# AVIVA INVESTORS UK FUND SERVICES LIMITED

## Registered in England and Wales No. 1973412

## Annual Report and Financial Statements 2020

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2020**

**Registered in England and Wales: No.1973412**

# Contents

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2020**

**Registered in England and Wales: No.1973412**

## Directors and Officers

**Directors**
I K Buckle
A J Coates (independent non-executive)
M D T Craston (non-executive)
D S Macmillan
K E McClellan
M R B Versey
M B E White (independent non-executive)

**Officer - Company secretary**
Aviva Company Secretarial Services Limited
St Helens
1 Undershaft
London
EC3P 3DQ

**Independent auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

**Registered office**
St Helens
1 Undershaft
London
EC3P 3DQ

**Company number**
Registered in England and Wales: No. 1973412

**Other Information**

The Company is authorised and regulated by the Financial Conduct Authority in the UK.

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 UK Fund Services Limited

# Report and Financial Statements for the year ended 31 December 2020

# Registered in England and Wales: No.1973412

## Strategic Report

The directors present their strategic report for the Company for the year ended 31 December 2020.

**Review of the Company's Business**

**Principal Activities**

The principal activities of Aviva Investors UK Fund Services Limited (the 'Company') are the sale and management of open ended investment company ('OEIC') funds, a range of Authorised Contractual Schemes ('ACS'), and the management of Individual Savings Accounts. In addition, the Company acts as the Alternative Investment Fund Manager ('AIFM') for a range of real estate funds, structured as English Limited Partnerships ('ELP').

**Financial Position and Performance**

The financial position of the Company at 31 December 2020 is shown in the statement of financial position on page 18, with trading results shown in the statement of comprehensive income on page 16 and the statement of cash flows on page 19.

The main factors affecting these primary statements in the year were:

- Revenue net of fee expenses remained at a similar level to the prior year at £29.7 million (restated 2019: £30.2 million).
- The revenue on the ELPs and ACSs is largely offset by fee expenses and directly attributable administrative expenses.
- Cost of sales increased by 47% to £11.0 million (restated 2019: £7.5 million). The increase is mainly due to a restatement of the 2019 cost of sales balance relating to fund expenses paid for by the Company, outside of the fund structure, being over accrued and not adjusted following receipt of the actual costs. This resulted in an overstatement of the historic cost of sales balance that has been reflected in 2019.
- Administrative expenses decreased by 22% to £10.5 million due to a reduction in costs including staff, travel and entertainment costs and a one-off release in relation to VAT.

Consequently the Company made a profit before tax of £7.9 million (restated 2019: £9.0 million).

Total equity increased by £2.2 million to £39.6 million, reflecting the profit after tax for the year of £6.4 million (restated 2019: £7.4 million) which was offset by the payment of a dividend of £4.2 million (2019: £35.4 million).

**Section 172 (1) Statement and our stakeholders**

The Directors report here on how they have discharged their duties under Section 172 (s.172) of the Companies Act 2006 which the directors must have regard to in their duty to promote the success of the Company for the benefit of its shareholders which includes having regard to other stakeholders.

The Company Board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the Company to ensure that the Directors' obligations to its shareholder and to its stakeholders are met. The Board monitors adherence to the Aviva Group business standards and compliance with local corporate governance requirements, and is committed to acting if our business should fail to act in the manner the Board expects of them.

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

**Our culture**

As the provider of financial services to millions of customers, Aviva seeks to earn its customers' trust by acting with integrity and a deep sense of responsibility at all times. The Company looks to build relationships with all our stakeholders based on openness and continuing dialogue.

The Company's culture is shaped, in conjunction with its parent company, Aviva Investors Holdings Limited and its ultimate shareholder Aviva plc by jointly held and clearly defined values to help ensure it does the right thing. The Company values diversity and inclusivity in its workforce and beyond. The commitment the Company makes to each customer extends to all the Company's stakeholders; that is 'with you today, for a better tomorrow.'

## Strategic Report (continued)

### Section 172 (1) Statement and our stakeholders (continued)

#### Key strategic decisions in 2020

In 2020, the Company took a number of strategic decisions to protect both investors and employees in view of the Covid pandemic. These included a greater facilitation in home working, which allowed managers and traders to be able to work from other sites or from home in the event they were unable to attend a main office. In addition, there was increased levels of monitoring in the financial markets to ensure investor interests were being protected.

During the year and following the appointment of a new Group CEO, Aviva has taken the decision to focus on its UK, Ireland and Canada business where it has leading market positions and significant potential. In addition, Aviva Investors has set about to drive Aviva's ESG agenda and to become a global leader in sustainable solutions by continuing to develop market leading ESG capabilities.

The Aviva Investors' strategy is underpinned by a 'Pan-UK' approach, supporting Aviva to become the UK's leading insurer and the go-to customer brand in Britain. The key drivers of our strategy are:

- Customer: Deliver our customers' investment needs, placing Environmental, Social and Governance (ESG) and a rigorous risk and control culture at the core of our future strategies
- Simplification: Streamline our business to become more efficient and deliver better customer outcomes
- Growth: Continue to grow in both our Aviva client and external businesses
- People: Develop a high-performance culture, focusing on our diversity and inclusion strategy, talent and career development.

## Strategic Report (continued)

**Section 172 (1) Statement and our stakeholders**

**Stakeholder Engagement**

| Stakeholders | Why are they important to Aviva? | What is our approach to engaging with them and how does is support the decision-making process |
|---|---|---|
| Customers | Our purpose, 'with you today, for a better tomorrow,' captures the reason we exist as a business. | • The Board receives regular reporting on customer outcomes and customer-related strategic initiatives throughout the year.<br>• The Board closely monitors customer metrics and engages with the leadership team to understand the issues if our performance does not meet our customers' expectations.<br>• As part of our COVID-19 response the Board discussed and supported the activities to support customers. As part of this, there has been increased levels of monitoring in the financial markets to ensure investor interest were being protected. One example of this was the suspension of the Aviva Investors Property Fund due to the inclusion of a material uncertainty being placed on property valuations and a lack of liquidity in the market.<br>• The Board also undertakes annual Value Assessments on each of its regulated funds, to determine whether value is being provided to Investors and to take appropriate action where funds are deemed to be underperforming. Copies of the 2020 Value Assessment can be found in the respective fund's report and accounts. As from January 2021 and in order to better engage with our investors, details of the Value Assessment will be published on the Company's website (https://www.avivainvestors.com/en-gb/capabilities/value-assessment/).<br>• In addition to the Value Assessment process, the Company also receives regular reports both on upcoming product launches, as well as any changes to existing products to ensure these are providing continued value to the investors. Portfolio managers are also requested to present to the Board from time to time, particularly where issues have been identified or significant changes have been proposed to a particular product. |

## Strategic Report (continued)

### Section 172 (1) Statement and our stakeholders (continued)

### Stakeholder Engagement (continued)

| Stakeholders | Why are they important to Aviva? | What is our approach to engaging with them and how does is support the decision-making process |
|---|---|---|
| Employees | Our people's commitment to serving our customers is essential for us to deliver on our vision to earn customers' trust as the best place to save for the future, navigate retirement, and insure what matters most to them. | • The Company has no direct employees, instead there is a service agreement in place with various Aviva Group employing companies for the services provided. Across the Aviva Group, there is a focus on recruiting, training and retaining the best talent we can find. We are proud to have been a pioneer in some areas of employee benefits, including providing six months paid parental leave for all UK employees. The Group Chief Executive is a member of the 30% Club, a business-led organisation committed to accelerating progress towards better gender balance at all levels of organisations.<br>• 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 and Inclusion, with a priority on gender and ethnic minorities particularly following the Black Lives Matter movement. |
| 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, including around risk management and customer service | • The Company, in conjunction with the AIHL Risk Committee, maintains oversight of the management of our most important suppliers and reviews and reports on their performance.<br>• Our Board reviews the action we have taken to prevent modern slavery and associated practices in any part of our supply chain.<br>• The Group is a Living Wage employer in the UK, and the Company's 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. The Group is also an accredited living hours employer.<br>• In the UK, the Company's ultimate parent, Aviva plc, is a signatory of the Prompt Payment Code which sets standards for high payment practices. |

## Strategic Report (continued)

### Section 172 (1) Statement and our stakeholders (continued)

### Stakeholder Engagement (continued)

| Stakeholders | Why are they important to Aviva? | What is our approach to engaging with them and how does is support the decision-making process |
|---|---|---|
| Communities | We recognise the importance of contributing to our communities through volunteering, community investment, and long-term partnerships with non-governmental organisations, and as a major asset manager we are fully engaged in building resilience against the global impact of climate change. | • The Group actively encourages and supports colleagues to volunteer in their communities providing 21 hours of paid volunteering time to each UK Employee annually to help make a positive impact and help build stronger communities.<br>• During 2020, Aviva significantly increased community investment in light of Covid-19 to support vulnerable customers and the communities in which the Company operates. This included Aviva and the Aviva Foundation donating £310 million to the British Red Cross and other national societies to support communities across our markets, including the creation of a hardship find in the UK to provide financial support to those most in need.<br>• Aviva Investors is committed to minimising its impact on our customers, and our business for the long term - such as continuing to reduce our CO2 emissions, which has included a commitment by Aviva plc to reach Net Zero carbon emissions by 2040.<br>• Supporting the UN's Sustainable Development Goals (SDGs) is important to Aviva. These goals are focused on ending poverty, protecting the planet, and ensuring prosperity for all by 2030. And we believe we have a key role in helping to achieve this vision. We use the Sustainable Development Goals to guide us, our customers and society towards a better future.<br>• The company is committed to systematically embedding Environmental, Social and Governance ('ESG') considerations across the Aviva Investors business. This included 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. |
| Regulators | As an asset management firm, we are subject to financial services regulations and approvals in all the markets we operate in. | • As the subject of close and continuous supervision by the regulator, we maintain constructive and open relationships with the FCA, facilitated by a programme of regular meetings between them and the directors.<br>• The Company routinely provides copies of the Board, Audit and Risk papers to the FCA and responds to requests for information when required. |
| Shareholders | Our retail and institutional shareholders are the owners of the Company. | • The Company's ultimate shareholder is Aviva plc and there is on -going communication and engagement with the Aviva plc board.<br>• Any matters requiring escalation are escalated by the Board through the Chair to its parent and where required, to the Aviva plc board.<br>• The Chairman of AIHL, the parent of AIUKFSL, is a regular attendee to all Aviva Plc board meetings. |

## Strategic Report (continued)

### Future Outlook

The directors continually assess the long term strategy of the Company to ensure it can adapt to changing market conditions, changes in regulations and changes in client and operational demands. When assessing and setting the Company's long term strategy, the directors take into consideration client, regulatory and legal requirements, its shareholders and other stake holders. In addition the directors undertake stress and scenario testing to ensure that the Company continues to meet its financial objectives and adherence to internal capital and liquidity risk appetite limits over the business planning cycle. The directors will continue to monitor the situation with COVID-19 including further stress and scenario testing and taking actions to mitigate the impact on the Company where appropriate.

Key business strategic priorities for 2021

- Continued improvement in investment performance to deliver enhanced investment returns for our clients
- Ongoing focus on simplifying our business to deliver efficiency benefits
- Continuing to focus on our leadership position in sustainability through both ESG and how we invest.

### Principal Risks and Uncertainties

A description of the principal operational and financial risks and uncertainties facing the Company and the Company's risk and capital management policies are set out in note 14 to the financial statements.

During the year, the Company has been impacted by the COVID-19 pandemic through its operations as well as ongoing difficult conditions in the global financial markets and the economy generally. Asset management revenues are sensitive to changes in asset values, and client de-risking and asset allocation decisions leading to lower margins.

We have seen COVID-19 have a significant impact on the global economy and markets. Key impacts have been observed from volatile equity markets and falls in interest rates. The Company's balance sheet exposure has been reviewed and has limited sensitivity to economic shocks.

The Company continues to maintain strong solvency and liquidity positions as demonstrated by a range of scenarios and stress testing. These scenarios allow for the potential impacts of COVID-19 both directly on operations of the Company and also the wider macroeconomic environment. We have been closely engaging with regulators on their response to COVID-19.

The UK-EU Future Relationship Agreement came into effect on 1 January 2021, ending the Brexit transition period, for which the Company was fully prepared. It provides scope for managed policy divergence or maintaining alignment, if the UK chooses. The agreement will have evolving consequences in 2021 and beyond on future financial services and data regulation, UK-EU data transfers, EU market access and the UK economy which will require careful monitoring.

### Key performance indicators

The Company's financial key performance indicators ('KPIs') are those that are used by the directors to measure the Company's success in achieving targets and include the following:

| Measure | 2020 | 2019 | Change |
|---|---|---|---|
| Profit before tax (£'m) (restated 2019) | 7.9 | 9.0 | (1.1) |
| Average OEIC and authorised unit trust funds under management (£'m) | 18,712 | 19,468 | (756) |
| Average ACS funds under management (£'m) | 67,944 | 60,018 | 7,926 |
| Average ELP funds under management (£'m) | 5,982 | 5,424 | 558 |

The decrease in profit before tax is explained in the Financial Position and Performance section above.

On behalf of the Company Board

DocuSigned by:

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D S Macmillan
Director
27 April 2021

## Directors' Report

The directors present their audited annual report and financial statements of the Company for the year ended 31 December 2020.

### Directors

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

| | |
|---|---|
| I K Buckle | |
| D Clayton | (resigned 31 August 2020) |
| A J Coates | |
| M D T Craston | |
| S P J Ebenston | (resigned 31 March 2021) |
| D S Macmillan | (appointed 17 November 2020) |
| K E McClellan | (appointed 23 April 2020) |
| M R B Versey | (appointed 30 September 2020) |
| M B E White | |

### Future Outlook

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

### Dividend

An interim dividend of £4.2 million was paid on 30 November 2020 (2019: £35.4 million). The directors do not recommend the payment of a final dividend for the financial year ending 31 December 2020.

### Going concern

A detailed going concern review has been undertaken as part of the 2020 reporting process. This review includes consideration of the Company's current and forecast solvency and liquidity positions over a three-year period through management's 2021-2023 business plan and evaluates the results of stress and scenario testing. The Company's stress and scenario testing considers the Company's capacity to respond to a series of relevant financial or operational shocks should future circumstances or events differ from the current assumptions in the business plan, focusing on the impacts on solvency, liquidity and cash remittances. The range of scenarios allow for the potential impacts of COVID-19 both directly on the operations of the Company and also on the wider macroeconomic environment, and considers the potential risks associated with the UK's negotiations with the European Union on their future relationship.

Even in severe downside scenarios, no material uncertainty in relation to going concern has been identified, due to the Company's strong solvency and liquidity positions providing considerable resilience to external shocks, underpinned by the Aviva Group's approach to risk management.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements.

### Events after the reporting period

There have been no events after the reporting period.

## Directors' Report (continued)

### Employees

The Company has no employees (2019: none). All staff are employed by a fellow subsidiary undertaking of Aviva Group. Disclosures relating to the majority of employees may be found in the Annual Report and Financial Statements of Aviva Employment Services Limited.

### Disclosure of information to the auditor

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

- so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

### Independent Auditors

It is the intention of the directors to reappoint the auditor under the deemed appointment rules of Section 487 of the Companies Act 2006.

### Qualifying Indemnity Provisions

The directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in Section 234 of the Companies Act 2006.

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This indemnity is a 'qualifying third party indemnity' for the purposes of Sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force throughout the year and 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.

### 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 international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 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.

## Directors' Report (continued)

**Statement of Directors' Responsibilities (continued)**

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

By order of the Company Board

DocuSigned by:

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D S Macmillan
Director
27 April 2021

## Independent auditors' report to the members of Aviva Investors UK Fund Services Limited

## Report on the audit of the financial statements

### Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; 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.

### Basis for opinion

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

#### *Independence*

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

### Conclusions relating to going concern

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

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

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

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

### Reporting on other information

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

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

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

## Independent auditors' report to the members of Aviva Investors UK Fund Services Limited (continued)

**Reporting on other information (continued)**

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 2020 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.

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 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 included:
Discussions with the Board of Directors, internal audit, and senior management involved in Risk, Compliance and Legal functions, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;

- Discussions with the Board of Directors, internal audit, and senior management involved in Risk, Compliance and Legal functions, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee, and Board of Directors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by unexpected users; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing over areas such as revenue and journals.

## Independent auditors' report to the members of Aviva Investors UK Fund Services Limited (continued)

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

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

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

*Use of this report*

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

### Other required reporting

**Companies Act 2006 exception reporting**

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

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

PricewaterhouseCoopers LLP

Sally Cosgrove (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 April 2021

# Aviva Investors UK Fund Services Limited

## Report and Financial Statements for the year ended 31 December 2020

## Registered in England and Wales: No.1973412

## Statement of Comprehensive Income

## For the year ended 31 December 2020

| | Note | 2020 | Restated 2019 |
|---|---|---|---|
| | | **£'000** | **£'000** |
| Revenue | | 143,619 | 153,281 |
| Cost of sales | | (11,019) | (7,515) |
| Fee expense | | (113,930) | (123,114) |
| Administrative expenses | | (10,488) | (13,478) |
| **Operating profit** | | **8,182** | **9,174** |
| Realised losses from investments held at fair value through profit or loss | | (455) | (478) |
| Finance income | | 128 | 334 |
| **Profit before tax** | | **7,855** | **9,030** |
| Tax charge | 5 | (1,476) | (1,665) |
| **Profit and Comprehensive Income for the year** | | **6,379** | **7,365** |

All amounts reported in the statement of comprehensive income relate to continuing operations. Restated 2019 balances are outlined in note 2 of the financial statements.

The accounting policies on pages 20 to 24 and notes on pages 24 to 37 are an integral part of these financial statements.

## Statement of Changes in Equity

## For the year ended 31 December 2020

| | Ordinary Share capital | Retained earnings | Total Equity |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Balance at 1 January 2019** | 21,500 | 43,912 | 65,412 |
| Profit for the year | - | 4,186 | 4,186 |
| Dividends paid | - | (35,400) | (35,400) |
| **Balance at 31 December 2019 as reported** | **21,500** | **12,698** | **34,198** |
| Prior year adjustments | - | 3,179 | 3,179 |
| **Balance at 31 December 2019 as restated** | **21,500** | **15,877** | **37,377** |
| Profit for the year | - | 6,379 | 6,379 |
| Dividends paid | - | (4,200) | (4,200) |
| **Balance at 31 December 2020** | **21,500** | **18,056** | **39,556** |

Restated 2019 balances are outlined in note 2 of the financial statements.

The accounting policies on pages 20 to 24 and notes on pages 24 to 37 are an integral part of these financial statements.

## Statement of Financial Position

## As at 31 December 2020

| | Note | 2020 | Restated 2019 |
|---|---|---|---|
| | | **£'000** | **£'000** |
| **ASSETS** | | | |
| **Current assets** | | | |
| Trade and other receivables | 8 | 75,159 | 79,269 |
| Cash and cash equivalents | 13(b) | 45,518 | 58,927 |
| Investments designated at fair value through profit or loss | 6 | 4,750 | 5,388 |
| Prepayments and accrued income | 9 | 39,595 | 21,255 |
| Deferred tax assets | 11 (b) | 136 | 115 |
| **Total current assets** | | **165,158** | **164,954** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Ordinary share capital | 12 | 21,500 | 21,500 |
| Retained earnings | | 18,056 | 15,877 |
| **Total equity** | | **39,556** | **37,377** |
| **Non-current liabilities** | | | |
| Tax liabilities | 11(a) | 3,218 | 1,721 |
| **Total non-current liabilities** | | **3,218** | **1,721** |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 122,384 | 125,856 |
| **Total current liabilities** | | **122,384** | **125,856** |
| **Total liabilities** | | **125,602** | **127,577** |
| **Total equity and liabilities** | | **165,158** | **164,954** |

Restated 2019 balances are outlined in note 2 of the financial statements.

The financial statements on pages 16 to 37 were approved by the Company Board of Directors on 27 April 2021 and were signed on its behalf by

DocuSigned by:

E991014BF9E64E6...

D S Macmillan
Director
27 April 2021

# Aviva Investors UK Fund Services Limited

## Report and Financial Statements for the year ended 31 December 2020

## Registered in England and Wales: No.1973412

## Statement of Cash Flows

## For the year ended 31 December 2020

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Cash flows (used in)/generated by operating activities** | | | |
| Cash (used in) / generated by operations | 13(a) | (976) | 26,150 |
| Group relief paid | | (8,361) | (3,556) |
| *Net cash (used in)/generated by operating activities* | | (9,337) | 22,594 |
| **Cash flows used in financing activities** | | | |
| Finance income | | 128 | 334 |
| Dividends paid | | (4,200) | (35,400) |
| *Net cash used in financing activities* | | (4,072) | (35,066) |
| **Net decrease in cash and cash equivalents** | | (13,409) | (12,472) |
| Cash and cash equivalents at 1 January | | 58,927 | 71,399 |
| **Cash and cash equivalents at 31 December** | 13(b) | **45,518** | **58,927** |

The accounting policies on pages 20 to 24 and notes on pages 24 to 37 are an integral part of these financial statements.

## 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

The financial statements are prepared under the historical cost convention, except for those financial assets and liabilities that have been measured at fair 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 thousands of pounds sterling (£'000).

***Statement of compliance***

The Company's financial statements have been prepared and approved by the directors in accordance with the international accounting standards in confirmity with the requirements of Companies Act 2006. The Company's financial statements have been prepared in accordance with IFRS applicable at 31 December 2020 and have been prepared on a going concern basis.

***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 financial years beginning on or after 1 January 2020. The amendments have been issued and endorsed by the EU and do not have an impact on the Company's financial statements

***(i) Amendments to references to the Conceptual Framework in IFRS Standards (published by IASB in March 2018)***

***(ii) Amendment to IFRS 3: Business Combinations (published by the IASB in October 2018 )***

***(iii) Amendment to IAS 1 and IAS 8 (published by the IASB in October 2018)***

***(iv) Interest Rate Benchmark Reform: amendments to IFRS 9, IAS 39 and IFRS 7 (published by the IASB in October 2019)***

## Notes to the Financial Statements

# 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***

The following applicable new standards, amendments to existing standards and interpretations have been issued, are not yet effective and have not been adopted early by the Company:

*(i)* ***Amendments IFRS 16 Leases: Covid related rent concessions***

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 30 June 2020 and have not yet been endorsed by the EU.

*(ii)* ***Interest Rate Benchmark reform phase 2:Amendment to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16***

Published by the IASB in August 2020. The amendments are effective for annual reporting beginning on or after 1 January 2021 and have not yet been endorsed by the EU.

### (B) Critical accounting policies and use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the statement of comprehensive, statement of financial position, other primary statements and notes to the financial statements. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

The directors do not consider there to be any critical accounting policies or use of estimates.

### (C) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income.

Assets and liabilities held in foreign currencies at the year end have been translated at the prevailing rate at 31 December 2020.

# 1. Accounting policies (continued)

### (D) Revenue recognition

Fund management charges (FMFs) derived from OEICs and authorised unit trust funds, annual management charges (AMCs) derived from ACSs, and investment management fees derived from the English Limited Partnerships in the Company's capacity as Alternative Investment Manager, are recognised as revenue over time, as performance obligations are satisfied. In most cases revenue is recognised in the same period in which the fees are charged.

The Company holds shares in OEICs and units in authorised unit trusts (see note 6) to facilitate the efficient management of the demand for shares and units by the customers (Managers box). Box profits or losses are calculated as:

- The difference between the cost of purchasing redeemed units at cancellation prices and reselling them at creation prices for those funds which are dual priced; and
- Any increase in the value of shares or units the manager holds in the Box, as a result of price fluctuations over a valuation point.

Box profits or losses are recognised when the related transaction occurs. Box profits or losses are recognised as realised gains or losses from investments designated as trading on the statement of comprehensive income.

Fees that are related to services to be provided in future periods are deferred and recognised when the performance obligation is fulfilled. Variable consideration, such as performance fees subject to clawback, is not recognised as revenue until it is reasonably certain that no significant reversal of amounts recognised would occur.

All revenue is net of any value added tax, rebates and distribution allowances. All revenue is attributable to continuing activities and arises in the UK.

### (E) Cost of Sales

Costs of sales comprises the directly attributable costs of the ACS funds which are fully recharged and included in revenue, and various fees in respect of OEICs and authorised unit trusts.

### (F) Fee expense

Fee expense is payable for investment management services provided by other Aviva Investors companies under sub delegation and sub-advisory agreements, and is recognised on an accruals basis as it is earned and is recognised net of VAT or any rebates.

Expense for performance fees is recognised when the liability is crystallised.

### (G) *Investments held at fair value*

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

Purchases and sales of instruments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair value less transaction costs. Instruments carried at fair value are measured using a fair value hierarchy, described in note 14, with value based on quoted bid prices.

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

# 1. Accounting policies (continued)

### (H) Receivables and payables

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

### (I) Cash and cash equivalents

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

### (J) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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

Contingent assets are disclosed if there is a possible future benefit as a result of a past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In the case of a reimbursement where the recognition criteria is virtually certain a contingent asset is disclosed when the future benefit is probable.

### (K) 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 reserves as appropriate.

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

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

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.

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.

# 1. Accounting policies (continued)

### (K) Income tax (continued)

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

### (L) 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. Therefore, the Company's share capital is considered to be an equity instrument.

### (M) Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised in equity in the year in which the Company's obligation to make the dividend payment arises.

# 2. Prior year restatement

Errors were identified when reviewing the Company's Balance Sheet which has identified a number of unsubstantiated balances resulting in restatements for 2019. In particular, fund expenses paid for by the Company, outside of the fund structure, were over accrued and had not been adjusted following receipt of the actual costs. This resulted in an overstatement of the historic cost of sales balance of £5.3 million and understatement of the corresponding Tax charge of £1.7 million and fee expense of £1.2 million. In addition, other immaterial errors were also identified that impacted both the statement of comprehensive income and statement of financial position, which were also adjusted. These equated to a net impact of £0.8 million. In accordance with IAS 8 Accounting Policies - Changes in accounting estimates and errors the 2019 comparative amounts have been restated. The table below summaries the amendments that have been made between the balances reported in the financial statements for the year ended 31 December 2019 and the updated balances are shown as comparatives in the current year financial statements. No other balances have been impacted.

| | As reported 2019 | Impact | Restated 2019 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Statement of comprehensive income** | | | |
| Cost of sales | 12,815 | (5,300) | 7,515 |
| Fee expense | 122,314 | 800 | 123,114 |
| Administrative expenses | 13,878 | (400) | 13,478 |
| Tax charge/(credit) | (56) | 1,721 | 1,665 |
| **Statement of financial position** | | | |
| Retained earnings | 12,698 | 3,179 | 15,877 |
| Trade creditors | 7,112 | 700 | 7,812 |
| Accruals | 77,665 | (5,600) | 72,065 |
| Tax liabilities | - | 1,721 | 1,721 |

## 3. Directors' emoluments

Ms A Coates, Mr M Craston and Mr M White were non-executive directors and their fees were paid for and borne by a fellow subsidiary of the Company, Aviva Investors Global Services Limited. 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 an allocation to the Company of fees in respect of the services of Ms A Coates and Mr M White and a recharge to the Company for the services of some of the Executive Directors as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Aggregate emoluments in respect of qualifying services | 267 | 729 |
| Company pension contributions to money purchase scheme | - | - |

During the year none of the directors exercised share options (2019: one) and three of the directors received shares under long term incentive schemes (2019: one).

## 4. Auditors' remuneration

Auditors' remuneration in relation to the Company for 2020 was £53,770 (2019: £49,970).

Fees paid to the auditors for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the Company's ultimate parent company, Aviva plc, are required to disclose other non-audit services on a consolidated basis.

## Notes to the Financial Statements

## 5. Tax

### (a) Tax charge to the statement of comprehensive income

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

| | 2020 | Restated 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| **Current tax** | | |
| Tax charge for the current year | 1,493 | 1,721 |
| Adjustments in respect of prior years | 4 | 50 |
| Total current tax charge | 1,497 | 1,771 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | (7) | (106) |
| Changes in tax rates or tax laws | (14) | - |
| Total deferred tax | (21) | (106) |
| **Total tax charge to the statement of comprehensive income** | 1,476 | 1,665 |

Recognition of previously unrecognised temporary differences has reduced the tax charge by £nil (2019: £0.1 million ).

**(ii) Deferred tax charged to the statement of comprehensive income represents movements on the following items:**

| | 2020 | 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| Provisions and other temporary differences | (22) | (107) |
| Accelerated capital allowances | 1 | 1 |
| Total deferred tax credited to statement of comprehensive income | (21) | (106) |

## Notes to the Financial Statements

# 5. Tax (continued)

### (b) Tax reconciliation

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

| | 2020 | Restated 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| Profit before tax | 7,855 | 9,030 |
| Tax calculated at standard UK corporation tax rate of 19.0% (2019: 19.0%) | 1,492 | 1,716 |
| Adjustments in respect of prior year | (4) | 50 |
| Impact of change in rate of tax | (14) | - |
| Movement in unrecognised deferred tax | - | (107) |
| Disallowable expenses | 2 | 6 |
| **Total tax charge to the statement of comprehensive income (note 5(a))** | 1,476 | 1,665 |

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19%. As a result, the Company's deferred tax assets have increased by £14,000.

In the Budget of 3 March 2021 the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2020. This measure would increase the Company's deferred tax assets by approximately £43,000.

Restated 2019 balances are outlined in note 2 of the financial statements.

# 6. Investments held at fair value through profit or loss

| | 2020 | 2019 |
|---|---|---|
| | **£'000** | **£'000** |
| Shares in OEICs and units in authorised unit trusts | 4,750 | 5,388 |

## Notes to the Financial Statements

# 7. Interests in structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The Company acts as fund manager for certain investment funds and specialised investment vehicles and makes management decisions after extensive due diligence of the underlying investment vehicle including consideration of its strategy (to provide investors with a variety of investment opportunities through managed investments strategies). The Company is compensated by the respective investment vehicles for their services. Such compensation generally consists of a Fund Management Fee that is taken from the funds to cover a range of expenses including the amount retained by the Company.

### (a) Interests in consolidated structured entities

The Company does not have control over any investment vehicles. It does not provide financial support in the form of a loan, guarantee or non-contractual letter of support to any structured entity.

### (b) Interests in unconsolidated structured entities

The Company has an interest in unconsolidated structured entities as it holds shares in OEIC's and units in authorised unit trusts (see note 6) to facilitate the efficient management of the demand for shares and units by the customers.

### (c) Other interests in unconsolidated structured entities

Fees received for investments that the Company manages but does not have a holding in represent an 'other interest' in unconsolidated structured entities. The investment risk is borne by the underlying investors and therefore the Company's maximum exposure to loss relates to future fee income. Disclosures in relation to risk management are given in note 14.

The table below shows the total funds under management ('FUM') within investment vehicles that the Company manages but does not have a holding in and the fees earned from the management of those vehicles.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | FUM | Revenue | FUM | Revenue Restated |
| | £'m | £'000 | £'m | £'000 |
| **Investment funds:** | | | | |
| ***Analysed as:*** | | | | |
| Open ended investment vehicles and authorised unit trusts | 18,447 | 77,897 | 18,977 | 91,397 |
| English Limited Partnerships | 6,195 | 25,007 | 5,770 | 21,397 |
| Authorised Contractual Schemes | 70,052 | 40,715 | 65,836 | 40,487 |
| **Total** | 94,694 | 143,619 | 90,583 | 153,281 |

The 2019 revenue previously reported included cost of sales and delegated manager fees and excluded performance fees. These have now been amended for 2020 and restated for 2019.

**Notes to the Financial Statements**

## 8. Trade and other receivables

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Trade receivables | 17,316 | 14,128 |
| Amounts due from fellow subsidiaries | 26,046 | 38,819 |
| Other receivables | 31,797 | 26,321 |
| | 75,159 | 79,269 |

None of the above total (2019: £nil) is expected to be recovered more than one year after the statement of financial position date.

There is no difference in the value at contractual maturity and the value in the financial statements.

Other receivables predominantly represent unsettled client investments and liquidations which are offset by corresponding fund creations and repurchase deals disclosed within Note 10 as Other financial liabilities.

Financial assets, are categorised as amortised cost under IFRS 9, Financial Instruments. The directors consider that the carrying value of all trade and other receivables equates to fair value. There are no material expected credit losses over the lifetime of the financial assets.

## 9. Prepayments and accrued income

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Prepayments and accrued income | 39,595 | 21,255 |

Prepayments and accrued income includes income earned but not yet billed at the year-end.

# 10. Trade and other payables

| | 2020 | Restated 2019 |
|---|---|---|
| | £'000 | £'000 |
| Amounts due to fellow subsidiaries | 961 | 972 |
| Trade creditors | 5,681 | 7,812 |
| Group relief payable | - | 8,361 |
| Other financial liabilities | 25,052 | 36,646 |
| Accruals | 90,690 | 72,065 |
| | 122,384 | 125,856 |

None of the above total (2019: £nil) is expected to be paid more than one year after the statement of financial position date.

The majority of other financial liabilities represent unsettled fund creations and repurchase deals which are offset by the corresponding client investments and liquidations disclosed within Note 8 as Other receivables.

Restated 2019 balances are outlined in Note 2 of the financial statements.

# 11. Tax assets and liabilities

### (a) General

Tax liabilities expected to be settled in more than one year amount to £3.2 million (restated 2019: £1.7 million).

Liabilities for prior years tax to be settled by way of group relief of £nil (2019: £8.4 million) are included within trade and other payables (note 10) and are payable in less than one year.

### (b) Deferred taxes

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Provisions and other temporary differences | 129 | 107 |
| Accelerated capital allowances | 7 | 8 |
| Net deferred tax asset | 136 | 115 |

The movement in the deferred tax asset was as follows

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Net deferred tax asset at 1 January | 115 | 9 |
| Amounts credited to the statement of comprehensive income | 21 | 106 |
| Net deferred tax asset at 31 December | 136 | 115 |

## 12. Ordinary share capital

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

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| The allotted, called up and fully paid share capital of the Company at 31 December 2020 was: | | |
| 21,500,000 (2019: 21,500,000) ordinary shares of £1 each | 21,500 | 21,500 |

All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

## 13. Additional cash flow information

**(a) The reconciliation of profit before tax to the net cash used in operating activities is:**

| | 2020 | Restated 2019 |
|---|---|---|
| | £'000 | £'000 |
| Profit before tax | 7,855 | 9,030 |
| **Adjustments for:** | | |
| Finance income | (128) | (334) |
| **Changes in working capital:** | | |
| Decrease in financial instruments at fair value | 638 | 1,762 |
| (Increase)/decrease in receivables and prepayments | (14,230) | 23,560 |
| Increase/(decrease) in payables and other financial liabilities | 4,889 | (7,868) |
| Cash (used in)/generated by operations | **(976)** | **26,150** |

**(b) The cash and cash equivalents consist of:**

| | 2020 | 2019 |
|---|---|---|
| Cash at bank and on hand | 45,518 | 58,927 |
| | 45,518 | 58,927 |

Restated 2019 balances are outlined in note 2 of the financial statements.

# 14. Risk and capital management policies

### (a) Overview

The Company seeks to optimise its business' performance subject to remaining within risk appetite and meeting stakeholders' expectations. This is achieved by embedding rigorous and consistent risk management. The Company's Risk Management Framework ('RMF') includes the strategies, policies, culture, processes, governance arrangements, tools, and reporting procedures necessary to support this. The RMF incorporates the Aviva plc Group's Enterprise Risk Management Framework which has been adapted to the needs and requirements of the Company. A description of the RMF, core governance committees, risk appetites, risk management processes, roles and responsibilities are documented in the Aviva Investors Pillar 3 Disclosures document available at https://www.avivainvestors.com/en-gb/capabilities/regulatory.

Further information on the types and management of specific risk types is given 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 monitors the health of the business by considering the impact of data results (leading and lagging) – for example, risk events, indicators and review results – on the residual risk profile against tolerances (granular limits), appetites (aggregated limits) and strategic targets.

Exposures exceeding tolerances and appetites are prioritised for resolution using rigorous issue and remediation processes.

Progress of remediation is monitored by the relevant risk owners to early identify risks not on track to return to tolerance or appetite. In such instances, risk owners are required to decide how best to manage the risk exposure (e.g. additional allocation of resources to increase speed of remediation, tactical or short-term solutions until resolution is completed, etc.).

### (c) Regulatory compliance

The Company is authorised and regulated by the FCA. The FCA has broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources.

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

# 14. Risk and capital management policies (continued)

## (d) Market risks

Market risk is the current or prospective risk of loss arising from movements in market prices, such as:

- Adverse changes in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in foreign exchange balances; and
- Adverse changes in the value of units held by the Company as part of the OEIC managers box.

The Company uses a number of risk management tools to understand the volatility of earnings, the Company's capital requirements, and to manage the capital more efficiently.

Sensitivities to economic and operating experience are regularly produced on all of the key financial performance indicators as part of the Company's decision making and planning process, and to set the framework for identifying and quantifying the risks to which the Company is exposed.

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

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

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

### *i) Results of sensitivity analysis*

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

| | 2020 Property/Equity +10% | 2020 Property/Equity -10% |
|---|---|---|
| | £'000 | £'000 |
| Impact on profit before tax | 475 | (475) |
| Impact before tax on shareholders' equity | 475 | (475) |

| | 2019 Property/Equity +10% | 2019 Property/Equity -10% |
|---|---|---|
| | £'000 | £'000 |
| Impact on profit before tax | 539 | (539) |
| Impact before tax on shareholders' equity | 539 | (539) |

# 14. Risk and capital management policies (continued)

## (d) Market risks (continued)

### *ii) Limitations of sensitivity analysis*

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

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

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

## (e) Credit risk

Credit 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.

Credit risk is managed conservatively in accordance with Aviva Investors Investment Policy Statement. This document establishes the governance, principals and parameters for the management of credit risk, including the minimum requirements that counterparties must adhere to for Aviva Investors to invest cash with that counterparty.

Aviva Investors manage and monitor exposures across our business units on a consolidated basis. The Aviva Investors Investment Policy Statement applies the principles laid out in the Aviva Group's Credit Risk Policy and Credit Collateral Management Business Standard. The latter policy establishes the governance, principals and parameters for the management of credit risk, including the minimum requirements that counterparties must adhere to.

Processes and control activities have been implemented to manage, mitigate and monitor credit risk. 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 Officer and, where appropriate, the Aviva Group Credit Risk Director.

The Company's maximum exposure to credit risk is associated with its trade and other receivables including unsettled trades, cash and cash equivalents. A significant amount of business relates to the Aviva group of companies and exposure is managed through regular payments on account. Credit risk on cash and cash equivalents is considered low.

## (f) Liquidity risk

Liquidity risk is the current or prospective risk of loss that liabilities cannot be met, in a timely and cost-effective manner, as they fall due.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of the Aviva Group Liquidity Risk Business Standard and Liquidity Risk Policy. A liquidity risk appetite requires that sufficient liquid resources be maintained to cover net outflows.

The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring actual and forecast cash flows, and by matching maturity profiles of financial assets and financial liabilities.

## Notes to the Financial Statements

# 14. Risk and capital management policies (continued)

### (g) 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 market confidence and sustain the future development of the business.

The sufficiency of regulatory and internal risk based capital for the Group and for the Company is monitored against approved risk appetites at the Aviva Investors Capital Committee. Any capital in excess of the minimum requirements is freely transferable as dividends.

#### *i) Regulatory capital*

The disclosure requirements in the FCA's Prudential Sourcebook for Investment Businesses ('IPRU INV') apply to the Company on a solo-level basis.

The Company is a collective portfolio management firm (according to the FCA's definition and scope of permitted regulated activities) and its minimum Capital Resources Requirement ('CRR') is the higher of the fixed overheads requirement and the capital requirements. For the Company, the higher of these is the FUM requirement.

Additional information can be found in Aviva Investors' Pillar 3 Disclosures document available at the site link attached below: https://www.avivainvestors.com/en-gb/capabilities/regulatory/.

In addition to regulatory capital, the Company holds capital resources to safeguard, with a 99.5% level of confidence, against the material risks faced. The required amount of capital is determined using internally approved methodology and is subject to approval by the Company's Board. Capital resources are to exceed the higher of regulatory or internal risk-based requirement.

### (h) Fair Value Methodology

For investments carried at fair value, we have categorised the measurements basis into a 'fair value hierarchy' 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 classed as Level 1 in the hierarchy are valued based on unadjusted quoted prices in active markets. 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.

At year end, the Company had assets of £4,750,000 (2019: £5,388,000), the value based on quoted market prices in active markets.

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

Assets classed 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 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 is observable for the asset for example, interest rates and yield curves observable at commonly quoted intervals; and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

At year end, the Company held no Level 2 assets (2019: £nil).

## 14. Risk and capital management policies (continued)

### (h) Fair Value Methodology (continued)

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

Assets classed as Level 3 in the hierarchy are based on inputs that are unobservable based on available published market data. 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.

At year end, the Company held no Level 3 assets (2019: £nil).

## 15. Related party transactions

### (a) Income receivable from related parties

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fellow subsidiaries | 54,626 | 55,255 |

### (b) Expenses payable to related parties

| | 2020 £'000 | Restated 2019 £'000 |
|---|---|---|
| Fellow subsidiaries | 101,579 | 107,620 |

### (c) Receivable at year end

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fellow subsidiaries | 26,046 | 38,819 |

### (d) Payable at year end

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fellow subsidiaries | 961 | 9,333 |

The related parties' receivables are not secured and no guarantees were received in respect thereof. No provision or expense has been recognised during the year in respect of bad and doubtful debts (2019: £nil).

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

Restated 2019 balances are outlined in note 2 of the financial statements.

# 15. Related party transactions (continued)

### (e) Key management compensation

The members of the Company 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 Company Board of Directors. The directors are considered to be the Company's only key management personnel. Details of the remuneration arrangements of the directors of the Company are included in note 3.

### (f) Ultimate controlling party

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

The ultimate parent undertaking and controlling party of the Company is Aviva plc, a company incorporated 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 2020. The consolidated financial statements of Aviva plc available at www.aviva.com or are on application to the:

Group Company Secretary
Aviva plc
St Helens
1 Undershaft, London
EC3P 3DQ

# 16. Events after the reporting period

There have been no events after the reporting period.