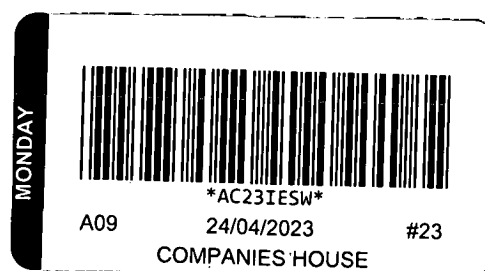


# **Aviva Pension Trustees UK Limited**

**Registered in England and Wales No. 2407799**

## **Annual Report and Financial Statements 2022**



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Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

## **Directors and officer**

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### **Directors**

D A Brown

E E Douglas

M J Hogg

S R Marsden

J I Slider

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")

Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

## Strategic report

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

### Review of the Company's business

#### Principal activities

The 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 (UKLAP).

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

The Company offers Self Invested Personal Pension (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).

#### Financial position and performance

The financial position of the Company at 31 December 2022 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 £89.1 million (2021: £83.5 million) as a result of higher average assets under administration (AUA), which increased from £35,635 million for 2021 to £39,646 million for 2022. Total AUA decreased from £39,780 million at 31 December 2021 to £39,511 million at 31 December 2022. Total equity has increased by £9.8 million (2021: increase of £6.7 million), reflecting the profit for the year.

New business sales in 2022 for SIPP business are 7% higher than the previous year at £7,700 million (2021: £7,200 million) of PVNBP (present value of new business premiums). It should be noted that this includes £2,800 million (2021: £1,400 million) from the MyMoney Platform.

Operating expenses have increased from £75.2 million in 2021 to £77.0 million in 2022 due to increased platform fees and development costs through the Direct Wealth programme.

Profit after tax for the year is £9.8 million (2021: £6.7 million). The movement during the year is due to higher revenue driven by higher average AUA. This has been offset to a degree by higher operating expenses.

#### Section 172(1) statement and our stakeholders

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

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

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

#### The Company's culture

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

Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

**Strategic report (continued)****Stakeholder Engagement**

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

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Customers	Understanding what's important to our customers is key to our long-term success.	<ul style="list-style-type: none"> <li>The Board receives regular reporting on customer outcomes and strategic initiatives throughout the year.</li> <li>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 &amp; Pensions UK Limited, is supported by the Aviva Life Holdings UK Limited Conduct Committee to enable it to monitor customer metrics, the Board can escalate any matter it feels necessary to the Aviva Life Holdings UK Limited Conduct Committee for further scrutiny.</li> <li>The Board continues to monitor and review developments concerning changes to our IT platforms which will allow us to simplify and support service delivery to our customers.</li> </ul>
Our people	Our people's well-being and commitment to serving our customers is essential for our long-term success.	<ul style="list-style-type: none"> <li>The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of the Aviva Group. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them.</li> <li>The Aviva plc CEO and Chair of the Remuneration Committee attended 'Your Forum' meetings in 2022, our fully elected employee forum, representing UK employees. We believe this method of engagement with Aviva employees is effective in building and maintaining trust and communication and allows for openness, honesty and transparency within the business. It also acts as a platform for employees to influence change in relation to matters that affect them. The output of these meetings provided the Remuneration Committee with employee feedback when reviewing wider workforce remuneration and policies.</li> <li>Our people share in the businesses' success as shareholders through membership of the Group's global share plans.</li> </ul>
Suppliers	We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries.	<ul style="list-style-type: none"> <li>The Company maintains oversight of the management of its most important suppliers and reviews reports on their performance.</li> <li>All supplier related activity is managed in line with the Group's Procurement &amp; Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational and contractual issues.</li> <li>In the UK, Aviva is a signatory of the Prompt Payment Code which sets high standards for payment practices. We are a Living Wage employer in the UK, and our supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided at premises in the UK.</li> </ul>
Communities	We recognise the importance of contributing to our communities through volunteering, community investment, and long-term partnerships. As a major insurance group we are fully engaged in building resilience against the global impact of climate change.	<ul style="list-style-type: none"> <li>As a Group we are focussed on Corporate Responsibility activity, through the activities supported by the Aviva Foundation and our work with communities through the Aviva Community Fund.</li> <li>The Aviva Foundation will continue to invest in organisations delivering public benefit aligned to Aviva's purpose and expertise with a focus on financial capability. The Aviva plc Board approved a further £10m payment to the foundation from unclaimed shareholder funds derived from the 2022 capital return.</li> <li>The Aviva plc Board approved the Group's sustainability agenda and Aviva's ambition to become the first major insurer worldwide to target Net Zero by 2040 and reviews progress against our commitments.</li> </ul>
Shareholders	Our retail and institutional shareholders are the ultimate owners of the Company.	<ul style="list-style-type: none"> <li>Our 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.</li> </ul>
Regulators	As an insurance company, we are subject to financial services regulations and approvals in all the markets we operate in.	<ul style="list-style-type: none"> <li>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.</li> </ul>

Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

**Strategic report (continued)****Future outlook**

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2022 Annual Report and Accounts. 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.

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

The Company is well positioned to compete in its key markets by leveraging the strong Aviva brand within the UK meeting our customer needs, alongside driving digitisation through customer services, propositions and ensuring we are easy for customers to do business with, however they chose.

**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 17 to the financial statements.

**Key performance indicators**

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

Measure	2022	2021
	£'000	£'000
Revenue	<b>89,134</b>	83,499
Operating expenses	<b>77,046</b>	75,171
Profit after tax for the year	<b>9,776</b>	6,746
Average assets under administration	<b>£39,646 million</b>	£35,635 million

By order of the Board on 20 April 2023



Aviva Company Secretarial Services Limited  
Company Secretary

Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

## Directors' report

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

### 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:

R Barker	Resigned 1 August 2022
D A Brown	Appointed 24 February 2023

### 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 2022 (2021: *£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 risks including market, credit and liquidity risk (note 17).

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

Under the Competition and Markets Authority Regulations, the Company's ultimate parent Company, Aviva plc, is required to tender for the provision of the external audit every 10 Years. PricewaterhouseCoopers LLP (PwC) was appointed for the first time for the 31 December 2012 financial year end and therefore a mandatory re-tender was required for the year ending 31 December 2022. Following a full and rigorous competitive tender process, which was overseen by the Aviva Life Holdings UK Limited Audit Committee, the selection of Ernst & Young LLP was approved by the Aviva plc Board. PwC will continue in its role and, subject to reappointment by the Company's shareholders at the 2023 Annual General Meeting, will undertake the audit for the financial year ending 31 December 2023.

### Qualifying indemnity provisions

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of s309A to s309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the directors' report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

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

Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

## Directors' report (continued)

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### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under Company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

By order of the Board on 20 April 2023

*Laura McGowan*

Aviva Company Secretarial Services Limited  
Company Secretary



Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

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

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### 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 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2022 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2022; 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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### Responsibilities for the financial statements and the audit

##### Responsibilities of the directors for the financial statements

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

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

Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

**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 by the engagement team 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 where applicable.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

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

**Other required reporting****Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



James Wilkinson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
20 April 2023

Aviva Pension Trustees UK Limited

Annual Report and Financial Statements 2022

## 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 UK-adopted international accounting standards and the legal requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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

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

- (i) *Annual Improvements to IFRS 2018-2020 Cycle: Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (published by the IASB in May 2020)*
- (ii) *Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (published by the IASB in May 2020)*
- (iii) *Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (published by the IASB in May 2020)*
- (iv) *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract (published by the IASB in May 2020)*
- (v) *Amendments to IFRS 16 Leases: COVID-19 Related Rent Concessions beyond 30 June 2021 (published by the IASB in March 2021)*

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

- (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. In May 2022, the UK endorsed IFRS 17, amendments to IFRS 17, and Initial Application of IFRS 17 and IFRS 9—Comparative Information, all of which will apply to annual reporting periods beginning on or after 1 January 2023. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The impact of the adoption of IFRS 17 is not expected to have a significant impact on the Company's financial statements.

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 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:

- (ii) *Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies*  
Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have been endorsed by the UK.
- (iii) *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*  
Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have been endorsed by the UK.
- (iv) *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*  
Published by the IASB in May 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have been endorsed by the UK.
- (v) *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*  
Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.
- (vi) *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*  
Published by the IASB in September 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.
- (vii) *Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants*  
Published by the IASB in October 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

Aviva Pension Trustees UK Limited

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**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.

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

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**Accounting policies (continued)**

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

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

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

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, except for the tax consequences of distributions from certain equity instruments, to be recognised in the income statement.

Deferred tax related to any fair value re-measurement of investments, held at fair value through other comprehensive income, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

**(I) 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.

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**Income statement**

For the year ended 31 December 2022

	Note(s)	2022 £'000	2021 £'000
<b>Income</b>			
Revenue	C	89,134	83,499
		<b>89,134</b>	<b>83,499</b>
<b>Expenses</b>			
Operating expenses	1	(77,046)	(75,171)
Interest expense	2	(19)	—
		<b>(77,065)</b>	<b>(75,171)</b>
Profit before tax		12,069	8,328
Tax charge	H & 6	(2,293)	(1,582)
<b>Profit for the year</b>		<b>9,776</b>	<b>6,746</b>

The Company has no other comprehensive income (2021: £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.

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**Statement of changes in equity**

For the year ended 31 December 2022

		2022		
		Ordinary share capital	Accumulated losses	Total equity
		£'000	£'000	£'000
<b>Balance at 1 January</b>		<b>187,600</b>	<b>(79,479)</b>	<b>108,121</b>
Profit for the year	11	—	9,776	9,776
<b>Balance at 31 December</b>		<b>187,600</b>	<b>(69,703)</b>	<b>117,897</b>

		2021		
		Ordinary share capital	Accumulated losses	Total equity
		£'000	£'000	£'000
<b>Balance at 1 January</b>		<b>187,600</b>	<b>(86,225)</b>	<b>101,375</b>
Profit for the year	11	—	6,746	6,746
<b>Balance at 31 December</b>		<b>187,600</b>	<b>(79,479)</b>	<b>108,121</b>

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.

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**Statement of financial position**

As at 31 December 2022

	Note(s)	2022 £'000	2021 £'000
<b>Assets</b>			
Receivables	D & 7	15,045	10,596
Deferred acquisition costs	E & 8	89,231	75,817
Prepayments and accrued income	D & 9	3,724	3,725
Cash and cash equivalents	F & 15	27,125	32,288
<b>Total assets</b>		<b>135,125</b>	<b>122,426</b>
<b>Equity</b>			
Ordinary share capital	I & 10	187,600	187,600
Accumulated losses	11	(69,703)	(79,479)
<b>Total equity</b>		<b>117,897</b>	<b>108,121</b>
<b>Liabilities</b>			
Tax liability	H & 12	3,876	2,790
Provisions	G & 13	—	324
Payables and other financial liabilities	D & 14	13,352	11,191
<b>Total liabilities</b>		<b>17,228</b>	<b>14,305</b>
<b>Total equity and liabilities</b>		<b>135,125</b>	<b>122,426</b>

The financial statements were approved by the Board of Directors on 20 April 2023 and signed on its behalf by



J I Slider

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.



Aviva Pension Trustees UK Limited

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**Statement of cash flows**

For the year ended 31 December 2022

	Note(s)	2022 £'000	2021 £'000
<b>Cash flows used in operating activities</b>			
Cash used in operating activities	15a	(5,163)	(12,846)
<b>Total net cash used in operating activities</b>		<b>(5,163)</b>	<b>(12,846)</b>
Total net decrease in cash and cash equivalents		(5,163)	(12,846)
Cash and cash equivalents at 1 January		32,288	45,134
<b>Cash and cash equivalents at 31 December</b>	15b	<b>27,125</b>	<b>32,288</b>

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.

Aviva Pension Trustees UK Limited

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**Notes to the financial statements****1. Operating expenses**

Under 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 for UKLS is £84,404,000 (2021: £87,215,000).

Under a management agreement, Aviva Investment Solutions UK Limited (AISL) supplies and makes charges for the collection services performed on behalf of the Company. The agreement, specifies the amount payable to AISL in respect of these services, which are included within operating expenses. The amount of this recharge is £2,952,000 (2021: £1,350,000).

	2022	2021
	£'000	£'000
UKLS recharges (operating)	84,404	87,215
AISL recharges (operating)	2,952	1,350
Other operating expenses	3,104	2,910
Deferral of acquisition costs	(13,414)	(16,304)
Total operating expenses	77,046	75,171

Deferral of acquisition costs are the net of amounts deferred in year and amortisation charged in year.

**2. Interest expense**

	2022	2021
	£'000	£'000
Interest payable to group undertakings	19	—
Total interest expense	19	—

Interest paid relates to liquidity funding of £20,000,000 provided by the Company's parent, UKLAP, from 29 March 2022 to 31 May 2022. Interest was paid at a rate of 55 basis points.

**3. Employee information**

The Company has no employees (2021: 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 however the associated costs and average number of persons employed cannot be accurately disclosed.

**4. Directors' remuneration**

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

	2022	2021
	£'000	£'000
Aggregate emoluments	2,453	2,191
Company pension contributions to a money purchase scheme	197	179
	2,650	2,370

The details of the highest paid director are as follows:

	2022	2021
	£'000	£'000
Aggregate emoluments	841	494
Company pension contributions to a money purchase scheme	46	51
	887	545

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.

Aviva Pension Trustees UK Limited

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**Notes to the financial statements (continued)**

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 three (2021: none) of the directors exercised share options and six (2021: seven) 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.

**5. Auditors' remuneration**

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

	2022	2021
	£'000	£'000
Fees payable to PwC LLP for the statutory audit of the Company's financial statements	<b>21</b>	<b>17</b>

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**

The total tax charge comprises:

	2022	2021
	£'000	£'000
<b>Current tax</b>		
For this year	<b>(2,293)</b>	<b>(1,582)</b>
<b>Total tax charged to the income statement</b>	<b>(2,293)</b>	<b>(1,582)</b>

**(b) Tax reconciliation**

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

	2022	2021
	£'000	£'000
Profit before tax	<b>12,069</b>	<b>8,328</b>
Tax calculated at standard UK corporation tax rate of 19% (2021: 19%)	<b>(2,293)</b>	<b>(1,582)</b>
<b>Total tax charged to the income statement</b>	<b>(2,293)</b>	<b>(1,582)</b>

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. As the Company has no deferred tax assets or liabilities, there is no impact of the Company's net assets as a consequence of the amendments to the tax rates.

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**Notes to the financial statements (continued)****7. Receivables**

	2022	2021
	£'000	£'000
Trade receivables	9,376	3,820
Other receivables	4,989	6,104
Amounts owed by group undertakings	1,747	1,677
Lifetime expected credit losses	(1,067)	(1,005)
<b>Total as at 31 December</b>	<b>15,045</b>	<b>10,596</b>
Expected to be recovered in less than one year	15,045	10,596
Expected to be recovered in more than one year	—	—
	<b>15,045</b>	<b>10,596</b>

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 17b. The carrying amount in the financial statements is deemed to be a reasonable approximation of the fair value.

Other receivables include £4,989,000 in relation to tax rebates (2021: £6,104,000).

**8. Deferred acquisition costs****Deferred acquisition cost – movement in the year:**

	2022	2021
	£'000	£'000
Carrying amount at 1 January	75,817	59,514
Acquisition costs deferred during the year	19,896	21,057
Amortisation	(6,482)	(4,754)
<b>Total as at 31 December</b>	<b>89,231</b>	<b>75,817</b>

**9. Prepayments and accrued income****Prepayments and accrued income**

The carrying amount comprises:

	2022	2021
	£'000	£'000
Expected to be recovered in less than one year	3,724	3,725
Expected to be recovered in more than one year	—	—
	<b>3,724</b>	<b>3,725</b>

**10. Ordinary share capital**

	2022	2021
	£'000	£'000
Allotted, called up and fully paid		
187,600,000 (2021: 187,600,000) ordinary shares of £1 each	187,600	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.

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**Notes to the financial statements (continued)****11. Accumulated losses**

	2022	2021
	£'000	£'000
Balance at 1 January	(79,479)	(86,225)
Profit for the year	9,776	6,746
<b>Balance at 31 December</b>	<b>(69,703)</b>	<b>(79,479)</b>

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) Current Tax**

Current tax liabilities payable in more than one year are £2.3 million (2021: £1.6 million).

**(b) Deferred Tax**

The Company did not have any recognised or unrecognised deferred tax balances in either 2022 or 2021.

**13. Provisions**

	2022	2021
	£'000	£'000
<b>At 1 January</b>	<b>324</b>	<b>1,708</b>
Provided in financial year	—	155
Utilised during the year	(289)	(1,005)
Amounts released during the year	(35)	(534)
<b>At 31 December</b>	<b>—</b>	<b>324</b>

Of the amount provided for in 2021, £169,000 related to remediation costs for customers and advisors impacted by the migration between platform service providers and £155,000 related to remediation costs for customers impacted by a one-off error in a model portfolio. All provisions were fully utilised during 2022 with any residual balance released.

**14. Payables and other financial liabilities**

	2022	2021
	£'000	£'000
Trade payables	3,417	3,854
Amounts due to group undertakings	4,527	2,871
Other payables including tax and social security	5,408	4,466
<b>Total as at 31 December</b>	<b>13,352</b>	<b>11,191</b>
Expected to be settled within one year	13,352	11,191
Expected to be settled in more than one year	—	—
	<b>13,352</b>	<b>11,191</b>

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**Notes to the financial statements (continued)****15. Statement of cash flows****(a) The reconciliation of profit before tax to the net cash out flow from operating activities is:**

	2022 £'000	2021 £'000
Profit before tax	12,069	8,328
Changes in working capital:		
Increase in receivables	(4,449)	(1,064)
Increase in deferred acquisition costs	(13,414)	(16,303)
Decrease/(increase) in prepayments and accrued income	1	(870)
Decrease in provisions	(324)	(1,384)
Increase/(decrease) in payables and other financial liabilities	954	(1,553)
Total cash used in operating activities	(5,163)	(12,846)

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

	2022 £'000	2021 £'000
Cash at bank and in hand	27,125	32,288

**16. Capital structure**

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's overall risk profile and the regulatory and market requirements of the business. This note describes the way the Company manages capital and shows how this is structured.

**(a) General**

IFRS underpins the Company's capital structure and accordingly the capital structure is analysed on this basis. The Company measures its capital requirements under the IPRU (Investment) Chapter 5 rulebook.

**(b) Capital Management**

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 financial strength to support new business growth and satisfy the requirements of its policyholders and regulators;
- retain financial flexibility by maintaining strong liquidity; and
- allocate capital efficiently to support growth and repatriate excess capital where appropriate.

**(c) Different measures of capital**

The Company measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Company operates and those which the directors consider appropriate for the management of the business. The measures which the Company uses are:

**a. Accounting basis**

The Company is required to report its results on an IFRS basis.

**b. Regulatory basis**

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the Company being authorised and regulated by the Financial Conduct Authority (FCA) as an IPRU (Investment) Chapter 5 firm. The Company fully complied with the relevant regulatory requirements during the year.

The reconciliation below is between total IFRS funds and total own funds under IPRU (Inv).

Aviva Pension Trustees UK Limited

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**Notes to the financial statements (continued)**

	2022	2021
	£'000	£'000
Total equity	117,897	108,121
Adjustments onto a regulatory basis:		
Deferred acquisition cost asset deduction	(69,334)	(75,817)
Illiquid assets	(397)	(500)
<b>Total equity and available capital resources</b>	<b>48,166</b>	<b>31,804</b>

**17. 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.

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

For the purposes of risk identification and measurement, and aligned to the Company's risk policies, risks are usually grouped by risk type: credit, market, liquidity, 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. Any material weaknesses in subsidiary companies are considered as part of this overall process.

The Risk Appetite Framework was refreshed during the year, with revised and new risk appetites, preferences and tolerances considered and approved by the Board Risk Committee. Since 2021, Climate Risk has been integrated and defined within the risk appetite framework as part of the use in risk-based decision-making. In 2022, we continued to build our climate risk capability and further integrate it into our risk management and risk appetite frameworks. We further developed guidance, metrics and targets, to support better understanding and monitoring as well as ensure climate-related risks and opportunities are embedded in our day-to-day decision making in line with our climate risk appetite.

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.

**(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.

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.

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**Notes to the financial statements (continued)**

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
	£'000
Opening expected credit losses	1,005
Provided during the reporting period	62
Utilised during the reporting period	—
Closing expected credit losses	1,067

**(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.

**(e) Conflict in Ukraine**

The Russia-Ukraine conflict and increasing geo-political tensions more generally have heightened the risk of cyber security attacks on the Aviva Group or its suppliers, with the potential to cause business service interruption and/or data or intellectual property theft. In response the Aviva Group continues to actively monitor the threat environment and enhance its IT infrastructure and Cyber controls to identify, detect and prevent attacks. Aviva's Cyber defences are regularly tested using our own 'ethical hacking' team and the Aviva Group has engaged with suppliers to put in place all reasonable measures so that services to Aviva and its customers are protected.

The Aviva Group actively monitors social and other media in order to manage misinformation about our business, products, colleagues and customers should we be targeted by a hostile actor in the context of the situation in Ukraine or elsewhere, taking corrective media action if necessary..

**18. 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**

	2022		2021	
	Income earned in the year	Receivable at year end	Income earned in the year	Receivable at year end
	£'000	£'000	£'000	£'000
Parent	179	1,747	179	1,677

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 (2021: £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 £84,404,000 (2021: £87,215,000).

Under a management agreement, AISL supplies and makes charges for the collection services performed on behalf of the Company. The agreement specifies the amount payable to AISL in respect of these services, which were £2,952,000 (2021: £1,350,000).

During the year the Company paid interest of £19,000 (2021: £nil) to a fellow group undertaking.



Aviva Pension Trustees UK Limited

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**Notes to the financial statements (continued)***Other amounts payable at year end are due to the following:*

	2022	2021
	Payable at year end	Payable at year end
	£000	£000
Fellow group undertaking	<b>4,527</b>	<b>2,871</b>

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:

	2022	2021
	£'000	£'000
Salary and other short-term benefits	<b>5,503</b>	5,061
Post-employment benefits	<b>77</b>	—
Other long-term benefits	<b>355</b>	353
Termination benefits	—	339
<b>Total</b>	<b>5,935</b>	<b>5,753</b>

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](http://www.aviva.com).