Aviva International Holdings Limited

Registered in England No. 02180206

Annual Report and Financial Statements 2020

Contents

Directors and officers

Directors

J Baddeley
D Elliot
N Harrison
A Montague

Officer – Company Secretary

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

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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. 02180206

Other information

Aviva International Holdings Limited (the Company) is a member of the Aviva plc group of companies (the Group).

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 Company is a wholly owned subsidiary of Aviva Group Holdings Limited (AGH). The principal activity of the company continues to be that of a holding company.

Financial position and performance

The financial position of the Company at 31 December 2020 is shown in the statement of financial position on page 21, with the results shown in the income statement on page 18 and the statement of cash flows on page 22.

Significant events

On 22 January 2020, the Company paid an option premium of £18 million to Dabur Investment Corporation (DIC) in respect of the 51% shareholding in Aviva Life Insurance Company India Limited (Aviva India) held by DIC. The cash payment was made by the Company's immediate parent, AGH.

On 24 February 2020, the Company made a capital injection of VND 270 billion (£9 million) into its Vietnam subsidiary, Aviva Vietnam Life Insurance Company Limited (Aviva Vietnam). The cash payment was made by the Company's immediate parent, AGH.

On 18 November 2020, the Company sold its entire shareholding in joint venture PT Astra Aviva Life Indonesia (Aviva Indonesia) for cash consideration of £74 million, resulting in a profit on disposal of £39 million.

On 11 December 2020, the Company sold its entire shareholding in Av' . Life Insurance Company Limited (Aviva Hong Kong) for cash consideration of £43 million, resulting in a profit on disposal of £3 million.

On 14 December 2020, the Company agreed to sell the entire shareholding in Aviva Vietnam to Manulife Financial Asia Limited for an all cash consideration. The transaction is subject to certain closing conditions, including regulatory approval, an is expected to complete in the second half of 2021. The subsidiary has been classified as "held for sale" as at 31 December 2020.

Future outlook

Strategies for the wider Aviva Group as a whole are determined by the Board of Aviva plc and these are shown in the Aviva plc Annual *Report and Accounts 2020 and Preliminary Announcement for the year ended 31 December 2020. The Company will work with the* Group to support the implementation of these strategies. The Directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

It is anticipated that the Company's significant financial assets will continue to comprise investments in subsidiaries, associate and joint ventures. Following the year end, the Company has agreed to sell a number of investments in subsidiaries and joint ventures. The details of this can be found within the Directors' report on page 7.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 24 to the financial statements.

The principal risk exposure to the Company relates to its investments in subsidiaries, associate and joint ventures, which represent the Company's principal assets and source of income. As a result, the principal risk factors beyond the Company's control, that could significantly impact the Company's results and financial resources include, but are not limited to:

- *European and Asian economic business conditions,* in particular where the Company's underlying subsidiaries, associate and joint ventures transact business, which could materially impact the dividends receivable from these investments.

Strategic report continued

Section 172 statement

We report here on how our Directors have performed their duty under Section 172 (1) (s.172) of the Companies Act 2006.

The Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics, and reputation of the Company to ensure that our obligations to our shareholders and stakeholders are met. The Board monitors adherence to our policies and compliance with local corporate governance requirements across the Group and is committed to acting where our businesses fall short of the standards we expect.

The Board is also focused 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

The Group's culture is shaped 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. We value diversity and inclusivity in our workforce and beyond.

Aviva International Holdings Limited as part of the Group, looks to operate within and support this culture.

Stakeholder Engagement

(i) Engagement with employees

The Company has no employees. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of Aviva plc. Disclosures relating to employees may be found in the annual report and financial statements of these companies.

(ii) Our customers

The Company has no direct customers.

(iii) Our suppliers

- All Group supplier related activity is managed in line with the Group Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure.

- An important part of the Group's culture is the promotion of high legal, ethical, environmental and employee related standards within our business and also among our suppliers. Before working with any new suppliers, we provide them with our Supplier Code of Behaviour, and our interaction with them is guided by our Business Code of Ethics.

- The Board reviews the actions we have taken to prevent modern slavery and associated practices in any part of our supply chain and approves our Modern Slavery Act statement each year.

(iv) Shareholders

Our shareholder is AGH and there is ongoing communication and engagement with the AGH Board. Any matters requiring escalation are escalated by the Board through the Chairman to its parent. Additionally, members of the AGH board can attend board meetings by invitation.

Strategic report continued

Key performance indicators

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

	2020	2019
Measure	**£m**	£m
Dividends received	**5**	19

The decrease in dividends received is driven by regulatory constraints caused by COVID-19.

On behalf of the Board on 10 June 2021.

J Baddeley
Director

Directors' report

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

Directors

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

S Mohammed resigned as a Director of the Company on 30 April 2020.

A Montague was appointed as a Director of the Company on 11 June 2020.

C Singh resigned as a Director of the Company on 1 May 2021.

Company Secretary

The name of the present secretary of the Company appears on page 3.

Dividends

No interim ordinary dividend on the Company's ordinary shares was declared or paid during 2020 *(2019: £nil)*. The Directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2020 *(2019: £nil)*.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report, which includes a section describing the principal risks and uncertainties. In addition, the financial statements include notes on the Company's management of its major risks (see note 24).

The Company and its ultimate parent, Aviva plc, have considerable financial resources together with a diversified business model with a spread of businesses and geographical reach. The Directors believe that the Company is well placed to manage its business risks successfully.

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, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

Post balance sheet events

On 6 January 2021, the Company registered at Companies House a reduction in share capital from £350,990,000 to £10,000,000 by cancelling and extinguishing in full 34,099 fully paid ordinary shares of £10,000 each.

On 6 May 2021, the Company completed the sale of its entire 40% shareholding in its joint venture in Turkey, AvivaSA Emeklilik ve Hayat AS ("Aviva SA"), to Ageas Insurance International N.V for a cash consideration of £122 million, which includes a £3 million dividend from Aviva SA received in March 2021. The sale of the Company's shareholding in Aviva SA was announced on 24 February 2021.

On 26 March 2021, the Company agreed to sell its entire 51% shareholding in its subsidiaries in Poland, Santander Aviva Towarzystwo Ubezpieczen na Zycie Spólka Akcyjna and Santander Towarzystwo Ubezpieczen Spólka Akcyjna. The sale forms part of the Aviva plc agreement to sell its entire shareholding in Aviva Poland to Allianz for a cash consideration of €2.5 billion. The transaction is subject to customary closing conditions, including regulatory approval, and is expected to complete within 12 months.

Future outlook

Likely future developments in the business of the Company are discussed in the strategic report on page 4.

Financial instruments

The Company uses financial instruments to manage certain types of risks, including to those relating to credit, market, liquidity, and operational risks. Details of the objectives and management of these instruments are contained in note 24 on risk management.

Employees

The Company has no employees. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of Aviva plc.

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 Auditors, PricewaterhouseCoopers LLP, are unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PricewaterhouseCoopers LLP are aware of that information.

Independent auditors

It is the intention of the Directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of section 489 of the Companies Act 2006.

Qualifying indemnity provisions

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

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statement 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgements and accounting estimates;
- state whether applicable IFRSs as adopted by the European Union and IFRS issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 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.

On behalf of the Board on 10 June 2021.

J Baddeley
Director

Independent auditors' report to the members of Aviva International Holdings Limited

Report on the audit of the company financial statements

Opinion

In our opinion, Aviva International Holdings 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 income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Aviva International Holdings Limited continued

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 econom' 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 non-compliance in the reporting requirements of the Companies Act 2006, 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 risk of fraud through management override of control and management bias in the valuation of the subsidiaries, associates and joint ventures. Audit procedures performed by the engagement team included:

- Testing journal entries and other adjustments for appropriateness and testing accounting estimates (because of the risk of management bias);
- Reviewing relevant meeting minutes;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of areas identified as having an increased risk; and
- Testing transactions entered into outside of the Company's normal co rse of business

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.

Independent auditors' report to the members of Aviva International Holdings Limited continued

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.

Philip Watson

Philip Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 June 2021

Accounting policies

The Company is a limited company incorporated and domiciled in the United Kingdom (UK). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. In addition, the financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). The financial statements have been prepared under the historical cost convention, as modified by the *revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss* (FVTPL).

The financial statements have been prepared on the going concern basis as explained in the Directors' report on page 7.

The Company is exempt from preparing group financial statements by virtue of section 400 of the Companies Act 2006, as it is a subsidiary of an EEA parent and is included in consolidated financial statements for the Group, i.e. the ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associate, at the same date. These financial statements therefore present information about the Company as an individual entity.

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

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 2020. The amendments have been issued and endorsed by the EU and do not have a significant impact on the Company's financial statements.

(i) *Amendments to References to the Conceptual Framework in IFRS Standards (published by the 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: Definition of material (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)*

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, are not effective for the current reporting period and are not expected to have a significant impact on the Company's consolidated financial statements:

(v) *Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

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

Accounting policies continued

(B) Critical accounting policies and the 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 income statement, statement of financial position, other primary statements and notes to the financial statements.

Critical accounting policies

The following accounting policies are those that have the most significant impact on the amounts recognised in the financial statements, with those judgements involving estimation summarised thereafter.

Item	Critical accounting judgement	Accounting policy
Subsidiaries	Set out in accounting policy C.	C
Associates and joint ventures	Set out in accounting policy D.	D

Use of estimates

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 can always differ from those estimates, possibly significantly.

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

Item	Critical accounting estimates	Accounting policy	Note
Investments in subsidiaries	Investments in subsidiaries are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.	C	10
Fair value of derivative instruments	Where quoted market prices are not available, valuation techniques are used to value derivative instruments. These include broker quotes and models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for derivative investments.	L	23

(C) Subsidiaries

Subsidiaries are those entities over which the Company has control. The Company controls an investee if, and only if, the Company has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee including: the purpose and design of an investee, relevant activities, substantive and protective rights, and voting rights and potential voting rights. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.

Accounting policies continued

(D) Associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. Generally, it is presumed that the Company has significant influence if it has between 20% and 50% of voting rights.

Joint ventures are arrangements whereby the Company and other parties have joint control of the arrangement and rights to the net assets. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. In a number of these, the Company's share of the underlying assets and liabilities may be greater than 50% but the terms of the relevant agreements make it clear that control is not exercised. Such jointly-controlled entities are referred to as joint ventures in these financial statements.

Investments in associates and joint ventures are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.

(E) Held for sale assets

Assets held for disposal as part of operations which are held for sale are shown separately in the statement of financial position. Operations held for sale are recorded at the lower of their carrying amount and their fair value less the estimated selling costs.

Profit or loss on disposal of subsidiaries and joint ventures is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs and carrying value, as appropriate.

(F) 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 income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items, such as equities which are designated as FVTPL, are reported as part of the fair value gain or loss in the income statement.

(G) Fair value measurement

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price. If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement. When unobservable market data has a significant impact on the valuation of financial instruments, the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement, but deferred and recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matures.

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

Accounting policies continued

(H) Net investment income

Investment income consists of dividends, interest receivable for the year and realised gains and losses. Dividends from investments in subsidiaries are recorded as revenue on the date dividends are declared. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contracts.

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.

(I) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable legal right to set off the recognised amounts and there is the ability and intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(J) Receivables and other financial assets

Receivables and other financial assets are recognised initially at their fair value. Subsequent to initial measurement receivables, excluding those loans due from Group operations held at fair value as described below, are measured at amortised cost using the effective interest rate method, less expected credit losses.

Loans due from Group operations

Loans with fixed maturities are recognised when cash is advanced to borrowers. Loans where repayments consist solely of principal or interest are subsequently measured at amortised cost using the effective interest rate method. Loans with indefinite future lives are carried at unpaid principal balances. All other loans are held at FVTPL based on the outcome of a business model assessment, which were assessed as being held to collect, or where the contractual cash flows are not solely payment of principal and interest.

To the extent that a loan is considered to be uncollectable, it is written off as impaired through the income statement. Any subsequent recoveries are credited to the income statement.

(K) Payables and other financial liabilities

Payables and other financial liabilities, excluding derivatives, are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method. Derivative liabilities are carried at fair value (see accounting policy L).

(L) Derivative financial instruments and hedging

Derivative financial instruments include foreign exchange contracts, currency and interest rate swaps, interest rate and currency options (both written and purchased) and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, credit indices, commodity values or equity instruments.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost. They are subsequently remeasured at their fair value, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. The Company has not designated any derivatives as hedging instruments and they are therefore treated as derivatives mandatorily held at FVTPL. Their fair value gains and losses are recognised immediately in net investment income. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the statement of financial position at the date of purchase, representing their fair value at that date.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions.

Accounting policies continued

(M) Statement of cash flows

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 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.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

(N) Provisions and contingent liabilities

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

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure. Provisions are not recognised for future operating losses.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

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 reliably estimated.

(O) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

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

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

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

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, except for the tax consequences of distrubutions 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.

(P) Finance costs

All borrowing costs are expensed as they are incurred.

Accounting policies continued

(Q) Share capital

Equity instruments

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

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares, or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

Income statement
For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Income			
Net Investment income	2 & H	**12**	-
Profit on disposal of subsidiaries and joint ventures	3 & H	**42**	-
		54	-
Expenses			
Net investment expense	2 & H	**-**	(49)
Finance costs	4 & P	**(1)**	(2)
Other expenses	4	**(3)**	(5)
		(4)	(56)
Profit/(loss) for the year before tax		**50**	(56)
Tax (charge)/credit	O & 8	**(2)**	1
Profit/(loss) the year after tax		**48**	(55)

The accounting policies (identified alphabetically) on pages 12 to 17 and notes (identified numerically) on pages 23 to 37 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2020

	2020 £m	2019 £m
Profit/(loss) for the year	**48**	(55)
Total comprehensive income/(expense) for the year	**48**	(55)

The accounting policies (identified alphabetically) on pages 12 to 17 and notes (identified numerically) on pages 23 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 £m	Accumulated losses £m	Total equity £m
Balance at 1 January 2019	351	(193)	158
Loss for the year	-	(55)	(55)
Total comprehensive expense for the year	-	(55)	(55)
Balance at 31 December 2019	**351**	**(248)**	**103**
Profit for the year	**-**	**48**	**48**
Total comprehensive income for the year	**-**	**48**	**48**
Balance as at 31 December 2020	**351**	**(200)**	**151**

The accounting policies (identified alphabetically) on pages 12 to 17 and notes (identified numerically) on pages 23 to 37 are an integral part of these financial statements.

Statement of financial position
As at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Non current assets			
Investments in subsidiaries	C & 10	**33**	72
Investments in associates	D & 11	**70**	70
Investments in joint ventures	D & 12	**82**	108
Receivables and other financial assets	J & 15	**-**	14
Tax asset	O & 18(a)	**-**	1
Current assets			
Investments classified as held for sale	E & 13	**48**	37
Receivables and other financial assets	J & 15	**38**	-
Cash and cash equivalents	M & 22	**3**	2
Total assets		**274**	304
Equity			
Ordinary share capital	16	**351**	351
Accumulated losses	17	**(200)**	(248)
Total equity		**151**	103
Liabilities			
Non current liabilities			
Payables and other financial liabilities	K & 21	**99**	122
Current liabilities			
Payables and other financial liabilities	K & 21	**16**	77
Other liabilities	K & 20	**6**	-
Provisions	N & 19	**2**	2
Total liabilities		**123**	201
Total equity and liabilities		**274**	304

The financial statements were approved by the Board of Directors on 10 June 2021 and signed on its behalf by

Julia Baddeley

J Baddeley
Director

Registered in England No. 02180206

The accounting policies (identified alphabetically) on pages 12 to 17 and notes (identified numerically) on pages 23 to 37 are an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Other expenses		**(3)**	(2)
Net cash used in operating activities		**(3)**	(2)
Cash flows from investing activities			
Dividend income	25(b)(i)	**4**	18
Disposal of joint ventures		**74**	-
Net cash generated from investing activities		**78**	18
Cash flows from financing activities			
Funding repaid to parent		**(74)**	(15)
Net cash used in financing activities		**(74)**	(15)
Net increase in cash and cash equivalents		**1**	1
Cash and cash equivalents as at 1 January		**2**	1
Cash and cash equivalents at 31 December	M & 22	**3**	2

The majority of the Company's operating and investing cash requirements are met by fellow Group companies (see note 25 for further disclosure of transactions on the Company's behalf by its related parties) and settled through intercompany loan accounts. As the direct method of presentation has been adopted for these activities, no further disclosure is required.

The accounting policies (identified alphabetically) on pages 12 to 17 and notes (identified numerically) on pages 23 to 37 are an integral part of these financial statements.

Notes to the financial statements

1. Exchange rates

Assets and liabilities have been translated at the following year end rates:

	2020	2019
Euro	**1.1172**	1.1802
US Dollar	**1.3669**	1.3247
Polish Zloty	**5.0932**	5.0172

2. Details of income

	Note	2020 £m	2019 £m
Income from subsidiaries and joint ventures			
Dividend income	25(b)(i)	**5**	19
Net gains and losses			
From financial liabilities mandatorily held at FVTPL		**7**	(68)
Net investment income/(expense)		**12**	(49)

3. Profit on disposal of subsidiaries and joint ventures

	2020 £m	2019 £m
Aviva Life Insurance Company Limited (Hong Kong)	**3**	-
PT Astra Aviva Life (Indonesia)	**39**	-
Profit on disposal of subsidiaries and joint ventures	**42**	-

4. Details of expenses

	2020 £m	2019 £m
Finance costs	**1**	2
Other expenses	**3**	5
Total expenses	**4**	7

5. Employee information

The Company has no employees *(2019: nil)*. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of Aviva plc.

6. Directors' remuneration

The Directors were all remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate parent Aviva plc, for their services to the Group as a whole. They were not remunerated directly for their services as Directors of the Company and the amount of time spent performing their duties is incidental to their roles across the Group. This is consistent with prior years.

7. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, PricewaterhouseCoopers LLP is as follows:

	2020 £'000	2019 £'000
Fees payable to PwC LLP for the statutory audit of the Company's financial statements	**38**	29

Notes to the financial statements continued

7. Auditors' remuneration continued

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'Other services' as the Company is a subsidiary of Aviva plc, which prepares consolidated financial statements. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company and other Group undertakings are disclosed in the consolidated accounts of Aviva plc.

There were no non-audit fees paid to the Company's auditors in the year *(2019: £nil)*. All fees have been borne by Aviva plc.

8. Tax

(a) Tax (charged)/credited to the income statement

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

	Note	2020 £m	2019 £m
Current tax			
For the year		(1)	-
Adjustment in respect of prior years		(1)	1
Total tax (charged)/credited to the income statement	8(c)	(2)	1

(ii) The tax (charge)/credit can be analysed as follows:

	2020 £m	2019 £m
United Kingdom tax	(1)	2
Overseas tax	(1)	(1)
Total tax (charged)/credited to the income statement	(2)	1

(b) Tax credited/(charged) to other comprehensive income

There was no tax credited or charged to other comprehensive income in either 2020 or 2019.

(c) Tax reconciliation

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

	Note	2020 £m	2019 £m
Total profit/(loss) for the year before tax		50	(56)
Tax calculated at standard UK corporation tax rate of 19% *(2019: 19%)*		(10)	11
Adjustment in respect of prior years		(1)	1
Non-assessable dividends		1	3
Non-taxable profit on sale of subsidiaries and joint ventures		8	-
Disallowable expenses		1	(13)
Different local basis of tax on overseas earnings		(1)	(1)
Tax (charge)/credit for the period	8(a)	(2)	1

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%.

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.

As the Company has no material 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.

Notes to the financial statements continued

9. Dividends

No interim or final ordinary dividends on the Company's ordinary shares were declared or paid during 2020 (2019: £nil).

10. Investments in subsidiaries

(a) Movements in the Company's investments in its subsidiaries

	Note	2020 £m	2019 £m
At 1 January		**72**	85
Additions	10(b)(i)	**9**	-
Transfer to investments classified as held for sale	10(b)(ii)	**(48)**	(13)
At 31 December		**33**	72

(b) Material movements

(i) Additions

On 24 February 2020, the Company made a capital injection of VND 270 billion (£9 million) into its Vietnam subsidiary, Aviva Vietnam Life Insurance Company Limited (Aviva Vietnam), funded by way of cash received, and a reduction in the loan due, from the Company's immediate parent, AGH.

(ii) Transfer to investments classified as held for sale

On 14 December 2020, the Company agreed to sell the entire shareholding in Aviva Vietnam to Manulife Financial Asia Limited for an all cash consideration. The transaction is subject to certain closing conditions, including regulatory approval, an is expected to *complete in the second half of 2021. The subsidiary has been classified as "held for sale" as at 31 December 2020.*

(iii) Impairment testing

Investments in subsidiaries are tested for impairment of their carrying value when there is an indicator of impairment. They are tested for impairment by comparing the carrying value of the investment to the recoverable value of that investment. Recoverable value is the higher of value in use and fair value. Value in use is calculated as the discounted value of expected future profits of each investment. Fair value is determined based on quoted valuations, IFRS net assets, Solvency II net assets or IFRS tangible net asset value multiples underpinned by the quoted market valuation of comparable listed entities. There were no indicators of impairment in 2020.

(c) Principal subsidiaries

Name of undertaking	% held	Country of incorporation
Aviva Vietnam Life Insurance Company Limited	90%	Vietnam
Santander Aviva Towarzystwo Ubezpieczen na Zycie Spólka Akcyjna	51%	Poland
Santander Towarzystwo Ubezpieczen Spólka Akcyjna	51%	Poland

(d) Subsequent events

On 26 March 2021, the Company agreed to sell its entire 51% shareholding in its subsidiaries in Poland, Santander Aviva Towarzystwo Ubezpieczen na Zycie Spólka Akcyjna and Santander Towarzystwo Ubezpieczen Spólka Akcyjna. The sale forms part of the Aviva plc agreement to sell its entire shareholding in Aviva Poland to Allianz for a cash consideration of €2.5 billion. The transaction is subject to customary closing conditions, including regulatory approval, and is expected to complete within 12 months.

11. *Investments in associates*

(a) Movements in the Company's investment in its associate

	2020 £m	2019 £m
At 1 January	**70**	70
At 31 December	**70**	70

Notes to the financial statements continued

11. Investments in associates continued

(b) Material movements

(i) Impairment testing

Investment in associates are tested for impairment of their carrying value when there is an indicator of impairment. They are tested for impairment by comparing the carrying value of the investment to the recoverable value of that investment. The recoverable value of Aviva India was determined based on its value in use which was calculated on an embedded value ("EV") basis in line with Actuarial Practice Standard 10 (APS 10) as defined by the Institute of Actuaries of India. There were no indicators of impairment in 2020.

(c) Principal associate

Name of undertaking	% held	Country of incorporation
Aviva Life Insurance Company India Limited	49%	India

12. Investments in joint ventures

(a) Movements in the Company's investments in its joint ventures

	Note	2020 £m	2019 £m
At 1 January		**108**	118
Additions		-	14
Transfer to investments classified as held for sale		-	(24)
Disposals	12(b)(i)	**(26)**	-
At 31 December		**82**	108

(b) Material movements

(i) Disposals

On 18 November 2020, the Company sold its entire shareholding in joint venture PT Astra Aviva Life Indonesia (Aviva Indonesia).

(ii) Impairment testing

Investments in joint ventures are tested for impairment of their carrying value when there is an indicator of impairment. They are tested for impairment by comparing the carrying value of the investment to the recoverable value of that investment. Recoverable value is the higher of value in use and fair value. Value in use is calculated as the discounted value of expected future profits of each investment. Fair value is determined based on quoted valuations, IFRS net assets, Solvency II net assets or IFRS tangible net asset value multiples underpinned by the quoted market valuation of comparable listed entities. There were no indicators of impairment in 2020.

(c) Principal joint venture

Name of undertaking	% held	Country of incorporation
Aviva SA Emeklilik ve Hayat A.S	40%	Turkey

(d) Subsequent events

On 6 May 2021, the Company completed the sale of its entire 40% shareholding in its joint venture in Turkey, AvivaSA Emeklilik ve Hayat AS ("Aviva SA"), to Ageas Insurance International N.V for a cash consideration of £122 million, which includes a £3 million dividend from Aviva SA received in March 2021. The sale of the Company's shareholding in Aviva SA was announced on 24 February 2021.

Notes to the financial statements continued

13. Investments classified as held for sale

(a) *Movements in the Company's investments classified as held for sale are as follows:*

	Note	2020 £m	2019 £m
At 1 January		**37**	-
Transfer from investments in subsidiaries	10(b)(ii)	**48**	13
Transfer from investments in joint ventures		**-**	24
Disposals	13(b)(i)	**(37)**	-
At 31 December		**48**	37

(b) *Material movements*

(i) Disposals

On 11 December 2020, the Company sold its entire shareholdings in Aviva Life Insurance Company Limited (Aviva Hong Kong). This disposal relates to both the subsidiary and joint venture which were classified as "held for sale" in 2019 as one disposal group.

14. Fair value methodology

(a) Basis for determining fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2

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

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

Where the Company uses broker quotes and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- Where the broker price is validated by using internal models with market observable inputs and the values are similar, the investment is classified as Level 2.
- In circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Examples are investment properties, certain private equity investments and private placements.

Notes to the financial statements continued

14. Fair value methodology continued

(a) Basis for determining fair value hierarchy continued

Level 3 continued

The majority of the Company's assets and liabilities measured at fair value are based on quoted market information or observable market data. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

(b) Changes to valuation techniques

There were no changes in the valuation techniques during the year compared to those described in the 2019 annual report and financial statements.

(c) Comparison of the carrying amount and fair values of financial instruments

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

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

(d) Fair value hierarchy

					2020
		Fair value hierarchy			
		Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	Note	**£m**	**£m**	**£m**	**£m**
Financial liabilities					
Derivative liabilities	23	-	-	115	115
Total		-	-	115	115

					2019
		Fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Note	£m	£m	£m	£m
Financial liabilities					
Derivative liabilities	23	-	-	140	140
Total		-	-	140	140

(e) Transfer between levels of the fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting year.

No material transfers occurred between Level 1 and Level 2, Level 1 and Level 3 and Level 2 and Level 3.

(f) Further information on Level 3 financial instruments

The derivative liabilities were the only Level 3 assets and liabilities in 2020 and 2019. The derivative liabilities relate to Aviva India (refer to note 23) and have been valued in reference to a third-party valuation of Aviva India.

For these Level 3 derivative liabilities, a change in valuation inputs to a reasonable alternative of +/-5% would result in a change in fair value of approximately +£6 million / -£6 million *(2019: +£7 million / -£7 million).*

Notes to the financial statements continued

15. Receivables and other financial assets

	Note	2020 £m	2019 £m
Loans due from immediate parent	25(a)(i)	-	14
Amounts due from immediate parent	25(b)(i)	38	-
Total at 31 December		**38**	14
Expected to be recovered in less than one year		38	-
Expected to be recovered in more than one year		-	14
Total at 31 December		**38**	14

All receivables and other financial assets are held at amortised cost.

16. Ordinary share capital

(a) Details of the Company's ordinary share capital are as follows:

	2020 £m	2019 £m
Allocated, called up and fully paid share capital		
35,099 *(2019: 35,099)* ordinary shares of £10,000 each	**351**	351

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

(b) Subsequent events

On 6 January 2021, the Company registered at Companies House a reduction in share capital from £350,990,000 to £10,000,000 by cancelling and extinguishing in full 34,099 fully paid ordinary shares of £10,000 each.

17. Accumulated losses

	2020 £m	2019 £m
At 1 January	**(248)**	(193)
Profit/(loss) for the year	**48**	(55)
At 31 December	**(200)**	(248)

18. Tax assets and liabilities

(a) Tax asset

	2020 £m	2019 £m
Expected to be recoverable in more than one year	-	1
Tax asset recognised in the statement of financial position	-	1

(b) Deferred tax liability

There are no material provided or unprovided deferred tax assets and liabilities at the year end *(2019: £nil)*.

Notes to the financial statements continued

19. Provisions

(a) Carrying amounts

	2020 £m	2019 £m
Other provisions	2	2
Total provisions as at 31 December	**2**	2

(b) Movement in provisions

	2020 £m	2019 £m
As at 1 January	**2**	1
Foreign exchange movements	-	1
As at 31 December	**2**	2

A provision of £2 million *(2019: £2 million)* continues to be held by the Company to cover probable payments due to the Indian tax authorities.

20. Other liabilities

	2020 £m	2019 £m
Accruals	6	-
Total other liabilities as at 31 December	**6**	-

21. Payables and other financial liabilities

	Note	2020 £m	2019 £m
Amounts due to immediate parent company	25(b)(ii)	-	59
Derivative liabilities	23	115	140
Total at 31 December		**115**	199
Expected to be settled within one year		16	77
Expected to be settled in more than one year		99	122
Total at 31 December		**115**	199

All payables and other financial liabilities are held at amortised cost, except the derivative liabilities which are mandatorily held at FVTPL.

22. Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows at 31 December comprise:

	2020 £m	2019 £m
Cash at bank and in hand	3	2
Total as at 31 December	**3**	2

23. Derivative financial instruments and hedging

Under the Aviva India joint venture agreement, the Company has recognised total derivative liabilities of £115 million *(2019: £140 million)*. No other derivative financial instruments were used by the Company in either 2020 or 2019.

The fair values represent the gross carrying values at the year end for each class of derivative contract held (or issued) by the Company.

The Company has not adopted hedge accounting for its derivative instruments at 31 December 2020 and 2019.

Notes to the financial statements continued

24. Risk management

(a) Risk management framework

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework.

The Company's risk management approach is proportionate to its activities as a non-trading intermediate holding company for some of the Aviva plc Group's overseas subsidiaries, associate and joint ventures. At least annually the Company's management review the key risks specific to the Company.

To promote a consistent and rigorous approach to risk management, the Group has set out formal risk management policies and business standards which set out the risk strategy, framework and minimum requirements for the Group's worldwide operations, including the Company.

For the purposes of risk identification and measurement, and aligned to the Company's risk policies, risks are usually grouped by risk type: *credit, market, liquidity and operational risk. Risks falling within these types may affect a number of metrics including those* relating to statement of financial position strength, liquidity and profit.

The directors recognise the critical importance of having efficient and effective risk management systems in place and acknowledge that they are responsible for the Company's framework of internal control and of reviewing its effectiveness. The framework is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, and can only provide reasonable assurance against misstatement or loss. The Directors of the Company are satisfied that their adherence to this Company framework provides an adequate means of managing risk in the Company.

Further information on the types and management of specific risk types is given in sections (b) to (h) below.

(b) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to these risks.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposures to internal counterparties.

The Company's management of credit risk includes implementation of credit risk management processes (including limits frameworks), the operation of specific risk management committees, and detailed reporting and monitoring of exposures against pre-established risk criteria.

(i) Financial Exposures to Group companies

The Company's receivables and financial assets are amounts due from fellow Group companies. The credit risk arising from Group counterparties failing to meet all or part of their obligations is considered remote. Due to the nature of the intra-group receivables, and the fact that these are settled, and not traded, the Company is not exposed to the risk of changes to the market value caused by changing perceptions of the creditworthiness of such counterparties.

(ii) Calculation of expected credit losses

Expected credit losses in relation to intercompany loans are calculated with reference to an assessment of the counterparty's ability to repay contractual amounts over the lifetime of the financial asset, and, where relevant, the credit rating of the ultimate parent company. All intercompany loans have been assessed on a 12 month expected credit losses basis.

The Company has no financial assets which are categorised such that lifetime expected credit losses are calculated or which are deemed to be credit impaired at the reporting date. The Company has not purchased or originated any credit-impaired financial assets as at the reporting date.

The Company makes use of the simplified approach when calculating expected credit losses on trade receivables which do not include a significant financing component, and therefore calculates expected credit losses over the lifetime of the instrument in question. As at the reporting date, no lifetime expected credit losses have been recognised in relation to trade receivables.

The Company does not hold any financial assets which are deemed to be credit-impaired at the reporting dare.

(iii) Modification of contractual cash flows that have not resulted in derecognition

There have been no significant modifications of contractual cash flows on any of the Company's financial assets during the period.

Notes to the financial statements continued

24. Risk management continued

(c) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, inflation, and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

The management of market risk is undertaken at business unit and at Group level. Businesses manage market risks locally using the Group market risk framework and within local regulatory constraints. Group Capital is responsible for monitoring and managing market risk at Group level and has established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

The most material types of market risk that the Company is exposed to are described below.

(i) Interest rate risk

Prior to 10 April 2020, the Company was exposed to interest rate risk, on amounts drawn down on the credit facility provided by it to its parent, AGH. The interest rate for this facility was determined at a margin plus 12 month. On 10 April 2020 the facility was settled and therefore the Company is not exposed to interest rate risk from this date.

(ii) Derivatives risk

The fair value of the derivative liabilities in respect of Aviva India (see note 23) are estimated using a third-party valuation of Aviva India which is subject to market risk.

(d) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due.

In extreme circumstances the Company would approach the Group for additional short-term borrowing whilst the Company liquidated other assets.

At 31 December 2020, the Company's current receivables exceeded its current liabilities by £65 million *(2019: current liabilities exceeded its current receivables by £40 million)*. The Company's liquidity position is significantly dependant on the payment of dividends by subsidiaries and joint ventures which may be subject to regulatory approval. The Aviva Group maintains significant committed borrowing facilities from a range of highly-rated banks to mitigate this risk further.

The following tables show the maturities of the Company's liabilities, and of the financial assets held to meet them. A maturity analysis of the contractual amounts payable for provisions, other liabilities and payables and other financial liabilities, is given in notes 19, 20 and 21 respectively.

Notes to the financial statements continued

24. Risk management continued

(d) Liquidity risk continued

(i) Analysis of maturity of liabilities

The following table shows the Company's financial liabilities analysed by duration:

	Note	On demand or within 1 year £m	1-5 years £m	5-10 years £m	Total £m
					2020
Other provisions	19	**2**	-	-	**2**
Other liabilities	20	**6**	-	-	**6**
Payables and other financial liabilities	21	**16**	**99**	-	**115**
		24	**99**	-	**123**

	Note	On demand or within 1 year £m	1-5 years £m	5-10 years £m	Total £m
					2019
Other provisions	19	2	-	-	2
Other liabilities	20	-	-	-	-
Payables and other financial liabilities	21	77	122	-	199
		79	122	-	201

Payables and other financial liabilities include amounts due to immediate parent and other Group companies of £nil *(2019: £59 million).*

(ii) Analysis of maturity of financial assets

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise. This table excludes assets held for sale.

	Note	On demand or within 1 year £m	1-5 years £m	5-10 years £m	Total £m
					2020
Receivables and other financial assets	15	**38**	-	-	**38**
Cash and cash equivalents	22	**3**	-	-	**3**
		41	-	-	**41**

	Note	On demand or within 1 year £m	1-5 years £m	5-10 years £m	Total £m
					2019
Receivables and other financial assets	15	-	14	-	14
Cash and cash equivalents	22	2	-	-	2
		2	14	-	16

Notes to the financial statements continued

24. Risk management continued

(e) Operational risk

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment.

Given its limited activities, the key operational risks to the Company are inadequate governance and lack of sufficiently robust financial controls. The risks are mitigated by the Board's adoption and implementation of the Company's risk management policies and framework and compliance with the Company's Financial Reporting and Controls Framework.

(f) Capital management

The Company's capital risk is determined with reference to the requirements of the Company's stakeholders. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of interest due on loans and the requirements of other stakeholders. The sources of capital used by the Company are total equity.

(g) UK-EU Future Relationship risks

The EU-UK Trade and Cooperation Agreement of 24 December 2020 provides for a dynamic future UK-EU relationship with 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 regulation, EU market access and the UK economy which will require careful monitoring.

(h) COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The prolonged spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely, as well as causing increased volatility and declines in financial markets. The Company continues to maintain a positive net asset value and since the onset of the pandemic the Company has remained operational. The Company's balance sheet exposure has been reviewed and actions are being taken to further reduce the sensitivity to economic shocks.

Notes to the financial statements continued

25. Related party transactions

The Company had the following transactions with related parties, which include parent companies, subsidiaries and fellow Group companies in the normal course of business.

(a) The Company had the following related party transactions

(i) Loans receivable

On 25 March 2015, the Company provided a revolving credit facility of £300 million to its parent AGH. The facility accrued interest at 65 basis points above 12 month LIBOR. On 10 April 2020, the revolving credit facility was settled. Prior to settlement, the total amount drawn down on the facility was £nil *(2019: £15 million)*.

Interest income earned in the year amounted to £nil in 2020 and 2019.

The maturity analysis of the related party loan receivable is as follows:

	2020	2019
	£m	£m
Between 1 and 2 years	**-**	14
	-	14
Effective interest rate	**-**	1.71%

(b) Other transactions

(i) Services provided to related parties

	2020			2019
	Income earned in year	**Receivable at year end**	Income earned in year	Receivable at year end
	£m	**£m**	£m	£m
Immediate parent	**-**	**38**	-	-
Subsidiaries	**-**	**-**	13	-
Joint ventures	**5**	**-**	5	-
	5	**38**	18	-

Income earned in the year relates to dividends received. 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.

(ii) Services provided by related parties

	2020			2019
	Expenses incurred in year	**Payable at year end**	Expenses incurred in year	Payable at year end
	£m	**£m**	£m	£m
Immediate parent	**-**	**-**	-	59
Fellow Group companies	**3**	**-**	5	-
	3	**-**	5	59

Expenses incurred in the year relates to recharges from fellow Group companies.

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

(iii) Audit fees

Audit fees as described in note 7 are borne by the Company's ultimate parent, Aviva plc.

Notes to the financial statements continued

25. Related party transactions continued

(c) Key management compensation

Key management, which comprises the Directors of the Company, are not remunerated directly for their services as Directors of the Company and the amount of time spent performing their duties is incidental to their role across the Aviva Group. The majority of such costs are borne by Aviva plc and are not recharged to the Company. Refer note 6 for details of Directors' remuneration.

(d) Parent entity

The immediate parent entity is Aviva Group Holdings Limited, a private limited Company incorporated and domiciled in the United Kingdom.

(e) Ultimate controlling entity

The ultimate parent entity and controlling party is Aviva plc, a public limited Group incorporated and domiciled in the United Kingdom. This is the parent undertaking of the smallest and largest Group to consolidate these financial statements. Copies of Aviva plc financial statements are available on application to the Group Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ, and on the Aviva plc website at www.aviva.com.

Notes to the financial statements continued

26. Related undertakings

The Company's Act 2006 requires disclosure of certain information about the Company's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures and associates.

The Company's related undertakings along with the country of incorporation, the registered address, the class of shares held and the effective percentage of equity owned at 31 December 2020 are listed below.

(a) The direct related undertakings of the Company as at 31 December 2020 are listed below.

Name of undertaking	Registered office	Country of incorporation	Share class	% held
Aviva Global Services (Management Services) Private Limited	6 Temasek Boulevard, 29th Floor, Suntec Tower 4, Singapore, 038986, Singapore	Singapore	Ordinary Shares	100%
Aviva Life Insurance Company India Limited	2nd floor, Prakash Deep Building, 7 Tolstoy Marg, New Delhi, 110001, India	India	Ordinary Shares	49%
Aviva SA Emeklilik ve Hayat A.S	Saray Mah., Adnan Büyüjdeniz Cad. No:12 34768 Umraniye, Istanbul, Turkey	Turkey	Ordinary Shares	40%
Aviva Vietnam Life Insurance Company Limited	Mipec Tower, 229 Tay Son, Dong Da, Ha Noi, Vietnam	Vietnam	Non-Listed shares	90%
Santander Aviva Towarzystwo Ubezpieczen na Zycie Spólka Akcyjna	ul. Inflancka 4B, 00-189, Warsaw, Poland	Poland	Series A & Series B Ordinary Shares	51%
Santander Towarzystwo Ubezpieczen Spólka Akcyjna	ul. Inflancka 4B, 00-189, Warsaw, Poland	Poland	Ordinary shares	51%

27. Subsequent events

For details of subsequent events relating to share capital see note 16(b).

For details of subsequent events relating to disposals see notes 10(d) and 12(d).