors engagement mechanisms align with those of the Aviva Group, such as employee forums, global internal communications and informal meetings. Aviva Investors recognises the benefits of a diverse workforce and an inclusive culture and as a result there has been significant activity and investment on Diversity, Equity and Inclusion, with a priority on gender, ethnicity and social mobility.
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.	<ul style="list-style-type: none"> The Company, through the Aviva Investors Holdings Limited ('AIHL') Risk Committee, maintains oversight of the management of its most important suppliers and reviews reports on their performance. Aviva Investors has been working on the simplification of its supplier model, with major new agreements signed with HSBC, Mount Street and BNY Mellon. All supplier-related activity is managed in line with the Group Procurement and Outsourcing business standard. This ensures that supply risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational, and contractual issues. In the UK, Aviva is a signatory of the Prompt Payment Code which sets high standards for 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 to Aviva in the UK.
Communities	We recognise the importance of contributing to our communities. As a global asset management business Aviva Investors are fully engaged in building resilience against the global impact of climate change..	<ul style="list-style-type: none"> The Board supports the community activities of the Aviva Group. The Board supports the Group's sustainability agenda and AI's ambition to become a Net Zero Asset Manager by 2040. Aviva Investors is committed to systematically embedding Environmental, Social and Governance considerations across the Aviva Investors business. This includes the development of asset class specific ESG policies; the build out of enhanced ESG research capabilities, including new proprietary ESG data tools; and extensive ESG training for global investment desks.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Strategic report (continued)

Stakeholder engagement (continued)

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them and how does this support the decision-making process?
Regulators	As an insurance business, we are subject to regulations and approvals in all the markets we operate in.	<ul style="list-style-type: none"> • We maintain a constructive and open relationship with the FCA and there is a programme of regular meetings between the directors (including the Non Executive Director), Aviva Investors Senior Management and its Compliance function. • The Company provides regular updates to the FCA on the closure of its unit-linked funds, and progress on the asset sales for the remaining Property Fund.
Shareholders	Our retail and institutional shareholders are the ultimate owners of the Company.	<ul style="list-style-type: none"> • The Company's ultimate shareholder is Aviva plc and there is ongoing communication and engagement with the Aviva plc Board. Any Board matters requiring escalation are managed through the Chair to its parent, Aviva Investors Holdings Limited, and where required, to the Aviva plc board. • The Chair of the Board is also a member of the Aviva plc board.

Future outlook

As explained above, the Company is expected to cease operating and commence a voluntary liquidation. The Company has sold three of the four assets in the Property Fund at 31 December 2022, and the remaining one is expected to be sold no later than July 2023.

Despite the changes to the business, the directors expect that the Company has sufficient resources to continue to meet its liabilities as they fall due.

Principal risks and uncertainties

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 19 to the financial statements.

Continuing areas of uncertainty include the war in Ukraine, credit spreads and downgrades, inflation, interest rate movements and the risk of commercial property price volatility. Policyholder exposure to property price volatility has decreased as a result of the sale of assets from the Property fund, and will continue to reduce as the remaining properties are sold. The directors have considered the effects of these uncertainties and determined that, as the Company will be placed into voluntary liquidation following the closure of the remaining Property Fund, they are unlikely to have a significant impact.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Strategic report (continued)

Key performance indicators

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

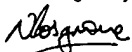
	2022	2021	Change
Policyholders' assets and liabilities (£'m)	59.3	476.3	(417.0)
(Loss)/profit before tax (£'m)	(0.1)	0.4	(0.5)
Shareholders' assets (£'m)	9.7	9.8	(0.1)

The decrease in policyholders' assets and liabilities, and the drivers of the trading results generating the loss before tax are explained in the Financial Position and Performance section above.

The decrease in shareholders' assets is the loss for the year as shown in the Statement of changes in equity.

On behalf of the Board, 6 April 2023

DocuSigned by:



E4E44EB36E6342D...

N R Cosgrove
Director

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Directors' report

The directors submit their annual report and the audited financial statements for the Company for the year ended 31 December 2022.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

N R Cosgrove
M D T Craston
K S Dhaliwal (appointed 1 June 2022)
T P Howard

Company Secretary

Aviva Company Secretarial Services Limited is appointed as the Company Secretary.

Dividend

No interim dividend was paid during the year (2021: £nil). The directors do not recommend the payment of a final dividend for the financial year ended 31 December 2022.

Going concern

As discussed in the Strategic report, following the closure of the remaining Property Fund the Company will be placed into voluntary liquidation. As such, the directors have adopted a basis of preparation other than that of a going concern in the annual financial statements.

Events after the reporting period

There have been no events after the reporting period.

Future outlook

Likely future developments in the business of the Company are discussed in the Strategic report on page 6.

Stakeholder engagement

Our statements summarising our employee engagement, and our engagement with suppliers, customers and our other stakeholders are included in our Strategic report.

Overseas branches

During the year, the Company had no branch offices outside the UK.

Accounting records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons by the Company's outsourced services provider AIGSL, a fellow Aviva Investors company. The accounting records are kept at the Company's registered office.

Political donations

The Company did not make any political donations during the year (2021: £nil).

Supplier payment policy

The directors are responsible for ensuring that the Company is compliant with the Prompt Payment of Accounts Act 1997, as amended by the European Communities (Late Payment in Commercial Transactions) Regulations 2002. It is the policy of the Company to pay for goods and services on presentation of an invoice by the supplier. Statements from suppliers showing amounts outstanding in excess of 30 days are immediately investigated and resolved as soon as possible.

Employees

The Company has no employees (2021: None). The employees engaged in the activities of the Company's outsourced services provider, AIGSL, are employed by a subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of that company.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Directors' report (continued)

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 Auditor, PricewaterhouseCoopers LLP, is 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 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. Following a full and rigorous competitive tender process, which was overseen by Aviva Group's Audit Committee, the selection of Ernst & Young LLP was approved by the Aviva plc Board. PricewaterhouseCoopers LLP will continue in its role and will undertake the audit for the financial year ending 31 December 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 s309A to s309C of the Companies Act 1985. These qualifying third-party indemnity provisions remain in force as at the date of approving the Directors' report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Company's Act 2006. This is a 'qualifying third party indemnity' provision as defined by s234 of the Companies Act 2006.

Statement of directors' responsibilities

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 UK-adopted international accounting standards.

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 UK-adopted international accounting standards 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; and
- 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 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.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Aviva Investors Pensions Limited

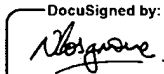
Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Directors' report (continued)

On behalf of the Board, 6 April 2023

DocuSigned by:



E4E44EB36E6342D...

N R Cosgrove

Director

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Independent auditors' report to the members of Aviva Investors Pensions Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Investors Pensions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2022; the statement of comprehensive income, the statement of cash flows and the 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.

Our opinion is consistent with our reporting to the Audit Committee.

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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1(A) to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Our audit approach

Context

Aviva Investors Pensions Limited is a unit linked pension provider which is part of the Aviva plc group. Aviva Investors Pensions Limited is being voluntarily wound up by the directors given the significant redemptions seen over the past few years. The directors have noted that the company will remain solvent during the closure period based upon assessments that were performed by management.

Overview

Audit scope

- The company is managed from a single location and does not have any branches, and so no scoping by location is performed; and
- We performed audit procedures on all material balances and line items within the financial statements, all of which was performed by the same engagement team with the exception of the use of our tax specialists and our valuation experts.

Key audit matters

- Valuation of Investment Property

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)***Materiality*

- Overall materiality: £9,446 (2021: £32,199) based on 1% of total revenue for all shareholder balances. With respect to policyholder assets, liabilities and associated income statement line items, we utilised 1% of assets held to cover linked liabilities for which £592,995 (2021: £4,763,252) has been applied in line with Practice Note 20.
- Performance materiality: £7,084 (for all balances other than policyholder assets and liabilities and associated income statement line items, for which £444,746 (2021: £3,572,439) has been applied (2021: £24,149) in line with Practice Note 20.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of Investment Property</i></p> <p>Refer to Note 1G Accounting Policy Investment property and Note 9 Investment Property. Investment properties are held at a value of £56.8m as at 31 December 2022 (2021: £198.2m) in the Statement of Financial Position.</p> <p>The valuation of the Company's investment property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. The significance of the estimates involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area.</p>	<p>Given the nature of the estimates inherent in the valuation of the property portfolio, and the technicalities of the valuation methodology we engaged our internal valuation experts (qualified chartered surveyors) as auditors' experts to assist us in our audit of this matter.</p> <p>Assessing the valuers' expertise and objectivity:</p> <ul style="list-style-type: none"> • We read the Valuer's report and confirmed that the approach used was consistent with the RICS guidelines. • We assessed the Valuer's qualifications and expertise and read their terms of engagement with the Company, determining that there were no matters that affected their independence and objectivity or any imposed scope limitations on their work. • We also considered fees and other contractual arrangements that might exist between the Company and the Valuer. <p>We found no evidence to suggest that the objectivity of the Valuer was compromised.</p>

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)**

<p>In arriving at the property valuations, management engaged an independent expert, CB Richard Ellis ('CBRE' the 'Valuer' or 'management's expert') to perform valuations in accordance with the Royal Institute of Chartered Surveyors ('RICS') RICS Valuation - Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. The valuations take into account the property-specific information including the current tenancy agreements and rental income, condition and location of the property, and future rental prospects, as well as prevailing market yields and market transactions.</p>	<p>Assumptions and estimates used by the Valuer:</p> <ul style="list-style-type: none"> • We considered the key assumptions, being equivalent yield and capital growth used in the valuation and benchmarked these against market evidence. • We spoke with the Valuers and, with the support of our internal valuation experts, challenged their approach to the valuations, the key assumptions and their rationale behind the equivalent yields and capital value movements that sat outside our expected range. Where assumptions were outside the expected range, we undertook further investigations and obtained evidence to support explanations received including recent comparable transactions where appropriate. With the support of our internal valuation experts, we also questioned the external valuers as to the extent to which recent market transactions and expected rental values which they made use of in deriving their valuations took into account the impact of climate change and related ESG considerations. • We agreed the amounts per the valuation reports to the accounting records and from there we agreed the related balances through to the Financial Statements.
<p>As the Company financial statements are prepared on a basis other than going concern, in accordance with accounting standards, the investment property is carried at net realisable value, which is the investment property's fair value less expected disposal costs.</p>	<p>Expected disposal costs:</p> <ul style="list-style-type: none"> • Through discussion with management, we understood the basis on which they estimated disposal costs. • We performed a lookback test to confirm the reasonableness of the sales costs estimate by comparing this to actual sales costs. We have also independently compared the percentage of disposal costs applied to industry standards. <p>Overall outcome:</p> <p>No issues were identified as a result of our audit procedures</p>

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)***How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£9,446 (2021: £32,199).
How we determined it	1% of total revenue for all shareholder balances. With respect to policyholder assets, liabilities and associated income statement line items, we utilised 1% of assets held to cover linked liabilities for which £592,995 (2021: £4,763,252) has been applied
Rationale for benchmark applied	The company's primary objective is the provision and administration of the unit-linked pension business. The fees received from investment management services are low and the entity operates at near breakeven. As such we deem that total revenue is the most appropriate benchmark in determining materiality. The company manages pension assets on behalf of its clients in a series of unit linked pooled and segregated funds. As a result, any liability owed to its clients is covered by the assets held by the entity and the investment return derived on the associated assets is offset by the change in provisions for investment contract liabilities. In accordance with guidance on the audit of insurers in the United Kingdom issued by the Financial Reporting Council, we have applied a higher materiality based on 1% of assets held to cover linked liabilities, given that policyholders and regulators are most focused on balance sheet strength and capital held.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £7,084 (for all balances other than policyholder assets and liabilities and associated income statement line items, for which £444,746 (2021: £3,572,439) has been applied (2021: £24,149) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £472 in relation to shareholder balances and £29,650 in relation to policyholder balances (2021: £1,610 in relation to shareholder balances and £238,163 in relation to policyholder balances) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)

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 2022 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, 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.

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.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation and breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 increase revenue of the company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, internal audit, senior management involved in Risk and Compliance functions and the company's legal function, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee, Risk Committee, and Board of Directors;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Obtaining management information and external market data to validate the inputs into the calculation of the valuation of investment property, as well as challenging assumptions made, where appropriate; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by unexpected users or posts containing unusual words;

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)

Appointment

We were appointed by the directors on 3 March 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 December 2012 to 31 December 2022.



Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 April 2023

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****Statement of comprehensive income****For the year ended 31 December 2022**

	Note	2022	2021
		£'m	£'m
Income			
Revenue		1.0	3.2
Net investment (loss)/income	3	(10.6)	123.9
		(9.6)	127.1
Expenses			
Change in investment contract provisions	14	10.7	(123.7)
Administrative expenses	4	(1.1)	(2.8)
Other operating expenses	5	(0.1)	(0.2)
		9.5	(126.7)
(Loss)/profit before tax		(0.1)	0.4
Tax charge	8	-	-
(Loss)/profit for the year and total comprehensive (loss)/income for the year		(0.1)	0.4

All amounts reported in the Statement of comprehensive income relate to discontinued operations. There were no other recognised gains or losses in the current or prior year.

Statement of changes in equity**For the year ended 31 December 2022**

	Ordinary share capital	Retained earnings	Total equity
	£'m	£'m	£'m
Balance at 1 January 2021	8.0	1.4	9.4
Profit for the year and total comprehensive income for the year	-	0.4	0.4
Balance at 31 December 2021	8.0	1.8	9.8
Loss for the year and total comprehensive loss for the year	-	(0.1)	(0.1)
Balance at 31 December 2022	8.0	1.7	9.7

The accounting policies on pages 21 to 26 and notes on pages 26 to 41 are an integral part of these financial statements.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****Statement of financial position****As at 31 December 2022**

	Note	2022	2021
		£'m	£'m
ASSETS			
Financial investments	10	-	0.1
Trade and other receivables	11	5.3	7.9
Cash and cash equivalents	18	12.9	292.9
Assets classified as held for sale			
Investment property	2,9	56.8	198.2
Total assets		75.0	499.1
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	13	8.0	8.0
Retained earnings		1.7	1.8
Total equity		9.7	9.8
Liabilities			
Liability for investment contracts	14	59.3	476.3
Trade and other payables	16	6.0	10.4
Liabilities classified as held for sale			
Finance lease liabilities	15	-	2.6
Total liabilities		65.3	489.3
Total equity and liabilities		75.0	499.1

The financial statements on pages 18 to 41 were approved by the Board of directors on 4 April 2023 and were signed on its behalf by

DocuSigned by:

E4E44EB36E6342D...
N R Cosgrove
Director
6 April 2023

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****Statement of cash flows****For the year ended 31 December 2022**

	Note	2022	2021
		£'m	£'m
Cash flows (used in)/generated from operating activities			
Cash (used in)/generated from operations	18(a)	(280.0)	256.1
<i>Net cash (used in)/generated from operating activities</i>		(280.0)	256.1
Net (decrease)/increase in cash and cash equivalents		(280.0)	256.1
Cash and cash equivalents at 1 January		292.9	36.8
Cash and cash equivalents at 31 December	18(b)	12.9	292.9

All amounts reported in the Statement of cash flows relate to discontinued operations (2021: discontinued).

The accounting policies on pages 21 to 26 and notes on pages 26 to 41 are an integral part of these financial statements.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

Notes to the financial statements

1. Accounting policies

The Company is a limited liability company incorporated and domiciled in the United Kingdom.

The principal accounting policies adopted in the preparation of the Company's financial statements are set out below and have been applied consistently throughout the financial statements.

(A) Basis of presentation

On 31 December 2020, IFRS as adopted by the EU at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted international accounting standards on 1 January 2021.

As discussed in the Strategic report, the Company is expected to cease operating and commence a voluntary liquidation. An application to cancel the Company's regulatory permissions will be made before the Company is placed into a members' voluntary liquidation. As required by IAS 1 *Presentation of Financial Statements*, the financial statements are prepared on a basis other than going concern with assets and liabilities recognised at their net realisable value. For the held for sale Investment properties a £0.9 million (2021: £3.0 million) adjustment has been made to recognise the expected disposal transactions costs of selling the properties and reduce the fair value to net realisable value (see note 9), and the corresponding adjustment has been made to reduce the Liability for investment contracts (see note 12). For all other assets and liabilities fair value approximates net realisable value.

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's presentational currency is pounds sterling. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling (£'m).

Statement of compliance

The Company's financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006. The Company's financial statements have been prepared on a basis other than going concern.

New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2022. The amendments have been issued and endorsed by the UK and do not have an impact on the Company's financial statements.

- (i) *Annual Improvements to IFRS 2018-2020 Cycle: Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (published by the IASB in May 2020)*
- (ii) *Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (published by the IASB in May 2020)*
- (iii) *Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (published by the IASB in May 2020)*
- (iv) *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract (published by the IASB in May 2020)*

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following new standards and amendments to existing standards have been issued and are not yet effective and are not expected to have an impact on the Company's financial statements.

- (i) *Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies.*
Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****1. Accounting policies (continued)****(A) Basis of presentation (continued)**

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company (continued)

(ii) IFRS 17, Insurance Contracts.

In May 2017, the IASB published IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts. Amendments to the standard were published in June 2020 and December 2021 (Initial Application of IFRS 17 and IFRS 9—Comparative Information). In May 2022, the UK endorsed both IFRS 17 and the amendments, all of which apply to annual reporting periods beginning on or after 1 January 2023. IFRS 17 replaces IFRS 4 *Insurance Contracts*, which was issued in 2005. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to accounting for insurance contracts.

(ii) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

(iii) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Published by the IASB in May 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

(iv) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(v) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

Published by the IASB in September 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(vi) Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants

Published by the IASB in October 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(B) Critical accounting policies and use of estimates

The preparation of the Company's 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 Statement of comprehensive income, other primary statements and Notes to the financial statements.

These major areas of judgement on policy application are summarised below:

Item	Critical accounting judgement	Accounting policy
Investment property	Classification of investments including the application of the fair value option	G

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 we consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

Item	Accounting policy
Valuation of investment property	G

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

1. Accounting policies (continued)

(C) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised within net investment income in the Statement of comprehensive income. Translation differences on all monetary and non-monetary financial assets and liabilities that are measured at fair value are reported as part of the fair value gain or loss and included in net investment income in the Statement of comprehensive income.

(D) Non-participating investment contract liabilities

Non-participating investment contracts are unit-linked contracts that are held at fair value. The fair value of the unit-linked liability is determined in accordance with IFRS 13 *Fair Value Measurement*, based on a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date.

The Company's business consists of investment contracts without a discretionary participating feature (non-participating investment contracts). Deposits collected under such contracts are accounted for directly through the Statement of financial position as an adjustment to the investment contract liability. Non-participating investment contracts have no associated premium income.

(E) Revenue

Fees related to policy administration, investment advisory for a range of pooled investment funds, and other contract services are recognised as revenue over time, as performance obligations are satisfied.

Fees that are related to services to be provided in future periods are deferred and recognised when the performance obligation is fulfilled. All revenue is net of any value added tax, rebates and distribution allowances.

(F) Net investment income

Investment income arises from the financial assets held by the Company on behalf of policyholders and consists of dividends, rental income, service charge income, interest receivable for the year, and realised and unrealised gains and losses on investment property and investments held at fair value through profit or loss.

Dividends on equity securities are recorded as revenue on an ex-dividend basis. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Deposit interest on cash held at bank is recognised on an accrual basis.

Rental income which represents rent from investment properties leased out under operating lease agreements, is measured at the fair value of the consideration received or receivable and is recognised in the Net investment income within Statement of Comprehensive Income on a straight line basis over the lease term. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option. Incentives for entering lease arrangements are spread evenly over the non-cancellable period of the lease, even if payments are not made on that basis.

Service charge income is recognised in the accounting period in which control of the services are passed to the tenant, which is when the service is rendered. Service charge income is charged in advance on a quarterly basis based on an annual budget. Any income in excess of annual expenditure, or expenditure in excess of annual income, is held as a payable or a receivable and contributed towards the subsequent year's service charge expenditure or income respectively.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

1. Accounting policies (continued)

(G) Investment property

Investment property is held for long-term rental yields and capital appreciation and is not occupied by the Company. The Company's portfolio of investment property is attributable to policyholders upon redemption of their investment contracts. Investment property is recognised at the point that the risks and rewards of ownership are deemed to pass to the Company and is measured initially at cost, including transaction costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, investment property is measured at its fair value, which is supported by market evidence, as assessed by qualified external valuers. Changes in fair values are recorded in the Statement of comprehensive income within net investment income. Investment properties carried at fair value are classified using a fair value hierarchy table, described in note 19(j).

An investment property is derecognised upon disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the year in which the property is derecognised.

(H) Financial investments

The Company designates its investments upon initial recognition as financial assets held at fair value through the profit or loss. The Company's portfolio of financial investments is attributable to policyholders upon redemption of their investment contracts. The assets held by the Company are monitored internally and reported to policyholders on a fair value basis therefore the directors consider the designation of these investments as 'held at fair value through the profit or loss' to be appropriate.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets and are valued initially at their fair values less transaction costs. Transaction costs are recognised immediately in the Statement of comprehensive income. Debt securities are recorded at fair value. Changes in the fair value are included in the Statement of comprehensive income in the year in which they arise.

Investments carried at fair value are classified using a fair value hierarchy table, described in note 19(j). The fair values of listed investments are based on the quoted price within the bid-ask spread that is most representative of fair value, or amounts derived from independent pricing services or quotes sourced from brokers. Fair values for unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

(I) Leases

Policyholder investment properties held under finance leases are initially recognised as assets at their fair value at the inception of the lease, or lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of financial position as a finance lease obligation.

Rental income from policyholder investment property operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(J) Trade and other receivables

Trade and other receivables are measured at amortised cost, less an allowance for expected credit loss. The Company has adopted the Simplified approach specified in IFRS 9 *Financial Instruments* and measures the loss allowance at an amount equal to lifetime expected credit losses.

When the Company has no reasonable expectations of recovering an amount due in its entirety or portion thereof the gross carrying amount is reduced. A write-off constitutes a derecognition event under IFRS 9 *Financial Instruments*.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

1. Accounting policies (continued)

(K) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments, all of which have less than 90 days maturity from the date of acquisition that are readily convertible to known amounts of cash, and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, if applicable, which are included within payables and other financial liabilities in the Statement of financial position. Cash on deposit with a longer maturity is included in other financial investments.

(L) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable, or the amount cannot be reasonably estimated.

(M) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(N) Income tax

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 investments held at fair value through other comprehensive income, 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.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****1. Accounting policies (continued)****(O) Assets held for sale**

Assets held for disposal as part of the closure of the remaining unit linked funds are shown separately in the Statement of financial position. Assets held for sale are recorded at the lower of their carrying amount and their fair value less the estimated selling costs.

(P) Share Capital

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 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. The Company's share capital is considered to be an equity instrument.

(Q) Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised in equity in the year in which they are declared.

2. Assets and liabilities held for sale

As a result of the decision to close the Property Fund in April 2021, all remaining investment properties (see note 9) and the associated lease liabilities (see note 15) have been classified as held for sale as at 31 December 2022 and 2021. The remaining investment properties are expected to be sold no later than July 2023.

3. Net investment (loss)/income

	2022	2021
	£'m	£'m
Rental income from investment properties	10.3	13.2
Service charge income from investment properties	2.2	2.1
Investment property expenses	(9.9)	(7.0)
Investment property service charge expenses	(2.2)	(2.1)
Interest receivable and similar income	0.1	1.4
Dividend income receivable	-	0.8
Realised (losses)/gains on investments held at fair value through profit or loss	(0.1)	56.1
Realised gains in investment property held at fair value	0.4	26.0
Movement in unrealised gains and losses on investments held at fair value through profit or loss	0.1	(53.0)
Movement in unrealised gains and losses on investment property held at fair value	(13.6)	82.8
Movement in expected investment property disposal costs	2.1	3.6
	<u>(10.6)</u>	<u>123.9</u>

The movement in unrealised gains and losses on investments held at fair value through profit and loss includes £0.1 million reversal in unrealised losses (2021: £51.6 million).

The movement in unrealised gains and losses on investment property held at fair value includes £2.7 million of unrealised losses (2021: £76.4 million of unrealised gains) on investment properties sold during the year which was recognised prior to the date of disposal which are also now realised.

Rental income from investment properties is shown net of the movement in the loss allowance net of unused amounts reversed (see note 11).

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****4. Administrative expenses**

	2022	2021
	£'m	£'m
Administrative expenses include the following:		
Investment management fees	0.8	2.2
Costs recharged from fellow subsidiaries	0.3	0.6
	<u>1.1</u>	<u>2.8</u>

These expenses are payable to AIGSL. Further details are shown in note 20 on Related Parties transactions.

Auditors' remuneration is charged in the financial statements of AIGSL and is not recharged to the Company. Auditors' remuneration in relation to the Company for 2022 was £60,000 (2021: £71,000). No non-audit services were provided to the Company in 2022 (2021: none).

5. Other operating expenses

	2022	2021
	£'m	£'m
Policyholder fund administrative expenses	0.1	0.2

The expenses recognised above represent costs payable on behalf of policyholders by the underlying funds in which the policyholder assets are held, such as transaction charges, safe custody fees and bank charges. Associated wind up costs will be borne by the Group.

6. Employee information

The Company has no employees (2021: nil). Certain costs associated with the activities of the Company by the employees of the Group were recharged to the Company and are included in administrative expenses.

7. Directors' emoluments

Mr M Craston was a non-executive director and his fees were paid for and borne by AIHL, the immediate parent undertaking. The other directors are remunerated in respect of their services in connection with the management of the affairs of the Aviva Investors' business as a whole. There has been no re-charge to the Company (2021: no recharge) and the amount of time spent performing their duties for the Company is incidental to their roles across the Group.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****8. Tax****(a) Tax charged to the Statement of comprehensive income**

The total tax charged comprises:

	2022	2021
	£'m	£'m
Current tax:		
For this year	-	-
Total tax charged to the Statement of comprehensive income	-	-

(b) Tax reconciliation

The tax on the Company's (loss)/profit before tax is the same as (2021: differs from) the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2022	2021
	£'m	£'m
(Loss)/profit before tax	(0.1)	0.4
Tax calculated at standard UK corporation tax rate of 19% (2021: 19%)	-	0.1
Surrender of losses from group undertakings for no charge	-	(0.1)
Tax charge for the year (note 8(a))	-	-

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023.

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 in the tax rates.

(c) Tax assets and liabilities**(i) General**

The Company has no current tax assets receivable or liabilities payable at the year end (2021: £nil).

(ii) Deferred taxes

The Company has no provided or unprovided deferred tax assets or liabilities at the year end (2021: £nil).

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****9. Investment property**

	Freehold £'m	Leasehold £'m	Total £'m
Fair value			
At 1 January 2021	429.3	7.1	436.4
Capitalised expenditure on existing properties	1.6	-	1.6
Proceeds on disposal	(352.2)	-	(352.2)
Realised gains on disposal	26.0	-	26.0
Unrealised fair value gains/(losses)	83.0	(0.2)	82.8
Movement in expected disposal costs	3.6	-	3.6
At 31 December 2021	191.3	6.9	198.2
Capitalised expenditure on existing properties	0.5	0.6	1.1
Proceeds on disposal	(127.5)	(1.3)	(128.8)
Realised gains on disposal	0.1	0.3	0.4
Unrealised fair value losses	(9.6)	(4.0)	(13.6)
Net movement in head leases capitalised	-	(2.6)	(2.6)
Movement in expected disposal costs	2.0	0.1	2.1
At 31 December 2022	56.8	-	56.8

Investment properties are stated at their fair values as assessed by qualified external valuers as at 31 December 2022 less the anticipated costs of selling the properties as a result of the decision to close the Property Fund. CB Richard Ellis is the principal valuer of all of the individual property assets.

All valuers are Chartered Surveyors, being Members of the Royal Institution of Chartered Surveyors ('RICS'). Each property was valued on the basis of open market value and valuations were carried out in accordance with the RICS Appraisal and Valuation Manual.

Properties in the development programme are typically valued using a residual valuation method. Under this methodology, the valuer assesses the completed development value using income and yield assumptions. Deductions are then made for estimated costs to complete, including finance and developer's profit, to arrive at the valuation. As the development approaches completion, the valuer may consider the income capitalisation approach to be more appropriate.

The following table reconciles the net book value of the investment properties to the market value.

	Freehold £m	Leasehold £m	Total £m
Net book value at 31 December 2021	191.3	6.9	198.2
Less: head leases capitalised	-	(2.6)	(2.6)
Plus: expected disposal costs	2.9	0.1	3.0
Plus: lease incentives	0.5	0.2	0.7
Market value at 31 December 2021	194.7	4.6	199.3
Net book value at 31 December 2022	56.8	-	56.8
Plus: expected disposal costs	0.9	-	0.9
Plus: lease incentives	0.2	-	0.2
Market value at 31 December 2022	57.9	-	57.9

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

9. Investment property (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Segment	Segment Valuation £m		Valuation Technique	Estimated Rental Value £ per square foot (average)		Equivalent Yield % (average %)	
	2022	2021		2022	2021	2022	2021
Retail	35.7	86.9	Income capitalisation	12.41-36.07 (24.24)	13.67-36.07 (24.78)	6.69-10.35 (8.52)	5.00-8.37 (6.40)
Offices	-	78.7	Income capitalisation	-	29.34-78.68 (35.86)	-	4.35-6.16 (5.49)
Other	22.2	33.9	Income capitalisation	15.73 (15.73)	12.00-16.00 (13.88)	5.54-7.5 (6.52)	5.12-6.44 (5.80)

The capital value of investment property is sensitive to changes in the estimated rental value and the equivalent yield. An increase in the equivalent yield will lead to a decrease in the capital value and an increase in the estimated rental value ('ERV') will lead to an increase in the capital value. There are inter-relationships between unobservable inputs. In an oversupplied market, in which supply of properties exceeds demand, the vacancy rate is increasing and rents are declining so the ERV may be lower than the passing rent, thus increasing the equivalent yield. For investment property under construction (including refurbishments), increases in construction costs that add to the property's features may lead to an increase in the future rental potential of the property, leading to a decrease in the equivalent yield. The equivalent yield may also fall as the term to lease expiry increases, demonstrating that investors are willing to pay more for a sustained income stream.

The table below shows the sensitivity of the fair value of Level 3 investments at 31 December to changes in unobservable inputs to a reasonable alternative:

	Market value		Unobservable input	Change in fair value +25bps		Change in fair value +50bps	
	2022	2021		2022	2021	2022	2021
	£'m	£'m		£'m	£'m	£'m	£'m
Investment property	57.9	199.3	Equivalent yield	(1.9)	(8.5)	(3.6)	(16.2)

10. Financial investments

(a) Analysis of financial investments:

	2022	2021
	£'m	£'m
Assets held at fair value through profit or loss		
Other investments		
Specialised investment companies	-	0.1
Total financial investments assets	-	0.1

Amounts above are classified as current as they are fair value to profit and loss. We are required to disclose our interests in consolidated and unconsolidated structured entities as per IFRS 12. The standard is defined as follows; IFRS 12 *Disclosure of Interests in Other Entities* is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The investment held at 31 December 2021 met the definition of an interest in a structured entity per IFRS 12.

The £0.1 million investment held at 31 December 2021 was invested in open-ended investment company ('OEIC') funds, which was managed by a fellow subsidiary of the Company, Aviva Investors UK Fund Services Limited. Total assets under management in the OEIC's at 31 December 2021 was £13.6 million.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****10. Financial investments (continued)**

The Company does not control any of the vehicles into which policyholder funds are invested. The policyholders of the Company have exposure to fair value movements on the underlying investments for their internal holding only. The Company's exposure to variable returns is limited to management fee income in the investing fund. The Company does not sponsor or provide support to any unstructured entities. Please note that the full IFRS 12 disclosures for the investments managed by AIGSL noted above are included in the financial statements for AIGSL.

11. Trade and other receivables

	2022	2021
	£'m	£'m
Other policyholder fund receivables (net of expected credit losses, see below)	5.3	7.7
Trade receivables	-	0.2
	5.3	7.9
Expected to be recovered in less than one year	5.3	7.9

Trade receivables are non-interest bearing and are generally on 30 day payment terms. All other receivables relate to policyholder assets and are due within one year.

To determine the amount of lifetime expected credit loss under the IFRS 9 *Financial Instruments* simplified approach the Company has used its historical observed default rates adjusted for forward-looking estimates. The amount of the lifetime expected credit losses based on past due Other policyholder fund receivables was £3.8 million (2021: £6.5 million). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Shared credit characteristics include amounts due from debtors that are no longer trading, those due from debtors in administration, and amounts due from tenants of properties that have been sold. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers, and adjusts for any expected future changes in those rates.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, a debtor being in receivership and no longer trading, and a failure to make contractual payments for a period of greater than 120 days past due.

The lifetime expected credit losses for trade receivables as at 31 December reconcile to the opening lifetime expected credit losses as follows:

	2022	2021
	£'m	£'m
Balance at 1 January	6.5	3.4
(Decrease) / increase in loss allowance recognised in profit or loss during the year net of unused amount reversed	(1.1)	3.3
Receivables written off during the year as uncollectible	(1.6)	(0.2)
Balance at 31 December	3.8	6.5

The nature of the Company's unit-linked insurance product results in the credit risk on these assets held to cover linked liabilities being borne by the policyholders, and have no impact on the profit or loss attributable to the shareholders. Rental income from investment properties (see note 3) is shown net of the movement in the loss allowance net of unused amounts reversed.

No other Trade and other receivables balances were classified as past due or impaired (2021: £nil), and consequently no lifetime expected credit loss has been recognised. The carrying value of all the receivables and other financial assets approximates fair value. Trade and other receivables are categorised as amortised cost under IFRS 9 *Financial Instruments*.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****12. Assets held to cover linked liabilities**

The Company's unit-linked insurance products have been classified as investment contracts. The assets backing these unit-linked liabilities are included within the Statement of financial position and correspond to the liability for investment contracts disclosed in note 14.

The carrying values of the assets backing these unit-linked liabilities are as follows:

	2022	2021
	£'m	£'m
Investment properties	56.8	198.2
Other investments	-	0.1
Receivables	5.3	7.7
Payables	(6.0)	(10.0)
Finance lease liabilities	-	(2.6)
Cash and cash equivalents	3.2	282.9
	<u>59.3</u>	<u>476.3</u>
The associated liabilities are:		
Unit-linked contracts classified as investment contracts	<u>(59.3)</u>	<u>(476.3)</u>

In the normal course of business certain policyholders have registered floating charges amounting to £3.9 million (2021: £40.0 million) over the whole of the unit linked insurance assets of the Company to secure amounts due from the Company. The Company does not anticipate that any of the charges will crystallise.

13. Ordinary share capital

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

	2022	2021
	£'m	£'m
The allotted, called up and fully paid share capital of the Company at 31 December was:		
8,000,000 (2021: 8,000,000) ordinary shares of £1 each	<u>8.0</u>	<u>8.0</u>

All ordinary shares rank equally with regards to voting rights and dividend entitlements declared, made or paid by the Company. All shares will also be entitled to a proportional share of the residual net assets of the Company upon winding up.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****14. Liability for investment contracts**

The liability for investment contracts, all of which are unit-linked, comprised:

	2022	2021
	£'m	£'m
<i>Carrying amount at 1 January</i>	476.3	722.9
Inflows	-	1.9
Redemptions	(405.3)	(369.6)
Investment and other income	(10.6)	123.9
Charges	(1.1)	(2.8)
<i>Carrying amount at 31 December</i>	59.3	476.3

The liability is categorised as a financial liability at fair value through profit or loss. The liability is classified as non-current as the Company has an unconditional right to defer settlement of the investment contract liability for at least twelve months after the reporting period. However as a result of notices of closure being served on the investment contract funds, all policyholders are in a redemption queue and partial settlements are made as assets are sold.

(a) Methodology

The liability for investment contracts represents the bid value of units, held on behalf of the policyholders, which is equal to the surrender value of the units.

(b) Assumptions

No actuarial valuation assumptions are required to assess the carrying value of the provision held for the unit-linked business, which is based only on the bid value of units at the valuation date.

15. Finance lease liabilities

At 31 December 2021 one of the policyholder investment properties was leased under a finance lease. The average lease term was 99 years. The interest rate underlying obligations under finance leases was 1.505% per annum.

The table below represents the Company's future lease obligations at 31 December 2021. This property was sold during the year so there are no future finance lease liabilities at 31 December 2022.

	Minimum lease payments	Present value of minimum lease payments
	2021	2021
	£'m	£'m
Not later than one year	0.1	0.1
Later than one year and not later than five years	0.5	0.4
Later than five years	7.0	2.1
	7.6	2.6
Less: future finance charges	(5.0)	-
Present value of minimum lease payments	2.6	2.6

Finance lease liabilities are classified as Level 3 under the fair value hierarchy.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****16. Trade and other payables**

	2022	Represented 2021
	£'m	£'m
Policyholder fund payables	6.0	10.0
Amounts due to fellow subsidiaries	-	0.4
	<u>6.0</u>	<u>10.4</u>

As at 31 December 2022, all payable amounts are attributable to policyholders and are classified as current, because they are payable on demand. All trade and other payables are carried at amortised cost, which approximates to fair value.

The prior year balance has been represented to separately disclose Amounts due to fellow subsidiaries which were previously included within policyholder fund payables.

17. Lease assets and commitments

The Company has no capital commitments (2021: £nil) in respect of capital expenditures contracted for at the date of the Statement of financial position.

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

	2022	2021
	£'m	£'m
Within 1 year	4.6	6.5
Later than 1 year and not later than 5 years	17.5	19.1
Later than 5 years	37.8	31.0
	<u>59.9</u>	<u>56.6</u>

The table above represents the Company's future contractual aggregate minimum lease rentals receivable at 31 December 2022. As a result of serving notice on the Property Fund all investment properties are being sold. As a result, the operating lease assets will also be transferred.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****18. Additional cash flow information****(a) The reconciliation of (loss)/profit before tax to the net cash inflow/(outflow) from operating activities is:**

	2022	2021
	£'m	£'m
(Loss)/profit before tax	(0.1)	0.4
Amortisation of premium/discount on debt securities	-	0.3
Net realised losses/(gains) on financial investments	0.1	(56.1)
Net realised gains on investment properties	(0.4)	(26.0)
Movement in unrealised gains and losses on investments held at fair value through profit or loss	(0.1)	53.0
Movement in unrealised gains and losses on investment properties held at fair value	13.6	(82.8)
Movement in expected investment property disposal costs	(2.1)	(3.6)
Change in liability for investment contracts	(417.0)	(246.6)
Changes in working capital:		
Change in receivables and other financial assets	2.6	14.6
Change in payables and other financial liabilities	(4.4)	(0.2)
(Purchases)/sales of operating assets:		
Capitalised expenditure on existing properties	(1.1)	(1.6)
Disposals of investment property	128.8	352.2
Additions of financial investments	-	(379.1)
Disposals of financial investments	0.1	631.6
Cash (used in)/generated from operations	(280.0)	256.1

Purchases and sales of investment property and financial investments are included within operating cash flows, as the cash flows are associated with the origination of investment contracts net of payments of related claims.

All amounts reported in the reconciliation of (loss)/profit before tax to the net cash inflow/(outflow) from operating activities relate to discontinued operations.

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

	2022	2021
	£'m	£'m
Cash at bank and in hand	9.9	1.8
Cash equivalents	3.0	291.1
	12.9	292.9

As at 31 December 2022, cash and cash equivalent attributable to shareholders was £9.7 million (2021: £10.0 million), the remaining balance of £3.2 million (2021: £282.9 million) was held by policyholders. This cash is attributable to the policyholders only and not available for the Company to use.

Cash and cash equivalents are categorised as amortised cost under IFRS 9 *Financial Instruments*.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

19. Risk and capital management policies

(a) Overview

The Company is expected to cease operating and commence a voluntary liquidation, subject to remaining within risk appetite and meeting stakeholders' expectations. This is achieved by following rigorous and consistent risk and oversight management within the business. The Company's Risk and Oversight Management Framework ('ROMF') includes the strategies, policies, processes, culture, governance arrangements, tools, and reporting procedures necessary to support this. The ROMF adopts the AIHL Risk Management Framework ('RMF') risk principles, which have been adapted to the needs and requirements of the Company.

A description of the Company's system of governance is documented in Section B of the Company's Solvency and Financial Condition Report ('SFCR'), available at <https://www.avivainvestors.com/en-gb/capabilities/regulatory>.

Further information on the types and management of specific risk types is provided below:

(b) Operational risk

Operational risk is the current or prospective risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk.

The Company has a low appetite for operational risk and aims to reduce this risk as far as it is commercially sensible.

Conduct risk is assessed as part of operational risk and is the risk that appropriate customer outcomes are not achieved while ceasing operating and commencing a voluntary liquidation.

Operational risk arises mainly through the investment process, distribution channels, product development, information technology and operations, including the transfer agency activities, the majority of which have been outsourced to AIGSL who in turn, has outsourced back-office activities to JP Morgan, and transfer agency services to RBC. Due to the decision to wind down the funds, many of these activities have reduced or stopped.

The Board has delegated oversight of the activities undertaken by AIGSL on behalf of the Company to the CEO with the support of senior executives including through personal committees of the Aviva Investors Executive team. These senior executives and the personal committees have a reporting and escalation relationship with the Company's Board, as well as to the AIHL Board. Matters reported to the Company's Board would detail any significant operational breach of regulation, or any of the operational risk policies, and key operational risks outside of tolerance standards, and key operational risks outside of tolerance.

Following the decision to close down the funds, any risks arising from the process, are monitored through regular dedicated internal meetings which provides regular progress reports to the Company's Board. These meetings are attended by key business representatives including the Aviva Investors Chief Risk Officer, client relationship managers, Property Fund managers, and Legal, Compliance and Risk representation.

No material operational issues have been reported. Refer to Policyholder liquidity risk in (f) Liquidity risk for the status of the fund closures.

The Company's Board also reviews and updates the risk appetite statements at least annually and sets its tolerances for operational risk. The Company's exposure against risk appetites is reported and monitored at the Board meetings.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

19. Risk and capital management policies (continued)

(c) Regulatory compliance

The Company's insurance business is subject to dual regulation in the UK, directly authorised by both the PRA (for prudential regulation) and the FCA (for conduct regulation). Between them, the PRA and the FCA have 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 Company has compliance resources to respond to regulatory enquiries in a constructive way and take 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.

(d) Market Risk

Market risk the current or prospective risk of loss arising from movements in market prices including equity and property prices, and fluctuations in interest rates, and foreign currency exchange rates. Market risk arises in the business due to fluctuations in the value of investments held, which has an impact on the management charges earned by the Company.

The nature of the Company's unit-linked insurance business results in the value of the Company's investment contract liability being directly linked to the value of the related investment assets and therefore the Company's exposure relates solely to the management fees earned on the assets. As of 31 December 2022, not all the Company's funds have been liquidated. Refer to Policyholder liquidity risk in (f) Liquidity risk for the status of the fund closures.

The exposure to market risk has decreased as a result of the liquidation of the Company's funds. As of 31 December 2022, the Property Fund had unsold properties that are projected to be sold by Q2 2023. As the properties are sold, the exposure to property price risk will continue to reduce.

The liquidation of the Company's funds is monitored at regular dedicated internal meetings which provide regular reports on progress and any associated risks to the Board.

(e) Credit / Counterparty risk

Credit / Counterparty risk is the current or prospective risk of loss arising from adverse financial impacts due to fluctuations in credit quality of third parties including default.

The nature of the Company's unit-linked insurance product results in the credit risk on the assets held to cover linked liabilities being borne by the policyholders.

The Company's exposure to credit risk from trade and other receivables is mainly influenced by the default risk of its client base. Remaining credit risk relates to cash and cash equivalents held on deposit at credit institutions.

The Company adheres to the Aviva Investors Investment Policy Statement in managing the credit risk associated with cash and cash equivalents, notably through placement of funds with high credit ratings assigned by international credit agencies. Credit exposures are identified, evaluated and managed in accordance with best practice and agreed risk appetite, so as to ensure that risks are managed within bounds acceptable to clients, the Aviva Investors UK Credit Risk Officer and, where appropriate, the Aviva Group Credit Risk Director.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

19. Risk and capital management policies (continued)

(f) Liquidity risk

Liquidity risk is defined as the current or prospective risk of loss that liabilities cannot be met in a timely and cost-effective manner as they fall due. Liquidity issues may arise from uncertainty in the value and timing of liabilities as well as uncertainty in the ability to realise assets into cash to meet its obligations. Liquidity risk is categorised into shareholder and a policyholder liquidity risk.

Shareholder liquidity risk

The Company's exposure to shareholder liquidity risk is predominantly through its exposure to credit and counterparty risk, exceptional fines, or crystallisation of operational risk events.

The Company complies with the Aviva Group Liquidity Business Standard and Financial Risk Policy that requires management to consider a range of approaches to determine the appropriate minimum liquidity appetite.

The Board set a liquidity appetite for the Company to ensure that financial obligations can be met when due. The Company evaluates its liquidity requirements against the Company's appetite on a regular basis.

The Company's financial liabilities are all payable within 1 year. It is anticipated that the Company is able to settle any financial liabilities when required.

The Company's prior year finance lease liabilities are analysed separately in note 15.

Policyholder liquidity risk

Policyholders who are currently invested in the Property Fund are exposed to liquidity risk because they are invested in direct real estate assets that are illiquid in nature.

As part of the fund closure process, the Property Fund managers maintain a property sales tracker that is used to monitor the progress being made on the sale of the direct properties and is updated regularly for the regular dedicated internal meetings, and for the Company's Board.

(g) Life underwriting risk

Life underwriting risk is the risk of loss on underwriting activity caused by an adverse change in the value of liabilities arising from inappropriate insurance pricing, inadequate claims reserving assumptions as well as unforeseen fluctuations in the timing, frequency and severity of insured events relative to the expectations at the time of underwriting. The risk excludes operational risk arising from internal processes in the writing of insurance business or settling of claims.

The Company's life insurance risk arises through its exposure to worse than anticipated operating experience on factors such as persistency levels (customers lapsing or surrendering their policies) and expense risk (the amount it costs to administer policies). The Company is exposed to persistency (lapse) and expense risk in the unit-linked pensions business.

The Company's exposure to life underwriting risk has decreased as a result of the Board's decision in 2021 to close the business and return policyholder funds to policyholders.

(h) Climate change financial risks

The PRA issued its Supervisory Statement SS3/19 in April 2019, titled 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change', that sets out its expectations regarding firms' responsibility to manage financial risks from climate change. On 1 July 2020, the PRA sent a 'Dear CEO' letter to PRA-regulated firms, building on the expectations set out in the Supervisory Statement, providing observations on good practice, and setting out next steps for implementation. The PRA asked firms to have an implementation plan in place by October 2019 and have clarified that firms should have fully embedded their approaches to managing climate-related financial risks by end of 2021.

Climate-related financial risks are typically classified as physical and transition risks, and are explained further and examples given in the PRA Supervisory Statement SS3/19. Due to the decision to cease operating and commencing a voluntary liquidation, the climate-related financial risks are being reduced and relate to the remaining properties in the Property Fund that are being sold.

Aviva Investors Pensions Limited

Report and financial statements for the year ended 31 December 2022

Registered in England and Wales: No.1059606

19. Risk and capital management policies (continued)

(i) Capital management

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 policyholder confidence and sustain the future development of the business. Quantitative risk appetites for regulatory capital have been approved by the Board and are monitored by Aviva Investors Finance Committee and the Board on a regular basis.

(i) Regulatory capital

The Company's regulatory capital is calculated in accordance with Solvency II regulatory rules. A net adjustment of £0.2 million (2021: £0.2 million) is made to IFRS equity of £9.7 million (2021: £9.8 million) resulting in regulatory capital on a Solvency II basis of £9.5 million (2021: £9.6 million).

The Company uses the standard formula methodology to calculate their solvency capital requirement under Solvency II.

The Company has complied with its regulatory capital requirements throughout the financial year.

(ii) Own risk and solvency assessment

The Company's capital management framework uses the Own Risk and Solvency Assessment ('ORSA') process of the PRA. The ORSA includes a detailed assessment of the risks to which the business is exposed and an estimate of the amount of capital required to mitigate those risks to a selected remote level of risk.

The Board chooses to assess capital under the ORSA basis as it believes that it is a more realistic quantification of the risk to which the Company is exposed.

(j) Fair value methodology

For investments carried at fair value, we have categorised the investments into a 'fair value hierarchy' ('FVH') based on the degree of subjectivity associated with the data used to value each asset.

(i) Quoted market prices in active markets - ('Level 1')

Assets classified as Level 1 in the hierarchy are valued based on unadjusted quoted prices in active markets for identical assets. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Internal models with significant observable market parameters - ('Level 2')

Assets classified as Level 2 in the hierarchy are valued based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset. Level 2 inputs include the following:

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

(iii) Internal models with significant unobservable market parameters - ('Level 3')

Assets classified as Level 3 in the hierarchy are valued based on unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for inputs to any valuation models). As such, unobservable inputs reflect the assumptions that the Company considers that market participants would use in pricing the asset.

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****19. Risk and capital management policies (continued)****(j) Fair value methodology (continued)**

The table below illustrates the Company's fair value hierarchy classification:

	2022				2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Investments								
Specialised investment companies	-	-	-	-	0.1	-	-	0.1
	-	-	-	-	0.1	-	-	0.1
Investment property	-	-	56.8	56.8	-	-	198.2	198.2
Liability for investment contracts *	-	-	(59.3)	(59.3)	-	-	(476.3)	(476.3)

* In the prior year the Liability for investment contracts was included as a Level 1 liability. As this liability solely related to the Property Fund, and the Investment property assets in the fund are categorised as Level 3, this liability has been re-classified as Level 3. The unobservable inputs to the liability, and sensitivities to changes in the inputs, are consistent with those for the Investment property and are included in note 9.

Investment properties are unique assets within markets which are widely considered illiquid. Due to the irregularity of similar transactions, management has deemed significant inputs into the valuation methodology as non-market observable and classified as FVH Level 3. The associated Finance lease liabilities are also classified as Level 3 under the fair value hierarchy.

As noted above, during the year the classification of the Liability for investment contracts moved from Level 1 to Level 3 to be consistent with the classification of the Investment property assets supporting the liability. Movements in the Level 3 Investment Property assets measured at fair value, Finance lease liabilities, and Liabilities for investment contracts are included in notes 9, 15 and 14 respectively.

20. Related party transactions

AIGSL, a fellow Aviva Investors company, invests on behalf of certain of its segregated clients in unit-linked pension products issued by the Company. AIGSL collects fees directly from the clients, with the Company receiving an agreed fee rate from AIGSL for services provided.

AIGSL provides investment management services to the Company in respect of all unit-linked assets.

(a) Services provided to related parties

	2022		2021	
	Income earned in year	Receivable at year end	Income earned in year	Receivable at year end
	£m	£m	£m	£m
Segregated fee income for assets managed on behalf of a fellow Aviva Investors company	-	-	0.4	-
	-	-	0.4	-

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

Aviva Investors Pensions Limited**Report and financial statements for the year ended 31 December 2022****Registered in England and Wales: No.1059606****20. Related party transactions (continued)****(b) Services provided by related parties**

	2022		2021	
	Expense incurred in year	Payable at year end	Expense incurred in year	Payable at year end
	£m	£m	£m	£m
Investment management fee charged by fellow subsidiary	0.8	-	2.2	0.3
Costs incurred by fellow subsidiary and recharged to the Company	0.3	-	0.7	0.1
	1.1	-	2.9	0.4

(c) Key management compensation

Members of the Board of directors are listed on page 3 of these financial statements. There are no amounts receivable from or payments due to members of the Board. The directors are considered to be the only key management personnel of the Company. Details of their remuneration arrangements are contained in note 7.

(d) Ultimate controlling party

The immediate parent undertaking of the Company is Aviva Investors Holdings Limited.

The ultimate parent undertaking and controlling party is Aviva plc, a company incorporated and domiciled in the United Kingdom.

Aviva plc is the parent undertaking of both the largest and the smallest group of undertakings to consolidate these financial statements at 31 December 2022. The consolidated financial statements of Aviva plc are available on application to the:

Group Company Secretary
Aviva plc
St Helen's
1 Undershaft
London, EC3P 3DQ

21. Events after the reporting period

There have been no events after the reporting period.