Aviva Pension Trustees UK Limited

Registered in England and Wales No. 2407799

Annual Report and Financial Statements 2020

SATURDAY

AA344XMY

A06 24/04/2021 #194

COMPANIES HOUSE

Contents

Directors and officer

Directors

M J Hogg
S R Marsden
M R McGill
S E Robinson
C M Wood

Officer - Company Secretary

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

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

Aviva
Wellington Row
York
YO90 1WR

Company number

Registered in England and Wales no. 2407799

Other information

Aviva Pension Trustees UK Limited ("the Company") is covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority ("FCA")

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 principal activity of the Company is to act as a trustee and scheme administrator to Aviva Personal Pension Scheme (APPS) and Aviva Free Standing Additional Voluntary Contribution (AFSAVC) pension schemes, written by Aviva Life & Pensions UK Limited.

The Company is regulated by the Financial Conduct Authority (FCA) to carry on activities as an Investment Management Firm.

The Company offers SIPP products distributed through three platforms, the Advisor Platform, which provides platform technology to Independent Financial Advisers (IFA's), the Aviva Online Investment Service, which is a direct to consumer platform and the My Money platform which provides platform technology to corporate businesses. The platform technology is provided by FNZ (UK) Limited (FNZ).

Products on the Aviva Online Investment Service platform, which includes products written by the Company, are distributed through Aviva UK Digital Limited (UKD). In addition, 'Aviva Financial Advice' (AFA) which launched in November 2016, provides both pension accumulation and decumulation advice to existing customers. This service supports business growth across a number of Aviva products, including those written by the Company.

Significant events

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 strong capital position and since the onset of the pandemic the Company has remained fully operational.

Financial position and performance

The financial position of the Company at 31 December 2020 is shown in the statement of financial position on page 16, with the results shown in the income statement on page 14 and the statement of cash flows on page 17.

Revenue for the year increased to £66.7 million *(2019: £57.5 million)* as a result of the large rise in assets under administration (AUA). AUA increased from £25,989 million to £31,489 million during the year. Total equity has increased by £5.1 million *(2019: increase of £39.0 million)*, reflecting the profit for the year.

New business sales in 2020 for SIPP business are 7% lower than the previous year at £5,500 million *(2019: £5,900 million)* of PVNBP (present value of new business premiums). It should be noted that this includes £1,300 million *(2019: £1,782 million)* from the MyMoney Platform. Overall the markets decreased by 14.3% in 2020 (as measured by the movement in the FTSE100). AUA grew by 21%, which had a positive impact on AMC revenue driving increased profits.

Profit after tax for the year is £5.4 million *(2019: £4.0 million)* the movement being due to higher revenue driven by higher AUA. This has been offset to a degree by increased expenses recharged to the company and lower deferral of acquisition costs than prior year.

Major events

On 27 March 2020, the Company repaid in full the £30 million short term loan from a fellow group undertaking.

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 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 shareholders 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 businesses should fail to act in the manner the Board expects of them.

The Board will sometimes engage directly with certain stakeholders on certain issues, however due to the size and distribution of our stakeholders and of the Company, stakeholder engagement often takes place at an operational level. The Board considers and discusses information from the Company's management team to help it understand the stakeholder interests and to ensure they are carefully considered as part of the Board's decision-making process. Through review of reports relating to strategy, financial and operational performance, key risk and legal and regulatory compliance, the Board is able to maintain an overview of engagement with stakeholders and other relevant factors which enables the Directors to comply with their legal duty under S172.

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.

The Company's culture

As the provider of financial services to many 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 Life and Pensions UK 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.' Throughout the Company's business, the Board is proud that our people live the Aviva values; Care, Community, Commitment and Confidence, by caring for our customers, for each other and for the communities they serve.

Strategic report (continued)

Key strategic decisions in 2020

The only key strategic decision in 2020 was the agreement to progress with Platform Entity Rationalisations, investigative stage, in quarter four 2020.

Stakeholder Engagement

(i) Employees

The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them.

The Company's engagement mechanisms align with those of the Aviva Group, such as employee forums, internal communication channels, and informal meetings with the Directors and employee engagement surveys.

The Group carries out a comprehensive global employee engagement survey each year, and the results are considered by the Board in the context of the Company's culture, values and behaviours and actions to continually improve the results are discussed and agreed.

The Company's people share in the businesses' success as shareholders through membership of the Group's global share plans.

The Company supported the safety and well-being of staff through the provision of equipment to enable all employees to work from home through the Covid-19 pandemic and the Board received reporting on employees throughout the year.

(ii) Customers

The Board receives regular reporting on customer outcomes and customer related strategic initiatives throughout the year.

The Board closely monitors customer metrics and engages with the leadership team to understand the issues if performance does not meet customers' expectations. The Company's parent entity, Aviva Life and Pensions UK Limited, is supported by a Conduct Committee to enable it to monitor customer metrics, the Aviva Pension Trustees UK Limited Board can escalate any matter it feels necessary to the Aviva Life and Pensions UK Limited Conduct Committee for further scrutiny.

(iii) Suppliers

The Company maintains oversight of the management of its most important suppliers and reviews reports on their performance.

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

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

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. The Group is a Living Wage employer in the UK, and the Company's supplier contracts include a commitment by the supplier to pay their eligible employees not less than the Living Wage in respect of work provided to the Company at its premises in the UK.

(iv) Communities

The Aviva Pension Trustees UK Limited Board supports the community activities of the Aviva Group including the wellbeing proposition for UK employees, the Aviva Communities to help drive greater diversity and inclusivity throughout the organisation and to support colleagues to volunteer in their communities.

Recognising climate change presents risk and opportunities for customers, communities and business, Aviva is signed up to the United Nations Net-Zero Asset Owner Alliance commitment. As part of the Aviva Group, Aviva Pension Trustees UK Limited is committed to Aviva's long-term strategy to reach net zero by 2050, and to support achieving this target the Aviva Group has defined climate risk preferences and operating risk limits. The Board approved the adoption of the new climate risk preferences in November 2020, along with its 2021 2023 Plan which takes the new climate risk preferences into consideration.

(v) Shareholders

The Company's ultimate shareholder is Aviva plc and there is ongoing communication and engagement with the Aviva plc Board. Any matters requiring escalation are escalated by the Board through the Chair to its parent.

(vi) Regulators

The Company has a programme of regular meetings between the Company's senior management and its compliance function and the FCA. The Company responds to requests for information when required, maintaining constructive and open relationships with the UK regulator.

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2020 Annual Report and Accounts. The Company will work with the Group to support the implementation of these strategies.

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

The directors continue to believe that the Aviva Platform business has a viable future, driven by significant growth in AUA, and the executive management team of the Aviva UK Life sub-group are investing significantly to back this success.

Strategic report (continued)

Principal risks and uncertainties

The principal risk facing the business is operational risk, which is in line with FCA expectations for investment businesses which hold assets in a fiduciary capacity and off balance sheet.

Operational risk of loss would arise as a result of inadequate or failed internal processes, people or systems, or from external events, including regulatory risk. This definition is intended to include all risk exposures to which the Company is exposed, other than the financial risks. Hence, operational risks include IT, information security, projects, outsourcing, legal and fraud and regulatory risks. Operational risks are assessed according to the potential impact and probability of the event concerned. These impact assessments are made against financial, operational and reputational criteria.

Management are responsible for the identification, measurement, management and monitoring of operational risks and for reporting these in accordance with the Group's escalation criteria in terms of their probability and impact in accordance with Group policy.

A description of the risks and uncertainties facing the Company and its risk management policies are set out in note 18 to the financial statements.

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 strong capital position and since the onset of the pandemic the Company has remained fully operational.

Key performance indicators

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

Measure	2020 £'000	2019 £'000
Revenue	**66,660**	57,548
Operating expenses	**60,203**	53,170
Profit after tax for the year	**5,395**	3,959
Average assets under administration	**£28,739 million**	£22,704 million

By order of the Board on 20 April 2021

Aviva Company Secretarial Services Limited
Company Secretary

Directors' report

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

Directors

The names of the current directors of the Company are shown on page 3.

Details of Board appointments and resignations during the year and since the year end are shown below:

L C Rix	Resigned 30 March 2020
S R Marsden	Appointed 31 March 2020
L C Rix	Appointed 1 April 2020
L C Rix	Resigned 29 April 2020
C M Wood	Appointed 28 July 2020
P C P Tiernan	Resigned 28 July 2020

Company Secretary

The name of the company secretary of the Company is shown on page 3.

Dividends

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 borrowings (note 14) management of its risks including market, credit and liquidity risk (note 18).

As a result of the former loss making position of the Company, it has been dependent on continuing finance being made available by its parent entity, Aviva Life & Pensions UK Limited (UKLAP), to enable it to meet its regulatory solvency requirements. This support has been further extended for a period of 12 months from the board date. At 31 December 2020, the Company has sufficient cash available to cover its current liabilities.

The Company and its ultimate holding company, 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.

Future outlook

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

Employees

The majority of staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited (AES), who make a management charge for services, including the provision of staff to the Company. It is not possible to ascertain separately the element of the management charge that relates to staff costs. Disclosures relating to employee remuneration and the average number of persons employed are made in the Financial Statements of AES.

Stakeholder engagement

Our statements summarising our employee engagement, and our engagement with suppliers, customers and our other stakeholders are included in our Strategic report on pages 4-6.

Disclosure of information to the auditors

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

Independent auditors

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

Directors' report (continued)

Qualifying indemnity provisions

In 2004, Aviva plc, the Company's ultimate parent, granted an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 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 statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the legal 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 IFRSs 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.

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

By order of the Board on 20 April 2021

Aviva Company Secretarial Services Limited
Company Secretary

Independent auditors' report to the members of Aviva Pension Trustees UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Pension Trustees UK 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 Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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, statement of changes in equity and 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.

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.

Independent auditors' report to the members of Aviva Pension Trustees UK Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority ("FCA") , 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 journal entries and accounting estimates. Audit procedures performed included:

- enquired of management and those charged with governance around actual and potential litigation and claims;
- enquired of management and those charged with governance to identify any instances of non-compliance with laws and regulations;
- reviewed minutes of meetings of those charged with governance;
- reviewed financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Performed testing over the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course 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.

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.

Sean Forster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 April 2021

Accounting policies

The Company, a private limited company incorporated and domiciled in the United Kingdom (UK), acts as trustee and scheme administrator to Aviva Personal Pension Scheme (APPS) and Aviva Free Standing Additional Voluntary Contribution (AFSAVC) pension schemes written by Aviva. 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 (IFRS) and the legal requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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

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

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

The following amendments to existing standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been issued and endorsed by the EU, are effective from 1 January 2020 or earlier, 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 October 2018)

(ii) Amendments to IFRS 3 Business Combinations, (published by the IASB in October 2018)

(iii) Amendments 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 yet effective and are not expected to have a significant impact on the Company's financial statements:

(i) IFRS 17, Insurance Contracts
In May 2017, the IASB published IFRS 17, Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The impact of the adoption of IFRS 17 is not expected to have a significant impact on the Company's financial statements. Following amendments to the standard published in June 2020, it is now expected that the standard will apply to annual reporting periods beginning on or after 1 January 2023. The final standard remains subject to endorsement. Following departure from the EU and the end of the transition period in December 2020, the Company will be subject to IFRS as endorsed by the UK. The UK endorsement process has commenced and we expect it to complete in time for the 1 January 2023 effective date.

(ii) Amendments to IFRS 16 Leases: Covid-19 related rent concessions.
Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 June 2020 and have not yet been endorsed by the EU.

(iii) 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 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	Accounting policy	Note
Deferred acquisition costs	E	8

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 may 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 and note disclosures.

Item	Accounting policy	Note
Expected credit losses	D	7
Provisions	G	13

(C) Revenue and interest receivable

Revenue primarily represents the annual management charges on all contributions into the investor accounts and is recognised when earned. It also includes fees receivable in respect of the Company's role as trustee and scheme administrator to Free Standing AVC pension schemes written by Aviva Life & Pensions UK Limited in the United Kingdom. Interest receivable is accounted for on an accruals basis.

(D) Receivables, payables and other financial liabilities

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

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

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

(E) Deferred acquisition costs

For investment fund management contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are deferred.

Deferred acquisition costs are amortised over the period in which the service is provided.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

(F) Cash and cash equivalents

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

(G) Provisions

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

(H) 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.

Accounting policies (continued)

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

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

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

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

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

(I) Borrowings

Borrowings from group undertakings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. All borrowing costs are expensed as they are incurred.

(J) Share capital

Equity instruments

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

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

Income statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Income			
Revenue	C	**66,660**	57,548
		66,660	57,548
Expenses			
Operating expenses	1	**(60,203)**	(53,170)
Interest expense	2	**(101)**	(419)
		(60,304)	(53,589)
Profit before tax		**6,356**	3,959
Tax charge	H & 6	**(961)**	—
Profit for the year		**5,395**	3,959

The Company has no other comprehensive income *(2019: £nil)*.

The accounting policies (identified alphabetically) on pages 11 to 13 and notes (identified numerically) on pages 18 to 25 are an integral part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2020

		2020		
		Ordinary share capital	**Accumulated losses**	**Total equity**
	Note	**£'000**	**£'000**	**£'000**
Balance at 1 January		**187,600**	**(91,620)**	**95,980**
Profit for the year	11	**—**	**5,395**	**5,395**
Balance at 31 December		**187,600**	**(86,225)**	**101,375**

		2019		
		Ordinary share capital	Accumulated losses	Total equity
	Note	£'000	£'000	£'000
Balance at 1 January		152,600	(95,579)	57,021
Profit for the year	11	—	3,959	3,959
Transactions with owners in their capacity as owners:				
Issue of share capital	10	35,000	—	35,000
Balance at 31 December		187,600	(91,620)	95,980

The accounting policies (identified alphabetically) on pages 11 to 13 and notes (identified numerically) on pages 18 to 25 are an integral part of the financial statements.

Statement of financial position
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Receivables	D & 7	**9,532**	18,601
Deferred acquisition costs	E & 8	**59,514**	41,697
Prepayments and accrued income	D & 9	**2,855**	1,930
Cash and cash equivalents	F & 16	**45,134**	83,912
Total assets		**117,035**	146,140
Equity			
Ordinary share capital	J & 10	**187,600**	187,600
Accumulated losses	11	**(86,225)**	(91,620)
Total equity		**101,375**	95,980
Liabilities			
Tax liability	H & 12	**1,676**	715
Provisions	G & 13	**1,708**	11,267
Borrowings from group undertaking	I & 14	**—**	30,000
Payables and other financial liabilities	D & 15	**12,276**	8,178
Total liabilities		**15,660**	50,160
Total equity and liabilities		**117,035**	146,140

The financial statements were approved by the Board of Directors on 20 April 2021 and signed on its behalf by

S E Robinson

Director

The accounting policies (identified alphabetically) on pages 11 to 13 and notes (identified numerically) on pages 18 to 25 are an integral part of the financial statements.

Statement of cash flows
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows used in operating activities			
Cash used in operating activities	16a	**(8,778)**	(19,856)
Total net cash used in operating activities		**(8,778)**	(19,856)
Cash flows (used in)/generated from financing activities			
Proceeds from issue of ordinary shares	10	—	35,000
Decrease in borrowings	14	**(30,000)**	—
Total net cash (used in)/generated from financing activities		**(30,000)**	35,000
Total net (decrease)/increase in cash and cash equivalents		**(38,778)**	15,144
Cash and cash equivalents at 1 January		**83,912**	68,768
Cash and cash equivalents at 31 December	16b	**45,134**	83,912

The accounting policies (identified alphabetically) on pages 11 to 13 and notes (identified numerically) on pages 18 to 25 are an integral part of the financial statements.

Notes to the financial statements

1. Operating expenses

Under a management agreement, Aviva Life Services UK Limited (UKLS) supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which are included within operating expenses. The amount of this recharge is £79,894,000 *(2019: £72,238,000)*.

	2020 £'000	2019 £'000
UKLS recharges (operating)	**79,894**	72,238
Other operating (income)/expenses	**(1,874)**	1,656
Deferral of acquisition costs	**(17,817)**	(20,724)
Total operating expenses	**60,203**	53,170

The other operating income in 2020 includes provision releases in the year *(2019: £nil)*.

2. Interest expense

	2020 £'000	2019 £'000
Interest payable to group undertakings	**101**	419
Total interest expense	**101**	419

3. Employee information

The Company has no employees *(2019: nil)*. All employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited (AES). Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of AES. The Company is recharged with the costs of the staff provided by AES.

4. Directors' remuneration

The emoluments in respect of directors in office are shown in the table below:

	2020 £'000	2019 £'000
Aggregate emoluments	**1,773**	2,111
Company pension contributions to a money purchase scheme	**198**	259
	1,971	2,370

The details of the highest paid director are as follows:

	2020 £'000	2019 £'000
Aggregate emoluments	**479**	680
Company pension contributions to a money purchase scheme	**60**	75
	539	755

The highest paid director received shares under the executive long-term incentive scheme.

Certain of the directors are covered by private medical insurance provided by Aviva Insurance Limited. Payments may be made to, or on behalf of, directors, subject to the normal policy rules.

Pension contributions consist of employer contributions into the money purchase section of the Aviva Staff Pension Scheme, excluding salary exchange contributions made by employees, plus payments in lieu of pension above the lifetime or annual allowance caps.

During the year none *(2019: two)* of the directors exercised share options and six *(2019: four)* of the directors received shares under long term incentive schemes.

All directors are remunerated by AES, a fellow subsidiary of the ultimate parent company, Aviva plc.

Notes to the financial statements (continued)

5. 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	**17**	15

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 their associates for services other than the statutory audit and audit related assurance services of the Company and other Group undertakings are disclosed in the consolidated financial statements of Aviva plc.

Audit fees are payable by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies.

6. Tax charge

(a) Tax charged to the income statement

(i) The total tax charge comprises:

	2020 £'000	2019 £'000
Current tax		
For this year	**(1,208)**	—
Prior year adjustments	**247**	—
Total tax charged to the income statement	**(961)**	—

(b) Tax reconciliation

The tax on the Company's profit before tax differs from *(2019: differs from)* the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2020 £'000	2019 £'000
Profit before tax	**6,356**	3,959
Tax calculated at standard UK corporation tax rate of 19% *(2019: 19%)*	**(1,208)**	(752)
Adjustment to tax charge in respect of prior years	**247**	—
Surrender of losses from group undertakings for no charge	**—**	752
Total tax charged to the income statement	**(961)**	—

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

Notes to the financial statements (continued)

7. Receivables

	2020 £'000	2019 £'000
Trade receivables	**4,551**	3,793
Other receivables	**4,709**	3,396
Amounts owed by group undertakings	**1,277**	11,412
Lifetime expected credit losses	**(1,005)**	—
Total as at 31 December	**9,532**	18,601
Expected to be recovered in less than one year	**9,532**	18,601
Expected to be recovered in more than one year	**—**	—
	9,532	18,601

All receivables held at the period end are measured at amortised cost. Further details relating to lifetime expected credit losses can be found in note 18b. The carrying amount in the financial statements is deemed to be a reasonable approximation of the fair value.

Other receivables include £4,709,000 in relation to tax rebates *(2019: £3,396,000).*

8. Deferred acquisition costs

Deferred acquisition cost – movement in the year:

	2020 £'000	2019 £'000
Carrying amount at 1 January	**41,697**	20,973
Acquisition costs deferred during the year	**20,790**	21,824
Amortisation	**(2,973)**	(1,100)
Total as at 31 December	**59,514**	41,697

9. Prepayments and accrued income

Prepayments and accrued income

The carrying amount comprises:

	2020 £'000	2019 £'000
Expected to be recovered in less than one year	**2,855**	1,930
Expected to be recovered in more than one year	**—**	—
	2,855	1,930

10. Ordinary share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
187,600,000 *(2019: 187,600,000)* ordinary shares of £1 each	**187,600**	187,600

Movements in ordinary share capital are as follows:

On 21 February 2019, 35 million ordinary shares of £1 each were allotted and issued by the Company.

Notes to the financial statements (continued)

	2020		2019	
	Number of shares	**Share capital**	Number of shares	Share capital
		£'000		£'000
At 1 January	**187,600,000**	**187,600**	152,600,000	152,600
New shares issued	**—**	**—**	35,000,000	35,000
At 31 December	**187,600,000**	**187,600**	187,600,000	187,600

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.

11. Accumulated losses

	2020	2019
	£'000	£'000
Balance at 1 January	**(91,620)**	(95,579)
Profit for the year	**5,395**	3,959
Balance at 31 December	**(86,225)**	(91,620)

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to regulated companies imposed by the Financial Conduct Authority (FCA). Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of local regulatory capital.

12. Tax liability

(a) General

Tax liabilities payable in more than one year are £1.2 million *(2019: £nil)*. The tax assets and liabilities of the Company will be settled by way of group relief with Aviva group companies.

(b) Deferred Tax

The Company did not have any recognised or unrecognised deferred tax balances in either 2020 or 2019.

13. Provisions

	2020	2019
	£'000	£'000
At 1 January	**11,267**	20,004
Provided in financial year	**—**	558
Utilised during the year	**(4,693)**	(9,295)
Amounts released during the year	**(4,866)**	—
At 31 December	**1,708**	11,267

Of the amount provided for in 2020, £1,708,000 *(2019: £10,078,000)* relates to remediation costs for customers and advisors impacted by the migration between platform service providers. The £1,189,000 provided at the end of 2019 in relation to expected cost of policyholder compensation for errors identified in product administration has been fully utilised in 2020.

14. Borrowings from group undertakings

	2020	2019
	£'000	£'000
Loans from fellow group undertakings	—	30,000
Expected to be settled in less than one year	—	30,000
Expected to be settled in more than one year	—	—
	—	30,000

On 27 March 2020, the Company repaid in full the £30 million short term loan from a fellow group undertaking.

Notes to the financial statements (continued)

15. Payables and other financial liabilities

	2020 £'000	2019 £'000
Trade payables	**2,701**	3,903
Amounts due to group undertakings	**7,692**	1,339
Other payables including tax and social security	**1,883**	2,936
Total as at 31 December	**12,276**	8,178
Expected to be settled within one year	**12,276**	8,178
Expected to be settled in more than one year	**—**	—
	12,276	8,178

16. Statement of cash flows

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

	2020 £'000	2019 £'000
Profit before tax	**6,356**	3,959
Changes in working capital:		
Decrease in receivables	**9,069**	20,024
Increase in deferred acquisition costs	**(17,817)**	(20,724)
Increase in prepayments and accrued income	**(925)**	(261)
Decrease in provisions	**(9,559)**	(8,737)
Increase/(decrease) in payables and other financial liabilities	**4,098**	(14,117)
Total cash used in operating activities	**(8,778)**	(19,856)

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

	2020 £'000	2019 £'000
Cash at bank and in hand	**45,134**	83,912

17. Capital

In managing its capital, the Company seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength to support new business growth and satisfy the requirements of its customers and its regulator, the Financial Conduct Authority (FCA);
- Retain financial flexibility by maintaining liquidity; and
- Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company is an IPRU (Investment) Chapter 5 firm and submits quarterly returns to comply with IPRU under the Integrated Regulatory Reporting (IRR) Regime. The Company has fully complied with the relevant regulatory capital requirements since it became regulated in 2007.

Notes to the financial statements (continued)

The Company manages the resources available to meet its regulatory capital requirements as capital, as set out below:

	2020 £'000	2019 £'000
Total equity	**101,375**	95,980
Adjustments onto a regulatory basis:		
Intangible assets	**(41,697)**	—
Illiquid assets	**(349)**	(2,175)
Total equity and available capital resources	**59,329**	93,805

The downward movement in the available capital is due to the deduction of the intangible asset, offset in part by in year profits. Deductions relate to illiquid assets and intangible assets which are inadmissible for FCA purposes.

In addition to the minimum regulatory requirements outlined above, the Company complies with Group mandated Capital Management Risk Standards, which include the setting of risk appetites which are designed to give some buffer against adverse events when compared with minimum solvency. These appetites define what action should be taken by management where the actual capital level is above or below the desired target level.

18. Risk management

(a) Risk management framework

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

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

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

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

Risk models are an important tool in the measurement of risks and are used to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. The Company carries out a range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged.

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

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

The Company's position against risk appetite is monitored and reported to the Board on a regular basis.

(b) Credit risk

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

Notes to the financial statements (continued)

An assessment is carried out over all categories of financial assets to determine to what extent assets held can be considered to have low credit risk as at the reporting date. In making this assessment, the Company makes use of both internal and external credit risk ratings, along with other qualitative and quantitative factors where external ratings are not available. Where a financial asset is deemed to have low credit risk, it is assumed that the credit risk on the respective assets has not increased significantly since initial recognition.

A financial asset is considered to be in default where contractual payments are past due, or there is objective evidence that the counterparty will be unable to subsequently meet their payment obligations. A financial asset is written off only when all other available measures have been taken to recover amounts due.

Where external credit ratings are available for financial assets, a significant increase in the credit risk of a financial asset is identified where there has been a significant deterioration in the respective credit rating. All financial assets at the reporting date are unrated.

Expected credit losses on material trade receivables and other assets are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. The Company makes use of the simplified approach when calculating expected credit losses on trade receivables which don't include a significant financing component, and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses have been calculated using a provision matrix where recoverability has been assessed against the age of the receivable.

The following table sets out expected credit losses recognised in the year:

	Expected credit losses relating to trade receivables recognised in year 2020 £'000
Opening expected credit losses	—
Provided during the reporting period	1,234
Utilised during the reporting period	(229)
Closing expected credit losses	1,005

(c) Market risk

Market risk is the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices. The nature of the business means that market risks in terms of market value movements are borne by the customers. Market risk arises only indirectly as a result of the impact on the value of assets under administration (AUA), which will affect revenue received from fee income. The Company is not exposed to significant interest rate risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be in a position to meet its liabilities as they fall due. In relation to the Company, this largely relates to ensuring that there are sufficient liquid assets available to meet funding demands from customer transactions. Liquidity risk is managed daily, with oversight provided by ALCO. A contingency funding plan is in place to provide the Company with short term liquidity should it be required.

19. Related party transactions

The members of the Board of Directors are listed on page 3 of these financial statements. There are no amounts receivable from or payments due to members of the Board of Directors.

(a) Income receivable from related parties

	2020		2019	
	Income earned in the year	Receivable at year end	Income earned in the year	Receivable at year end
	£'000	£'000	£'000	£'000
Parent	179	1,277	179	11,412

The related party 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)*.

(b) Services provided by related parties

Under a management agreement, UKLS supplies and makes charges for the provision of operational assets and staff to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which were £79,894,000 *(2019: £72,238,000)*.

During the year the Company paid interest of £101,000 *(2019: £419,000)* to a fellow group undertaking.

Notes to the financial statements (continued)

Loans payable at year end are due to the following:

	2020 £'000	2019 £'000
Fellow group undertaking	—	30,000

Other amounts payable at year end are due to the following:

	2020 Payable at year end £000	2019 Payable at year end £000
Fellow group undertaking	**7,692**	1,339

The related party payables are not secured and no guarantees were given in respect thereof.

(c) Key management compensation

The total compensation to those employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors, is as follows:

	2020 £'000	2019 £'000
Salary and other short-term benefits	**3,236**	3,322
Post-employment benefits	**3**	35
Other long-term benefits	**353**	343
Termination benefits	**332**	—
Total	**3,924**	3,700

There are no amounts receivable from, or payments due to, key management.

The directors are remunerated by AES, a fellow subsidiary of the ultimate holding company, Aviva plc. The emoluments of these directors are recharged to UKLS, and details of their emoluments are given in note 4.

(d) Parent entity

The immediate parent undertaking is Aviva Life & Pensions UK Limited, registered in England.

(e) Ultimate controlling entity

The ultimate controlling entity, and parent of the largest and smallest groups which consolidate the results of the Company, is Aviva plc. Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ, and on the Aviva plc website at www.aviva.com.