Aviva Life & Pensions UK Limited

Registered in England and Wales No. 03253947

Annual Report and Financial Statements 2022

Contents

Directors and officer

Directors

D A Brown (executive director)
I A Pearce (executive director)
C M Agius (non-executive director)
J McConville (non-executive director)
R W A Howe (non-executive director)
M Harris (non-executive director)
S P Trickett (non-executive director)
C C Jones (non-executive director)
J E M Curtis (non-executive director)

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. 03253947

Other information

Aviva Life & Pensions UK Limited ("the Company") is a member of the Association of British Insurers and covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

The Company is a 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 2022.

Review of the Company's business

Principal activities

The principal activity of the Company is life and pension insurance business. The Company has both Non-profit and With-profits funds and offers a market leading range of propositions to individual and corporate customers covering their savings, retirement, insurance and protection needs. The directors consider that this will continue unchanged into the foreseeable future. During 2022, the Company continued to reinsure a significant proportion of its Non-profit business outwards to a fellow subsidiary of the Group, Aviva International Insurance Limited.

Significant Events

The company's financial results are affected by a number of external factors, including demographic trends, general economic and market conditions, government policy and legislation and exchange rate fluctuations. In addition, our 2022 financial performance includes the impact of corporate actions taken aimed at achieving our stated strategy. The impact of these events on IFRS performance and Solvency II may differ due to their different measurement and recognition criteria.

The following significant events impacted our business during the year:

During the year a number of changes were made to the capital structure of the Company as part of managing its balance sheet. The net impact of the changes across the year is:

- Capital contributions of £1,200m from Aviva Life Holdings UK Limited (UKLH)
- The Company reduced its share capital by cancelling and extinguishing 340,000,000 ordinary shares of £1 each, with the amount from such reduction being credited to a distributable reserve of the Company (refer to note 21 for further detail).
- The Company allotted 469,866,387 ordinary shares of £1 each to UKLH for a consideration of £470m in August 2022, which was subsequently cancelled and extinguished in October 2022.
- Inter-group capital instruments totalling £965m were repaid (refer to note 23 for further details).
- Inter-group subordinated debt totalling £700m were repaid (refer to note 34 for further details).

The Company approved the merger of the FLC Old With-Profits Sub-Fund and the FLC New With-Profits Sub-Fund.

A number of actions were taken during the year to optimise the Company's liquidity position. This included establishing a short-term loan facility from AGH of £500 million which could be drawn upon to meet collateral demands, which remains undrawn as at 31 December 2022 (refer to note 44) and a loan from the New With-Profits Sub-Fund to the Non-Profit Sub-Fund for £200 million for a three-year term.

In May 2022, the UK endorsed both IFRS 17 and the amendments, all of which apply to annual reporting periods beginning on or after 1 January 2023. IFRS 17 replaces IFRS 4 Insurance Contracts, which was issued in 2005. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to accounting for insurance contracts.
The measurement and presentation of insurance contracts, reinsurance contracts and investment contracts with discretionary participating features are significantly impacted by the transition to IFRS 17. Further details are given in note 46. The Company has an implementation project which is developing accounting policies and methodologies, we well as financial reporting systems. Updates throughout 2022 have been provided to the Board.

Section 172 (1) Statement and our stakeholders

We report here on how our directors have discharged their duties under Section 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 our 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 where our businesses fall short of the standards we expect.

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

The Company's culture

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

Key strategic decisions in 2022

For each matter that comes before the Board, the Board considers the likely consequences of any decision in the long-term, identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process.

The Sustainability Agenda is a critical part of Aviva's strategy to become the UK's leading insurer. Aviva's ambition is demonstrated through the goals that have been set by the Aviva plc Board ("Group Board"). The emphasis is on 'Building a Stronger Britain', contributing to a sustainable economic recovery. This includes climate commitments such as net zero carbon by 2040.

Key focus areas for the Company include helping customers provide for a more comfortable retirement by supporting them with investment, drawdown, and secure income from annuities, along with helping customers to protect themselves and their families financially against death or illness and supplying services to the corporate marketplace by offering pensions, protection, and bulk annuity propositions (BPA's) to both large and small companies. Advice is a critical aspect of the Aviva UK Life's vision of becoming the go-to partner for the UK's financial wellbeing needs. The acquisition by the Aviva UK Life business of Succession Wealth means we can quickly widen the advice we're able to offer. It will help our existing customers, currently without an adviser, to secure their financial future.

Strategic report (continued)

The Board had strategy discussions through the year and held a dedicated strategy session on 27 June 2022.

Stakeholder Engagement

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Customers	Understanding what is important to our customers is key to our long-term success.	• The Board receives regular reporting on customer outcomes and 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 is supported by a Conduct Committee to enable it to monitor customer metrics and the Board can escalate any matter it feels necessary to the Group Conduct Committee for further scrutiny. • 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. • The Board ensures that they keep up to date with customers' needs through regular training and development.
Our people	Our people's well-being and commitment to serving our customers is essential for our long-term success.	• The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of the Group. As part of the Aviva Group, these staff enjoy the benefit of the Group policies and benefits made available to them. • The Company's engagement mechanisms align with those of the Group, such as employee forums, internal communication channels, informal meetings with the directors and employee engagement surveys. In response to the cost-of-living crisis, the Group supported colleagues earning less than £35,000 pa with a one-off payment. • In 2022 the Aviva plc CEO and Chair of the plc Remuneration Committee attended meetings of 'Your Forum', 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. • The Board recognises the benefits of a diverse workforce and an inclusive culture and as a result there has been significant investment and activity to increase diversity and inclusion. To ensure alignment and retain focus on the diversity, equity and inclusion agenda the Executive Directors' Long-Term Incentive Plan (LTIP) has been linked to two diversity performance metrics and employee engagement is a primary metric in the Annual Bonus Plan (ABP). • Our people share in the businesses' success as shareholders through membership of the Group's global share plans.
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.	• 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 and contractual issues. • In the UK, Aviva is a signatory of the Prompt Payment Code which sets high standards for payment practices. We are a Living Wage employer in the UK, and our supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided to Aviva in the UK.
Communities	We recognise the importance of contributing to our communities. As a major insurance company we are fully engaged in building resilience against the global impact of climate change.	• The Board receives regular updates on Corporate Responsibility activity, through the activities supported by the Aviva Foundation and our work with communities through the Aviva Community Fund. • 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. During the year, the Aviva plc Board approved a further £10m payment to the Foundation. • 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.

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Regulators	As an insurance company, we are subject to financial services regulations and approvals in all the markets we operate in.	• The Company has a programme of regular meetings between Board members (including non-executive directors), the Company's senior management and its compliance functions and the FCA and the PRA. The Company routinely provides copies of Board and Committee papers to the FCA and PRA and also responds to requests for information when required, maintaining constructive and open relationships with the UK regulators.
Shareholders	Our retail and institutional shareholders are the owners of the Company.	• 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. Additionally, members of the Group Board can attend the Company's Board meetings by invitation.

Financial position and performance

The financial position of the Company at 31 December 2022 is shown in the Statement of financial position on page 31, with the trading results shown in the Income statement on page 29 and the Statement of cash flows on page 32.

The Company's net assets have decreased by £103 million *(2021: decreased by £683 million)*, which is predominantly driven by a loss after tax of £(180) million, capital transactions resulting in an increase of £705 million and dividends of £(593) million.

The loss after tax for the year was £(180) million (2021: £377 million). The loss is attributable to notable adverse investment variances as compared to FY21 driven by an increase in interest rate yields over the period. This is in part offset by a relative increase in Adjusted operating profit in 2022 primarily driven by higher Retirement profits. Adjusted operating profit (Non-trade related) has also benefitted from favourable longevity assumption changes and lower product governance costs, offset by DAC adversity driven by the 2022 interest rate rises. See Key performance indicators section on page 7 for further information on adjusted operating profit.

Gross written premiums decreased by 15% to £8,294 million *(2021: £9,806 million)*. Premiums written, net of reinsurance were £4,101 million *(2021: £4,393 million)*. The decrease primarily reflects lower new BPA business trading in 2022 offset in part by a decrease in premiums ceded to reinsurers.

The Company paid dividends totalling £593 million to its parent company during the year *(2021: £1,022 million)* and paid £27 million of interest on other equity instruments less tax relief *(2021: £32 million)*.

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 which are publicly available. 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 Company is well positioned to compete in its key markets by leveraging the power of Aviva's breadth of service offering within the UK to deliver compelling propositions to meet our customer needs, alongside driving digitisation through customer services, propositions and ensuring we are easy for customers to do business with, however they choose.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 41 to the financial statements.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- Market risk: 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;
- Credit risk: the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements;
- Life insurance risk: including mortality risk, morbidity risk, longevity risk, persistency risk, expense risk (including commissions) and policyholder behaviour risk around take-up of insurance guarantees and options;
- Other risk factors that could materially impact the valuation inputs to the fair value of the Company's investment in subsidiaries, resulting in a charge against shareholder's equity and profits. Key valuation inputs are the net asset values of subsidiaries (calculated on the basis of IFRS or Solvency II depending on the activities of the subsidiary), which are subject to credit, market (including foreign currency exchange rate risk), insurance and operational risks, and the quoted market valuations of comparable listed entities, affected by equity price risk.

Changes to the risk profile in the reporting period

The Company's continued exposure to risks such as cyber attacks remained high in 2022.

Given the current global economic and political environment, the Company's exposure to the above factors is expected to remain high in the short to medium term. However, steps continue to be taken to improve the control framework and take mitigating actions so as to manage this exposure and related potential impacts. Externally, the cyber crime environment continues to be volatile with a high level of change and increasing sophistication. There is an increasing concern around the emerging risk of cyber espionage and nation state attacks, due to the current geopolitical tensions.

There continues to be a high level of both regulatory and non-regulatory change in the business currently, and the impacts of this on the control framework are being closely monitored. The delivery of Consumer Duty for all open products in 2023 is a high priority for the entire Aviva Group, including Aviva UK Life, and this is being monitored alongside internal strategic change initiatives.

Aviva has committed to being carbon net zero by 2040. In 2021 a new climate risk appetite was introduced to track our progress against our climate ambitions. This is based on five separate risk appetite metrics, which are set at a Group level, with Aviva UK Life influencing the proposals. This risk

Strategic report (continued)

appetite is actively monitored with escalation pathways to the Executive Risk Committee ("ERC"), Board Risk Committee ("BRC") and the Board should we fall outside of tolerance.

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
Capital Metrics		
Capital surplus ratio[1]	**179 %**	146%
Capital surplus £m[1]	**4,448**	3,597
Financial Performance Metrics		
Operating Capital Generation £m[2]	**1,031**	848
Adjusted Operating Profit £m[3]	**1,186**	891
Gross written premiums £m	**8,294**	9,806
Net written premiums, including deposits for non-participating investment contracts £m	**12,775**	13,646
IFRS (Loss)/profit for the year after tax £m	**(180)**	377
Decrease IFRS shareholders equity £m	**(103)**	(683)
Non-Financial Metrics		
Relational net promoter score[4]	**Market average**	Above market average

[1] Capital metrics are taken from the Solvency and Financial Condition Report ("SFCR") for the year ended 31 December 2022 which is publicly available.

[2] Operating Capital Generation ("OCG") is the Solvency II surplus movement in the period due to operating items. The calculation of OCG is consistent with previous years. For the Company, OCG comprises of the impact of new business, earnings from existing business and other OCG; other OCG includes the impact of capital actions and non-economic assumption changes. OCG excludes economic variances and economic assumption changes. The expected investment returns assumed within earnings from existing business are consistent with the returns within adjusted operating profit.

[3] Adjusted operating profit is a non-Generally Accepted Accounting Principle ("GAAP") alternative performance measure ("APM") which is not bound by "International Financial Reporting Standards ("IFRS"). The APM incorporates the expected return on investments and is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. Variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are excluded from adjusted operating profit.

[4] The Company's principal non-financial KPI is the 'relational net promoter score'. This measures the likelihood of a customer recommending Aviva, relative to the market. The score is determined through third party collation of customer feedback and a scoring system that gives greater weighting to lower scores ('detractors') than higher scores ('promoters'). The results are benchmarked against a representative sample of competitors' customers in order to determine a quartile score against the market.

By order of the Board on 27 March 2023

Laura McGowan

Laura McGowan, for and on behalf of Aviva Company Secretarial Services Limited

Directors' report

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

Directors

The 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:

Appointments

James McConville on 27 April 2022

Charlotte Jones on 05 September 2022

Jane Curtis on 1 January 2023

Resignations

Jason Windsor on 20 May 2022

Mel Carvill on 30 June 2022

Company Secretary

The name of the Company Secretary is shown on page 3.

Dividends

Ordinary dividends totalling £593 million on the Company's ordinary shares were declared and settled during 2022 *(2021: £1,022 million)*, all of which was settled in cash. 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; its contingent liabilities and other risk factors (note 37); its capital structure (note 40); management of its risks including market, credit and liquidity risk (note 41); and derivative financial instruments and hedging (note 42).

The Company and its ultimate holding company has 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 within the Strategic report starting on page 4.

Stakeholder Engagement

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

Statement of Corporate Governance Arrangements

For the year ended 31 December 2022, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"). We set out below how the Principles have been applied during 2022.

Directors' report (continued)

Principle 1 - Purpose and leadership

The Company is part of the Aviva Group. Aviva's purpose is to be 'with you today, for a better tomorrow' to protect the things that matter most to our customers. To live up to that purpose, the Group has a vision to be 'the leading UK provider and go-to customer brand for all insurance, wealth and retirement solutions, with strong businesses in Ireland and Canada' and has a clear strategy and plan to achieve this vision:

- **Customer:** Powering up the Aviva brand, building engaging customer experience, and leading with customer-centric innovation
- **Growth:** Targeted growth capitalising on the structural opportunities across Insurance, Wealth, Retirement Solutions & BPA
- **Efficiency:** Simplifying and transforming our cost base, and working towards top quartile efficiency for all businesses
- **Sustainability:** Delivering on our market leading commitments across Climate Champion, Stronger Communities and Sustainable Business

The delivery of our strategy and plan is guided by our values:

- **Care:** We care deeply about the positive difference we can make in our customers' lives
- **Commitment:** We understand the impact we have on the world and take the responsibility that comes with it
- **Community:** We recognise the strength that comes from working as one team, built on trust and respect
- **Confidence:** We believe the best is yet to come -for our customers, our people, and society

The Board has made a number of strategic decisions through the year which are aligned to its purpose.

The Board monitors the culture of the Company and raises any concerns during meetings and the Board is able to express its views on the culture of the organisation through the Board Effectiveness Reviews. Culture information has been added to the Board's annual planner to ensure the Board has the opportunity to review culture metrics and that employees have the right values, attitudes and behaviours and are focussed on doing the right thing for the customer. The Company complies with the Senior Managers' Certification Regime which further strengthens the drive for individual accountability. Employee engagement is sought through the Voice of Aviva employee surveys, the output of which is reviewed by the Board and an action plan put in place to address areas identified by employees which may require further focus.

The Board is responsible for promoting the long-term success of the Company for the benefit of its members as a whole, taking into account other stakeholders as defined by Section 172 of the Companies Act 2006 and the Articles of Association and including but not limited to; setting the Company's strategic aims, monitoring performance of the Company and management against those aims, setting the Company's risk appetite and monitoring the operation of prudent and effective controls and monitoring compliance with corporate governance principles

Principle 2 - Board Composition

The Company's Board has a separate Non-Executive Chair and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Company is effectively maintained. The directors have equal voting rights when making decisions, except the Chair, who has a casting vote. All Directors have access to the advice and services of the Company Secretary.

The Board is comprised of both Non-Executive Directors, the majority of whom are independent Non-Executive Directors, and Executive Directors. The Board also has a Senior Independent Non-Executive Director. The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote the success of the Company for its shareholders as a whole and in a way that is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice.

The Board has a skills matrix in place to ensure the composition of the Board contains the appropriate combination of skills, backgrounds, experience and knowledge to understand and guide the business. The skills matrix is a key tool in any Board recruitment process to ensure the most suitable candidates are put forward for appointment to fill any gaps identified and to maintain a focus on succession planning to ensure the Board composition remains appropriate.

The Board undertook a formal effectiveness review of its performance during the year, the results of which were discussed by the Board at its meeting on 02 December 2022. The Board evaluation tracker was subsequently refreshed to include new actions arising from the 2022 evaluation process and will be updated on an ongoing basis throughout the year and shared regularly with the Board. The 2022 Board Effectiveness Review assessed that overall the Company was operating effectively, with a number of areas prioritised for focus during the coming year.

Principle 3 - Director Responsibilities

The Company operates in accordance with the Aviva Governance Framework, as approved by Aviva plc. The Aviva Governance Framework articulates the interrelation between our purpose, culture, values, our reporting and escalation structures and their alignment with legal and regulatory duties and our risk management framework. The core elements of the Framework are the legal and regulatory flow of accountability and decision-making and the Company's frameworks, policies and standards and the checks and balances through the operation of the Company's 2nd and 3rd lines of defence which ensure effective Board oversight.

Within the Aviva Group, accountability is formally delegated by the Board of the Company to the CEO and by the CEO to their direct reports. The CEO delegations are referenced in the Board's Terms of Reference. Accountability rests with these individuals and the Board. These accountabilities are aligned with the Senior Managers Certification Regime (SMCR) responsibilities. These roles and responsibilities are clearly documented in the Management Responsibility Maps which form part of our Governance Framework and which are submitted to the Prudential Regulation Authority ("PRA") / Financial Conduct Authority ("FCA") on a quarterly basis. The Company must also adhere to the Subsidiary Governance Principles which are a set of internal governance principles.

The Board of the Company's parent, Aviva Life Holdings UK Limited, has established an Audit Committee, a Risk Committee, a Conduct Committee and an Investment Committee with authority to act on behalf of the Company. In addition, the Board is advised by an Independent With-profits Committee and an Independent Governance Committee. The Terms of Reference for these committees are aligned to those of Aviva plc, where applicable, and are approved annually by the Board.

The Audit Committee is responsible for reviewing the effectiveness of the Company's systems and controls for financial reporting and receives regular updates on the work of the internal audit function and from external auditors. The Board also receives reports from the CFO at each board meeting. The Company's financial statements are currently externally audited by PricewaterhouseCoopers LLP (PwC) on an annual basis.

The Risk Committee is responsible for oversight of risk, reviewing the Company's risk appetite and risk profile, reviewing the effectiveness of the Company's risk management framework including the effectiveness of the companies systems and controls other than financial reporting, reviewing the methodology used in determining the Company's capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company's regulatory activities, as appropriate.

Directors' report (continued)

The Conduct Committee is responsible for assisting the Board in its oversight of conduct issues. This includes oversight of the Company's conduct framework including product design, live selling practices, claims practices, legacy products, and conduct oversight of third parties. The Committee's responsibilities include reviewing the Company's conduct and financial crime risk profile, and overseeing the brand and reputation of the Company, ensuring that reputational risk is consistent with the risk tolerance approved by the Board and the creation of long-term shareholder value.

The Investment Committee is responsible for assessing and approving investment strategy and policy consistent with the risk appetite approved by the Board. The Committee's responsibilities include overseeing the relationship between the Company and its investment managers and custodians, monitoring investment performance and the Company's investment management functions.

Principle 4 - Opportunity and Risk

The role of the Board is to promote the long-term sustainable success of the company, identifying opportunities to create and preserve value for its shareholder within a framework of prudent and effective controls, which enable risks to be assessed and managed.

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework. The 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 risks, including the use of risk models and stress and scenario testing.

The Company's position against its risk appetites and tolerances is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, the Company has a risk preference that it will not accept risks that materially impair the reputation of the Company and requires that customers are always treated with integrity.

Principle 5 - Remuneration

Under the Aviva Group Reward Governance Framework, the Company's remuneration policy (a Group wide policy approved by the Group Remuneration Committee) applies to all employees in entities within the Group. Independent Non-Executive director fees are also set by Aviva plc and reviewed annually. Details of Directors Remuneration is included on page 35 .

The Aviva Group reports on the pay ratio of the Group CEO to UK employees, and details of this can be found in the Directors' Remuneration Report in the Aviva plc Annual report and accounts which is available at www.aviva.com/investors/reports/. Aviva plc also reports on our gender pay gap, and on the steps we are taking in relation to this which can be found at www.aviva.com/about-us/uk-gender-pay-gap-report/.

The Board held a private session on 2 December 2022 to discuss 2022 performance and conduct of key individuals of the Company's management and provided input into their annual remuneration reviews.

As employees of Aviva, staff are able to enjoy the comprehensive flexible benefit offering including the Aviva staff pension scheme and Aviva's broader Wellbeing offering which aims to promote health and wellbeing among Aviva colleagues.

Principle 6 - Stakeholders

Details about Stakeholders can be found in the Section 172 Statement in the Strategic Report.

Financial instruments

The Company uses financial instruments to manage certain types of risks, including those relating to credit, foreign currency exchange, cash flow, liquidity, interest rates, inflation, and equity and property prices. Details of the objectives and management of these instruments are contained in note 41 on risk management.

Employees

The Company has no employees (*2021*: *nil*). The majority of employees engaged in the activities of the Company are employed by a subsidiary undertaking of Aviva plc, Aviva Employment Services Limited ("AESL"). Disclosures relating to employees may be found in the Annual report and financial statements of AESL. The Company is recharged with the costs of the staff provided by this company.

Disclosure of information to the Auditors

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

Independent auditors

Under the Competition and Markets Authority Regulations, the Company's ultimate parent Company, Aviva plc is required to tender for the provision of the external audit every 10 Years. PricewaterhouseCoopers LLP was appointed for the first time for the 31 December 2012 financial year end and therefore a mandatory re-tender was required for the year ending 31 December 2022. The audit tender process was initiated during 2020 but, as previously reported, Covid-19 restrictions caused delays and Aviva sought a two-year extension from the FRC which was granted. Following a full and rigorous competitive tender process, which was overseen by the Company's Audit Committee, the selection of EY was approved by the Aviva plc Board. PricewaterhouseCoopers LLP will continue in its role and, subject to reappointment by the Company's shareholders at the 2023 Annual General Meetings, 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.

Directors' report (continued)

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.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 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 these 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 27 March 2023

Laura McGowan

Laura McGowan, for and on behalf of Aviva Company Secretarial Services Limited

Independent auditors' report to the members of Aviva Life & Pensions UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Life & Pensions 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 loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 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.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 6, we have provided the following non-audit services to the Company's controlled undertakings in the period under audit:

	2022 £'000
Audit related assurance services	166

Our audit approach

Context

The Company is a life and pensions insurance business operating in the UK. The Company writes and holds a wide range of insurance and investment contracts within non-profit and with profit funds, with the large majority of insurance business relating to annuities (both bulk and individual) and investment business being unit-linked. The long term nature of writing annuity business, along with the strategy to hold illiquid assets to back this business, results in the financial reporting being particularly susceptible to changes in accounting estimates and assumptions which impacts our audit risk assessment and resulting testing approach. In addition to forming this opinion, in this report we have also provided information on how we approached the audit, how it has changed from the previous year and details of significant matters that we have had with the Audit Committee.

Overview

Audit scope:

- Our audit scope has been determined to provide coverage of all material financial statement line items

Key audit matters:

- Specific assumptions in relation to the valuation of insurance liabilities
    a. Annuitant mortality assumptions
    b. Credit default assumptions for illiquid assets, specifically: commercial mortgages, equity release mortgages and corporate bonds
    c. Expense assumptions
- Valuation of certain hard to value investments

Materiality:

- Overall materiality: £83,600,000 *(2021: £128,000,000)* based on 0.027% of total assets.
- Performance materiality: £62,700,000 *(2021: £96,000,000)*.

The scope of our audit

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

Key audit matters

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

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

Independent auditors' report to the members of Aviva Life & Pensions UK Limited (continued)

The asset class of corporate bonds has been added to the credit default assumption key audit matter this year. Furthermore, the disclosures in Note 46 in accordance with International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors in relation to the impact on the adoption of IFRS 17 'Insurance Contracts' for the period beginning 1 January 2023 is a new key audit matter this year. Otherwise the key audit matters below are consistent with last year.

Key audit matter	*How our audit addressed the key audit matter*
Specific assumptions in relation to the valuation of insurance liabilities For the insurance liabilities, as set out in accounting policy L and notes 24, 25 and 29, the valuation of the long-term business provision, for the settlement of future claims, involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these liabilities. As part of our consideration of the entire set of assumptions, we focused particularly on the following three assumptions given the level of judgement involved in their determination, and the sensitivity of the valuation of the insurance liabilities to them: a. The mortality assumption used in the valuation of annuity business insurance liability ("annuitant mortality"; b. Credit default for illiquid assets and corporate bonds; and c. Expense assumptions. We provide more detailed consideration of these below.	The work to address the valuation of the insurance liabilities included the following procedures: • Understood and evaluated the process and the design and implementation of controls in place to determine the insurance liabilities; • Tested the design and operating effectiveness of controls in place over insurance liabilities, including those covering the approval of assumptions and completeness and accuracy of data used; • Using our actuarial specialist team members, applied industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practice. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgements applied, including if there was any indication of management bias; • Tested the key judgements over the preparation of the insurance liabilities, including manual calculation of components focusing on the consistency in treatment and methodology year-on-year and with reference to recognised actuarial practice; • Used the results of an independent PwC annual benchmarking survey of assumptions to further challenge the assumption setting process by comparing certain assumptions used relative to the Company's industry peers; and • Assessed the disclosures in the financial statements. As part of our consideration of the entire set of assumptions, we focused particularly on annuitant mortality, credit default for illiquid assets and corporate bonds, and expense assumptions given their significance to the Company's result and the level of judgement involved. These aspects of our work have been considered in more detail below.
a) Annuitant mortality assumptions Annuitant mortality assumptions, as set out in notes 24, 25 and 29 require a high degree of judgement due to the number of factors which may influence mortality experience. As set out in note 41(g) a 5% reduction in annuitant mortality assumptions would result in a £371m (2021: £619m) reduction in profit before tax and shareholder's equity. The differing factors which affect the assumptions are underlying mortality experience (in the portfolio), industry and management views on the future rate of mortality improvements and external factors arising from developments in the annuity market. There are two main components to the annuitant mortality assumptions: • Mortality base assumption: this component is typically less subjective as it is derived using the external Continuous Mortality Investigation (CMI) tables for individual annuities and Club Vita 3 ("CV3") tables for Bulk Purchase Annuity ("BPA"), adjusted for internal experience. However, judgement is required in choosing the appropriate table and fitting Aviva's own experience to this table. In setting this assumption management opted to exclude 2020 and 2021 experience from the analysis, as a result of the COVID-19 pandemic, and maintained the same external mortality tables as at 2021. • Rate of mortality improvements: this component is more subjective given the uncertainty over how life expectancy will change in the future and the lack of available data to support judgements made in respect of this. In setting this assumption, management has adopted the latest CMI model (CMI 2021) and dataset, whilst maintaining the specific parameters for the long term rate and adjustments to reflect the profile of the portfolio.	Management has updated their assumptions for the tapering of improvement assumptions at older ages to align with the default parameters in the core CMI model. This reflects their views on the rate of mortality improvement. In addition, a margin of prudence is applied to these assumptions. In respect of the annuitant mortality assumptions we performed the following: • Tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included evaluating management's decision to retain the existing base tables (, published in mid-2020, as well as to move to the latest CMI model (CMI 2021) and dataset for determining both improvements and the margin for prudence; • Assessed the reasonableness of the base mortality assumptions. This included assessing the judgement applied by management in excluding 2020 and 2021 data from the experience investigation due to the distorting impact of the COVID-19 pandemic; • Assessed the change in improvement tapering assumption, with a focus on the timing of the change and the evidence which supported the reasonableness of aligning the assumption with the core CMI model; • Compared the mortality assumptions selected by management against those used by their peers; and • Considered the reasonableness of other assumptions, including those unchanged, such as the socio-economic group adjustments, following the move to the latest CMI model. We performed this by assessing the continued appropriateness of these elements of the mortality improvement basis against the impact arising from the change in CMI model. Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

Independent auditors' report to the members of Aviva Life & Pensions UK Limited (continued)

b) Credit default assumptions for illiquid assets, specifically: commercial mortgages, equity release mortgages and corporate bonds

Insurance liabilities are valued by discounting expected future cash flows at an interest rate based on the yield of assets backing the liabilities, allowing for a prudent deduction for the credit risk associated with holding these assets.

The Company has substantial holdings in asset classes with significant credit risk. For illiquid assets, the underlying asset valuation requires a number of different assumptions. Internally developed models are then used to project the associated cash flows for the assets, using these assumptions, to calculate the asset value and associated credit risk.

There is a heightened risk around the corporate bonds credit default assumptions for the year ended 31 December 2022, relating to the methodology and judgements applied in the calculation of credit default allowances being no longer materially appropriate given the current heightened economic uncertainty.We have consequently included this asset class this year within this key audit matter. The corporate bond credit risk allowance is calculated using a methodology which combines external data and internal assumptions to calculate a credit spread on corporate bonds for different credit ratings.

The calculated credit risk for illiquid assets and corporate bonds is converted into a credit default assumption for each asset type. These assumptions are then uplifted by a prudence margin and used, alongside credit default assumptions for other assets, in the calculation of the valuation interest rate used to value insurance liabilities.

In respect of the credit default assumptions, we performed the following:

- Tested the methodology and the credit risk pricing models used by management to derive the assumptions for commercial and equity release mortgages. This included consideration of the relevant rules and actuarial guidance, such as the adoption of an appropriate prudence margin, and by applying our industry knowledge and experience; and
- Validated the significant assumptions used by management by ensuring consistency with the assumptions used for the valuation of the illiquid assets, and by considering any additional judgements applied, market observable data (to the extent available and relevant) and our experience of market practice.

In respect of credit default assumptions for corporate bonds, we performed the following:

- Tested the appropriateness of the methodology used by management. This included consideration of the relevant rules and actuarial guidance, such as the adoption of an appropriate prudence margin, and by applying our industry knowledge and experience; and
- Assessed the reasonableness of the significant assumptions used in the calculation of the credit default assumption, with a focus on recent market volatility.

Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk on illiquid assets (commercial mortgages and equity release mortgages) and corporate bonds to be appropriate.

c) Expense assumptions

Future maintenance expenses and expense inflation assumptions, as set out in notes [24, 25 and 29], are used in the measurement of insurance liabilities and require a significant amount of judgement. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date, including an allowance for project costs and a margin for prudence.

As of 31 December 2022, inflation is significantly higher than historical rates. There is also significant uncertainty around future inflation and how the impact of inflation will vary across the economy. This increases the materiality and risk associated with judgements applied in the calculation of expense inflation.

In respect of the expense assumptions, we performed the following:

- Tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included testing the split of expenses between acquisition and maintenance expenses by agreeing a sample to supporting evidence;
- Tested that the assumptions appropriately reflect the expected future expenses for maintaining policies in force at the balance sheet date, which includes consideration of the allowance for project costs and planned controlled cost reduction; and
- Tested the actuarial reserving models to ensure that the expense assumptions continue to be applied appropriately within the models, and assessed the appropriateness of new and existing maintenance expense manual provisions.

In respect of the expense inflation assumption, we performed the following:

- Considered the reasonableness of the expense inflation assumption with respect to market views of inflation as at 31 December 2022. This included the reasonableness of any adjustment made to market inflation to set the expense inflation assumption.

Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.

Independent auditors' report to the members of Aviva Life & Pensions UK Limited (continued)

Valuation of certain hard to value investments The valuation methodology and resulting carrying value of the investment portfolio is set out in accounting policies T and Y and notes 15 and 16. The valuation of the investment portfolio involves judgement and continues to be an area of inherent risk. The valuation risk is not uniform for all investment types and is greatest for commercial mortgages, equity release mortgage loans and infrastructure loans categorised as level 3 under the fair value methodology, given the level of judgement required in the selection and application of significant assumptions and unobservable inputs.	We assessed the valuation of hard to value investments by performing the following procedures: • Understood and evaluated the process and the design and implementation of controls in place to determine the pricing and oversight of the process; • Evaluated the methodology and assumptions used by management, including yield curves, discounted cash flows, property growth rates, house prices, longevity, credit spread and illiquidity premiums as relevant to each asset class and credit rating through benchmarking these to market available data and engaging valuation experts; including assessing if there was any indication of management bias; • Tested the operation of data integrity and change management controls for the commercial and PFI mortgages, infrastructure loans and equity release valuation models; • Using our valuation experts, performed independent valuations for each different type of infrastructure loan model; • Tested data inputs used in the valuation models to underlying documentation on a sample basis; • Using our property valuation experts, assessed the objectivity, independence and competency of the surveyors used by management to determine the collateral values input into the commercial mortgage valuation models; and • Assessed the disclosures in the financial statements. *Based on the work performed and the evidence obtained, we consider the* methodology and assumptions used by management to value these hard to value assets to be appropriate.

Independent auditors' report to the members of Aviva Life & Pensions UK Limited (continued)

Disclosure of the impact of adopting IFRS 17

International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8") requires the disclosure of reasonably estimable information relevant to assessing the possible impacts of new accounting standards issued but not yet effective. International Financial Reporting Standard 17 'Insurance Contracts', ("IFRS 17" or the "standard") became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, Insurance Contracts.

The related IAS 8 disclosures in section A of the Accounting Policies and in Note 46 of these financial statements are intended to provide readers with an understanding of the estimated impacts of the new standard on the transition date of 1 January 2022 and, as a result, are more limited than the disclosures which will be required within the 2023 financial statements.

At this stage the quantitative impacts of IFRS 17 on the Company's Statement of financial position at 1 January 2022 and Income statement and Statement of financial position at 31 December 2022 cannot be reliably estimated by management pending full implementation and testing of systems, including the impact of the calculation of internal reinsurance arrangements, the operational effectiveness of internal control processes and appropriate governance.

We determined the disclosure of the impact of IFRS 17 to be an area of focus because of the significant changes introduced by the standard, which includes a number of new estimates and judgements, and because the impacts will be of particular importance to the readers of these financial statements. In particular, we have focused on the following key judgements that management have taken in implementing IFRS 17 at this stage:

- The determination of the transition approach adopted for each group of insurance contracts;
- The methodology used by management to determine discount rates;
- The methodology in respect of determining the risk adjustment;
- The methodology applied to the amortisation of the CSM for annuities where the fully retrospective approach is being applied;
- The methodology to determine the fair value CSM on transition for annuity and with-profits business; and
- The compliance of management's disclosures in these financial statements with IAS 8 requirements.

In respect of our audit work over the disclosure of the impacts of implementation of IFRS 17, we performed the following procedures:

- Assessed whether the judgements applied by management in determining their disclosed accounting policies are in accordance with IFRS 17;
- Using our actuarial specialist team members, evaluated the appropriateness of the methodology to be used to determine discount rates where the fully retrospective approach will be adopted;
- Applied industry knowledge and compared the disclosed methodology to be used in determining the risk adjustment, CSM, fair value of annuity liabilities and IFRS 17 best estimate liabilities against expected market practice. This included consideration of the appropriateness of any judgements applied, including whether or not there was any indication of management bias; and
- Evaluated the reasonableness of the qualitative disclosures included in the financial statements in accordance with the requirements of IAS 8.

Based on the audit procedures performed and evidence obtained, we consider the disclosures related to the initial impacts of IFRS 17, and key judgements and assumptions to be appropriate.

How we tailored the audit scope

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

The Company is a UK domiciled insurer. In determining the scope of the audit, we performed risk assessment procedures which included understanding the business operations, internal control environment and process for the preparation of the financial information.

Based on the outputs of our risk assessment, we identified one financially significant component being the Company's UK life insurance operations.

The Company has established certain operational shared services in the UK and overseas. This includes an external outsourced operation in Sri Lanka, which primarily is a back-office finance function that processes transactions and performs certain financial controls activities to support the production of the Company's financial information. We designed our audit to include procedures over these operations. including visiting the operations and component audit team.

The impact of climate risk on our audit

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

Materiality

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

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

Independent auditors' report to the members of Aviva Life & Pensions UK Limited (continued)

Overall Company materiality	£83,600,000 (2021: £128,000,000).
How we determined it	0.027% of total assets.
Rationale for benchmark applied	We believe the main users of the financial statements, being policyholders and the regulators, are most focused on balance sheet strength and ability to pay future claims. Total assets is a generally accepted auditing benchmark and is considered to address the needs of the users of the financial statements in the current year and in the future.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £62,700,000 (2021: £96,000,000) for the Company financial statements.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4,600,000 (2021: £7,000,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the directors' Going Concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of the Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered which have been driven from the Company's Own Risk and Solvency Assessment (ORSA);
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Enquired and understood the actions taken by the directors to mitigate the impacts arising from economic uncertainty, including review of Board minutes and attendance at all Audit and Risk Committee meetings.

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.

Independent auditors' report to the members of Aviva Life & Pensions 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 breaches of UK regulatory principles, such as those governed by the the Prudential Regulation Authority ("PRA") and 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 management bias in accounting estimates and judgemental areas of the financial statements including the matters set out in our "Key Audit Matters" and the posting of inappropriate journals. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, Internal Audit and senior management involved in the Risk and Compliance functions and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Aviva Group's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the PRA and the FCA, including those in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board and With-Profits Committee and attendance at all Audit and Risk Committee meetings;
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing the Company's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non compliance with laws and regulations and fraud.

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

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

Joanne Leeson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

28 March 2023

Accounting policies

The Company, a private limited company incorporated and domiciled in the United Kingdom ("UK"), transacts life assurance and long term savings business. 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.

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 under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, certain subsidiaries, associates and joint ventures, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements have been prepared on a going concern basis as explained in the Directors' report on page 8.

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

In accordance with *IFRS 4, Insurance Contracts*, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards. Further details are given in accounting policy L.

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

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

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 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

The following new standards and amendments to existing standards have been issued, but are not yet effective for the Company 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. Amendments to the standard were published in June 2020 and December 2021 (Initial Application of IFRS 17 and IFRS 9—Comparative Information). In May 2022, the UK endorsed both IFRS 17 and the amendments, all of which apply to annual reporting periods beginning on or after 1 January 2023. IFRS 17 replaces IFRS 4 Insurance Contracts, which was issued in 2005. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to accounting for insurance contracts.

The measurement and presentation of insurance contracts, reinsurance contracts and investment contracts with discretionary participating features are significantly impacted by the transition to IFRS 17. Further details are given in note 46.

(ii) IFRS 9, Financial Instruments

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that addressed the accounting consequences of the application of IFRS 9 to insurers prior to implementing IFRS 17. Under the deferral approach set out in the amendments, the Company has elected to apply the temporary exemption from applying IFRS 9 from 1 January 2018. The Company has however been required to apply the additional disclosure requirements of IFRS 4 which are set out in notes 15 and 41. Eligibility for the deferral approach was based on an assessment of the Company's liabilities as at 31 December 2015, in accordance with the date specified in the amendments to IFRS 4. At this date the Company's liabilities connected with insurance exceeded 90% of the carrying amount of the Company's total liabilities. The Company's total liabilities were £108,093 million and liabilities connected with insurance in the statement of financial position at this date primarily included insurance and participating investment contracts within the scope of IFRS 4 (£53,935 million), non-participating investment contract liabilities (£45,647 million), unallocated divisible surplus (£1,906 million), borrowings (£630 million), and certain amounts within payables and other financial liabilities which arise in the course of writing insurance business (£5,975 million).

In November 2016, the EU endorsed IFRS 9, followed by the Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 in December 2020, which extends the fixed expiry date for the temporary exemption for insurers from applying IFRS 9 from 1 January 2021 until 1 January 2023, to align the effective dates with IFRS 17 Insurance contracts.

IFRS 9 incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the Income statement.

Under IFRS 9, entities have the option to restate prior periods on transition. The Company will elect to restate comparatives in line with the IFRS 17 approach for restatement. We have assessed the interaction of IFRS 9 with IFRS 17 and intend to continue to apply the Company's current policy of measuring the majority of its financial instruments at fair value through profit or loss, hence we do not expect any significant measurement differences on adoption of IFRS 9. There will be changes to presentation and disclosures, including reflecting the business model assessment required for classification of financial investments under IFRS 9.

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:

(iii) *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.

(iv) *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.

(v) *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.

(vi) *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.

(vii) *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.

(viii) *Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants*
Published by the IASB in October 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(B) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the Income statement, Statement of financial position, other primary statements and Notes to the financial statements.

Critical accounting policies

The following accounting policies are those that have the most significant impact on the amounts recognised in the financial statements.

Item	**Critical accounting judgement**	**Accounting policy**
Classification of insurance and investment contracts	Assessment of the significance of insurance risk transferred to the Company and discretionary participation features in determining whether a contract should be accounted for as an insurance or investment contract. Insurance contracts are defined as those containing significant insurance risk. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts. Judgement is required to assess whether insurance risk is significant at inception of the contract. Some insurance and investment contracts contain a discretionary participation feature which is a supplement to guaranteed benefits. Judgement is required to determine whether discretionary additional benefits are likely to be a significant portion of the total contractual payments.	G
Financial investments	Classification of financial investments including the application of the fair value option.	T

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 estimates considered particularly susceptible to changes in estimates and assumptions, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the relevant accounting policy and note disclosures.

Accounting policies (continued)

Item	Significant accounting estimates	Accounting policy	Assumptions	Carrying values	Sensitivity
Measurement of gross insurance liabilities and gross liabilities for investment contracts	Principal assumptions used in the calculation of life insurance and participating investment contract liabilities include those in respect of annuitant mortality, expenses, valuation interest rates and credit default allowances on corporate bonds and other non-sovereign credit assets.	L	Note 25	Note 24 NOte 26	Note 41
Fair value of financial instruments (excluding loans), and investment property	Where quoted market prices are not available, valuation techniques are used to value financial instruments and investment property. These include broker quotes and models using both observable and unobservable market inputs. Investment property valuations are based on techniques where significant estimates are applied in determining the rental uplift and discount rate. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for financial investments.	Q, T, X	Note 15	Note 15	Note 15
Reinsurance assets	The assumptions used for reinsurance contracts follow those used for insurance and investment contracts. Reinsurance assets are valued net of an allowance for their recoverability.	N	Note 25	Note 28	Note 41
Loans	The fair values of mortgage loans are estimated using discounted cash flow forecasts which reflect the risks associated with these products. The risk adjusted cash flows are discounted using a yield curve plus an allowance for illiquidity.	Y	Note 15	Note 16	Note 15
Deferred tax assets	The deferred tax asset relates to UK tax losses which carry forward indefinitely and is recognised based on probable future taxable investment income and gains within 5 years. Assumed investment returns are consistent with actuarial assumptions used in reserving and alternative assumptions modelled by the Company also show full recovery of the deferred tax asset over this period.	AE	Note 31	Note 31	Note 31

(C) Subsidiaries

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

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

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

Investments in subsidiaries which are held to back policyholder liabilities and are managed on a fair value basis are stated at their fair values, estimated using applicable valuation models underpinned by the quoted market valuations of comparable listed entities.

Other investments in subsidiaries are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant or prolonged decline in its fair value below cost, the investment is impaired to its recoverable value and any unrealised loss is recorded in the Income statement.

(D) Associates and joint ventures

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

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

Investments in associates and joint ventures which are held to back policyholder liabilities and are managed on a fair value basis are stated at their fair values, estimated using applicable valuation models underpinned by the quoted market valuations of comparable listed entities.

Other investments in associates and joint ventures are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant or prolonged decline in its fair value below cost, the investment is impaired to its recoverable value and any unrealised loss is recorded in the Income statement.

Accounting policies (continued)

Property management undertakings

The Company has invested in a number of property limited partnerships ("PLPs"), either directly or via property unit trusts ("PUTs"), through a mix of capital and loans. The PLPs are managed by general partners ("GPs") in which the Company holds equity stakes and which themselves hold nominal stakes in the PLPs. The PUTs are managed by a fellow group subsidiary. Accounting for the PUTs and PLPs as subsidiaries, associates, joint ventures or other financial investments depends on the shareholdings in the GPs and the terms of each partnership agreement.

Where the Company exerts control over a PLP it has been treated as a subsidiary. Where the partnership is managed by a contractual agreement such that no party exerts control, notwithstanding that the Company's partnership share in the PLP (including its indirect stake via the relevant PUT and GP) may be greater than 50%, such PUTs and PLPs have been classified as joint ventures. Where the Company has significant influence over a partnership, but not control, the investment is classified as an associate. Where the Company holds minority stakes in PLPs, with no disproportionate influence, the relevant investments are carried at fair value through profit or loss within financial investments.

(E) Foreign currency translation

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

Translation differences on monetary financial assets measured at fair value and designated as held at fair value through profit or loss ("FVTPL") are included in foreign exchange gains and losses in the Income statement. Translation differences on non-monetary items, such as equities which are designated as FVTPL, are reported as part of the fair value gain or loss. Translation differences on assets held at amortised cost are included in foreign exchange gains and losses in the Income statement.

(F) Fair value measurement

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

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

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

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

(G) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if policy features are met and insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts. Some insurance and investment contracts contain a discretionary participation feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts.

As noted in policy A above, insurance contracts and participating investment contracts in general continue to be measured and accounted for under existing accounting practices at the date of transition to IFRS ("grandfathered") or the date of the acquisition of the entity, in accordance with IFRS 4. IFRS accounting for insurance contracts in UK companies was grandfathered at the date of transition to IFRS and determined in accordance with the Statement of Recommended Practice issued by the Association of British Insurers ("ABI")(subsequently withdrawn by the ABI in 2015).

(H) Premiums earned

Premiums on long-term insurance contracts and participating investment contracts are recognised as income when receivable, except for investment-linked premiums which are accounted for when the corresponding liabilities are recognised. For single premium business, this is the date from which the policy is effective. For regular premium contracts, receivables are recognised at the date when payments are due. Premiums are shown before deduction of commission and before any sales-based taxes or duties. Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is derecognised.

Deposits collected under investment contracts without a discretionary participation feature (non-participating investment contracts) are not accounted for through the Income statement, except for the fee income (covered in accounting policy J) and the investment income attributable to those contracts, but are accounted for directly through the Statement of financial position as an adjustment to the investment contract liability.

(I) Other investment contract fee revenue

Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. Fees related to investment management services are recognised as revenue over time, as performance obligations are satisfied. In most cases this revenue is recognised in the same period in which the fees are charged to the policyholder. Fees that are related to services to be provided in future periods are

Accounting policies (continued)

deferred and recognised when the performance obligation is fulfilled. Variable consideration, such as performance fees and commission subject to clawback arrangements, is not recognised as revenue until it is reasonably certain that no significant reversal of amounts recognised would occur.

Initiation and other "front-end" fees (fees that are assessed against the policyholder balance as consideration for origination of the contract) are charged on some non-participating investment contracts. The front-end fees that relate to the provision of investment management services are deferred and recognised as the services are provided. Origination fees are recognised immediately where the sale of fund interests represent a separate performance obligation.

(J) Other fee and commission income

All other fee and commission income are recognised over time as the services are provided and performance obligations satisfied.

(K) Net investment income

Investment income consists of dividends, interest and rents for the year, realised gains and losses, and unrealised gains and losses on fair value through profit or loss investments (as defined in accounting policy T). Dividends on equity securities are recorded as revenue on the ex-dividend date. Dividends from investments in subsidiaries are recorded as revenue on the date the dividends are declared. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contracts. Rental income is recognised on an accruals basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

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

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

(L) Gross insurance liabilities and gross liabilities for investment contracts

Claims

Claims reflect the cost of all claims arising during the year, including claims handling costs, as well as policyholder bonuses accrued in anticipation of bonus declarations.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Long-term business provisions

Under current IFRS requirements, insurance and participating investment contract liabilities are measured using accounting policies consistent with those adopted previously under existing accounting practices, with the exception of those relating to With-profits contracts. The Company has adopted FRS 27, *Life Assurance*, for liabilities relating to such contracts, which adds to the requirements of IFRS but does not vary them in any way.

Calculation of the long-term business provisions are based on regulatory requirements prior to the adoption of Solvency II and represent a determination within a range of possible outcomes, where the assumptions used in the calculations depend on the prevailing circumstances. The principal assumptions are disclosed in note 25. For With-profits funds, FRS 27 requires liabilities to be calculated on the realistic basis adjusted to remove the shareholders' share of future bonuses. FRS 27 was grandfathered from UK regulatory requirements prior to the adoption of Solvency II. For Non-profit funds the liabilities are calculated using the gross premium valuation method. This method uses the amount of contractual premiums payable and includes explicit assumptions for interest and discount rates, mortality and morbidity, persistency and future expenses. These assumptions are set on a prudent basis and can vary by contract type and reflect current and expected future experience. These estimates depend upon the outcome of future events and may need to be revised as circumstances change. The liabilities are based on the UK regulatory requirements prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business.

Unallocated divisible surplus

In certain participating long-term insurance and investment business, the nature of the policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain. Amounts whose allocation either to policyholders or shareholders has not been determined by the end of the financial year are held within liabilities as an unallocated divisible surplus ("UDS").

If the aggregate carrying value of liabilities for a particular participating business fund is in excess of the aggregate carrying value of its assets, then the difference is held as a negative unallocated divisible surplus balance, subject to recoverability from margins in that fund's participating business. Any excess of this difference over the recoverable amount is charged to net income in the reporting period.

Embedded derivatives

Embedded derivatives that meet the definition of an insurance contract or correspond to options to surrender insurance contracts for a set amount (or based on a fixed amount and an interest rate) are not separately measured. All other embedded derivatives are separated and measured at fair value, if they are not considered as closely related to the host insurance contract or do not meet the definition of an insurance contract. Fair value reflects own credit risk to the extent the embedded derivative is not fully collateralised.

Liability adequacy

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Income statement by setting up an additional provision in the Statement of financial position.

(M) Non-participating investment contract liabilities

Claims

For non-participating investment contracts with an account balance, claims reflect the excess of amounts paid over the account balance released.

Accounting policies (continued)

Contract liabilities

Deposits collected under non-participating investment contracts are not accounted for through the Income statement, except for the investment income attributable to those contracts, but are accounted for directly through the Statement of financial position as an adjustment to the investment contract liability.

The majority of the Company's contracts classified as non-participating investment contracts are unit-linked contracts and are measured at fair value.

The liability's fair value is determined using a valuation technique to provide a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date, subject to a minimum equal to the surrender value. For unit-linked contracts, the fair value liability is equal to the current unit fund value, including any unfunded units. In addition, if required, additional non-unit reserves are held based on a discounted cash flow analysis. For non-linked contracts, the fair value liability is based on a discounted cash flow analysis, with allowance for risk calibrated to match the market price for risk.

(N) Reinsurance

The Company assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. The cost of reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies.

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance and investment contract liabilities. This includes balances in respect of contracts which are legally reinsurance contracts but do not meet the definition of a reinsurance contract under IFRS. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying contract liabilities, outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Reinsurance of non-participating investment contracts and reinsurance contracts that principally transfer financial risk are accounted for directly through the Statement of financial position. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in the Income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has an impact that can be reliably measured on the amounts that the Company will receive from the reinsurer.

(O) Acquired value of in-force business and intangible assets

Acquired value of in-force business ("AVIF")

The present value of future profits on a portfolio of long-term insurance and investment contracts, acquired either directly or through the purchase of a subsidiary, is recognised as an asset. The AVIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the additional value of in-force business acquired and the expected depletion in its value. Non-participating investment contract AVIF is reviewed for evidence of impairment, consistent with reviews conducted for other finite life intangible assets. Insurance and participating investment contract AVIF is reviewed for impairment at each reporting date as part of the liability adequacy requirements of IFRS 4 (see accounting policy L). AVIF is reviewed for evidence of impairment indicators and impairment tested at product portfolio level by reference to a projection of future profits arising from the portfolio and any reductions are charged as expenses in the Income statement.

Intangible assets

Intangible assets consist primarily of internally developed systems. The economic lives of these are determined by considering relevant factors such as usage of the asset, typical product life cycles, potential obsolescence, maintenance costs, the stability of the industry, competitive position and the period of control over the assets. These intangibles are amortised over their useful lives using the straight-line method. The amortisation charge for the period is included in the Income statement under other expenses.

For intangibles with finite lives, impairment charges will be recognised in the Income statement where evidence of such impairment is observed. Intangibles with indefinite lives are subject to regular impairment testing.

(P) Property and equipment

Owner-occupied properties are carried at their revalued amounts and movements are recognised in other comprehensive income and taken to a separate reserve within equity. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. These properties are depreciated down to their estimated residual values over their useful lives. All other items classed as property and equipment within the Statement of financial position are carried at historical cost less accumulated depreciation. This excludes owner-occupied properties held under lease arrangements, which are measured at amortised cost. Refer to accounting policy AC for further information.

Investment properties under construction are included within property and equipment until completion, and are stated at cost less provision for any impairment in their values until construction is completed or fair value becomes reliably measurable.

Depreciation is calculated on the straight-line method to write down the cost of other assets to their residual values over their estimated useful lives as follows:

-	Properties under construction	No depreciation
-	Computer equipment	Three to five years
-	Other assets	Three to five years
-	Land	No depreciation

The assets' residual values, useful lives and method of depreciation are reviewed regularly and at least at each financial year end, and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

Accounting policies (continued)

Borrowing costs directly attributable to the acquisition and construction of property and equipment are capitalised. All repairs and maintenance costs are charged to the Income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

(Q) Investment property

Investment property, including both freehold and leasehold properties, is held for long-term rental yields and is not occupied by the Company. Completed investment property is stated at its fair value, as assessed by qualified external valuers or by local qualified staff of the Company. Changes in fair values are recorded in the Income statement within net investment income.

As described in policy P above, investment properties under construction are included within property and equipment, and are stated at cost less any provision for impairment in their values until construction is completed or fair value becomes reliably measurable.

(R) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

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

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

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

(T) Financial investments

The Company classifies its investments as fair value through profit and loss ("FVTPL"). The classification depends on the purpose for which the investments were acquired, and is determined at initial recognition. The FVTPL category has two sub-categories – those that meet the definition as being held for trading and those the Company chooses to designate as "other than trading" upon initial recognition.

In general, the other than trading category is used as, in most cases, the Company's investment or risk management strategy is to manage its financial investments on a fair value basis. Derivatives are classified as trading (see accounting policy X).

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair values. Debt securities are initially recorded at their fair value, which is taken to be amortised cost, with amortisation credited or charged to the Income statement. Investments classified as other than trading are subsequently carried at fair value. Changes in the fair value of trading and other than trading investments are included in the Income statement in the period in which they arise.

(U) Receivables

Receivables are initially recognised at fair value. Subsequent to initial measurement they are measured at amortised cost which, given the short term nature of these items, is considered a reasonable approximation of fair value.

(V) Payables and other financial liabilities

Payables and other financial liabilities, excluding derivatives, are initially recognised at fair value. Subsequent to initial measurement they are measured at amortised cost which, given the short term nature of these items, is considered a reasonable approximation of fair value.

(W) Financial guarantees

Financial guarantees are recognised initially at their fair value and are subsequently amortised over the duration of the contract. A liability is recognised for amounts payable under the guarantee if it is more likely than not that the guarantee will be called upon.

(X) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, equity futures and options, currency and interest rate swaps, swaptions, inflation linked swaps, credit default swaps and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, inflation rates, credit or equity indices.

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

Accounting policies (continued)

carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset in the Statement of financial position at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter ("OTC"). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, and swaps. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association master agreements or their equivalent, which are designed to provide legally enforceable set off in the event of default, reducing the Company's exposure to credit risk.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the Statement of financial position as they do not represent the fair value of these transactions. These amounts are disclosed in note 42.

The Company has collateral agreements in place with relevant counterparties. Accounting policy Z below covers collateral, both received and pledged, in respect of these derivatives.

Interest rate, inflation rate and currency swaps

Interest rate and inflation rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest by means of periodic payments, calculated on a specified notional amount and defined interest or inflation rates. Most interest and inflation rate swap payments are netted against each other, with the difference between the fixed and floating rate interest payments paid by one party. Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Both types of swap contracts may include the net exchange of principal. Exposure to gains or losses on these contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, and the timing of payments.

Interest rate futures, forwards and options contracts

Interest rate futures are exchange-traded instruments and represent commitments to purchase or sell a designated security or money market instrument at a specified future date and price. Interest rate forward agreements are OTC contracts in which two parties agree on an interest rate and other terms that will become a reference point in determining, in concert with an agreed notional principal amount, a net payment to be made by one party to the other, depending upon what rate in fact prevails at a future point in time. Interest rate options, which consist primarily of caps and floors, are interest rate protection instruments that involve the potential obligation of the seller to pay the buyer an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current rate and an agreed rate applied to a notional amount. Exposure to gains or losses on all interest rate contracts will increase or decrease over their respective lives as interest rates fluctuate. Certain contracts, known as swaptions, contain features which can act as swaps or options. These contracts are categorised according to the type of contract they most closely resemble in practice.

Foreign exchange contracts

Foreign exchange contracts, which include spot and forward and futures contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Foreign exchange option contracts are similar to interest rate option contracts, except that they are based on currencies, rather than interest rates. Exposure to gains or losses on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

(Y) Loans

Loans with fixed maturities, including policyholder loans, mortgage loans on investment property, securitised mortgages and collateral loans, are recognised when cash is advanced to borrowers. Certain loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method.

For the majority of mortgage loans, including commercial property, healthcare, Private Finance Initiative ("PFI") and Equity Release mortgage loans, the Company has taken advantage of the fair value option under IAS 39, *Financial instruments - Recognition and Measurement,* to present the mortgages at fair value, since they are managed as a portfolio on a fair value basis. This presentation provides more relevant information and eliminates any accounting mismatch that would otherwise arise from using different measurement bases for these items. The fair values of these mortgages are estimated using discounted cash flow models, based on a risk adjusted discount rate which reflects the risks associated with these products. They are revalued at each period end, with movements in their fair values being taken to the Income statement.

Certain loans and advances to banks and infrastructure loans are also valued at fair value using discounted cash flow techniques, based on a risk adjusted discount rate which reflects the risks associated with these investments. They are revalued at each period end, with movements in their fair values being taken to the Income statement.

At each reporting date, loans carried at amortised cost are reviewed for objective evidence that they are impaired and uncollectable, either at the level of an individual security or collectively within a group of loans with similar credit risk characteristics. To the extent that a loan is uncollectible, it is written down as impaired to its recoverable amount, measured as the present value of expected future cash flows discounted at the original effective interest rate of the loan, considering the fair value of the underlying collateral through an impairment provision account. Subsequent recoveries in excess of the loan's written down carrying value are credited to the Income statement.

(Z) Collateral

The Company receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, certain derivative contracts and loans, in order to reduce the credit risk of these transactions. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, which is not legally segregated from the Company, is recognised as an asset in the Statement of financial position with a corresponding liability for the repayment in financial liabilities. However, where the Company has a currently enforceable legal right of set-off and the ability and intent to net settle, the collateral liability and associated derivative balances are shown net. Non-cash collateral received is not recognised in the Statement of financial position unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor. Such collateral is typically recognised when the Company either (a) sells or re-pledges these assets in the absence of a default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Accounting policies (continued)

Collateral pledged in the form of cash which is legally segregated from the Company is derecognised from the Statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the Statement of financial position unless the Company defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the Statement of financial position within the financial investments.

(AA) Deferred acquisition costs

Costs relating to the acquisition of new business for insurance and participating investment contracts are deferred to the extent that they are expected to be recovered out of future margins in revenues on these contracts.

For participating investment contracts, acquisition costs are generally not deferred as the liability for these contracts is calculated on a realistic basis which was grandfathered from UK regulatory requirements prior to the adoption of Solvency II (see accounting policy L). For non-participating investment and investment fund management contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are also deferred.

Long-term business deferred acquisition costs are amortised systematically over a period no longer than that in which they are expected to be recoverable out of these future margins. Deferred acquisition costs for non-participating investment and investment fund management contracts 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. Recoverability is assessed net of reinsurance.

(AB) Statement of cash flows

Cash and cash equivalents

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

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

Operating cash flows

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

(AC) Leases

Where the Company is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of-use asset equal to cost are initially recognised. The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term. Depreciation on lease assets and interest on lease liabilities is recognised in the Income statement.

The Company has made use of the election available under IFRS 16 to not recognise any amounts on the balance sheet associated with leases that are either deemed to be short-term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the Income statement as an expense on a straight-line basis.

Where the Company is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the Income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable.

(AD) Provisions and contingent liabilities

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

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

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

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

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

(AE) 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.

In addition to paying tax on shareholders' profits, the Company pays tax on policyholders' investment returns ('policyholder tax') on certain products at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense.

(AF) Borrowings

Borrowings 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 except where they are directly attributable to the acquisition or construction of property and equipment as described in accounting policy P.

(AG) 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 is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Dividends

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

(AH) Pensions

The Company has no employees, however, it is one of a number of companies in the Group being charged for staff participating in pension schemes in the UK and Ireland, and its contributions are affected by the financial position of these schemes. In the absence of any contractual arrangements to allocate the net defined benefit cost for these schemes, measured in accordance with IAS 19, to individual businesses, it is the Group policy to allocate this cost fully to the main trading companies. Full disclosure of the Group's pension schemes is given in the Annual report and accounts of the Group.

Income statement

For the year ended 31 December 2022

	Notes / Accounting Policies	2022 £m	2021 £m
Income	2		
Gross written premiums		**8,294**	9,806
Premiums ceded to reinsurer		**(4,193)**	(5,413)
Premiums written, net of reinsurance	H	**4,101**	4,393
Fee and commission income	I,J	**787**	848
Net investment (expense)/income	K	**(35,255)**	15,709
		(30,367)	20,950
Expenses	3		
Claims and benefits paid, net of recoveries from reinsurers		**(6,425)**	(6,648)
Change in insurance liabilities, net of reinsurance	24,28	**13,635**	6,064
Change in investment contract provisions		**14,562**	(14,081)
Change in unallocated divisible surplus	30	**(23)**	(222)
Fee and commission expense		**(731)**	(572)
Other expenses		**(566)**	(400)
Finance income/(costs)		**8,892**	(4,377)
		29,344	(20,236)
(Loss)/profit before tax		**(1,023)**	714
Tax credit/ (charge)	7	**843**	(337)
(Loss)/profit for the year		**(180)**	377

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

The accounting policies (identified alphabetically) on pages 19 to 28 and notes (identified numerically) on pages 33 to 100 are an integral part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2022

	Notes / Accounting Policies	Ordinary Share Capital £m	Other equity £m	Capital contribution reserve £m	Retained earnings £m	2022 Total equity £m
Balance at 1 January		**343**	**965**	**—**	**5,234**	**6,542**
Loss for the year		**—**	**—**	**—**	**(180)**	**(180)**
Total comprehensive expense for the year		**—**	**—**	**—**	**(180)**	**(180)**
Interest paid on other equity instruments		**—**	**—**	**—**	**(36)**	**(36)**
Capital contribution	22	**—**	**—**	**1,200**	**—**	**1,200**
Issue of share capital	21	**470**	**—**	**—**	**—**	**470**
Share capital reduction	21	**(810)**	**—**	**—**	**810**	**—**
Repayment of other equity	23	**—**	**(965)**	**—**	**—**	**(965)**
Other movements		**—**	**—**	**—**	**1**	**1**
Transactions with owners in their capacity as owners:						
Dividends paid	AG,8	**—**	**—**	**—**	**(593)**	**(593)**
Balance at 31 December		**3**	**—**	**1,200**	**5,236**	**6,439**

For the year ended 31 December 2021

	Notes / Accounting Policies	Ordinary Share Capital £m	Other equity £m	Capital contribution reserve £m	Retained earnings £m	2021 Total equity £m
Balance at 1 January		343	965	—	5,917	7,225
Profit for the year		—	—	—	377	377
Total comprehensive income for the year		—	—	—	377	377
Interest paid on other equity instruments		—	—	—	(40)	(40)
Capital contribution	22	—	—	—	—	—
Issue of share capital	21	—	—	—	—	—
Share capital reduction	21	—	—	—	—	—
Redemption of other equity	23	—	—	—	—	—
Other movements		—	—	—	2	2
Transactions with owners in their capacity as owners:						
Dividends paid	AG,8	—	—	—	(1,022)	(1,022)
Balance at 31 December		343	965	—	5,234	6,542

The accounting policies (identified alphabetically) on pages 19 to 28 and notes (identified numerically) on pages 33 to 100 are an integral part of the financial statements.

Statement of financial position

As at 31 December 2022

	Notes / Accounting Policies	2022 £m	2021 £m
Assets			
Acquired value of in-force business and intangible assets	O,9	**27**	25
Investments in subsidiaries	C,10	**2,037**	1,893
Investments in joint ventures and associates	D,11	**1,019**	961
Property and equipment	P,12	**20**	26
Investment property	Q,13	**4,416**	5,365
Loans	Y,16	**23,817**	28,490
Financial investments	T,18	**185,003**	211,524
Reinsurance assets	N,28	**66,714**	76,842
Receivables	U,19	**2,435**	2,603
Deferred acquisition costs	AA,20	**1,137**	1,408
Prepayments and accrued income	20	**1,761**	1,384
Deferred tax assets	AE,31	**340**	—
Current tax assets	AE,31	**106**	108
Cash and cash equivalents	AB,39	**21,311**	23,331
Total assets		**310,143**	353,960
Equity			
Ordinary share capital	AG,21	**3**	343
Other equity	23	**—**	965
Capital contribution reserve	22	**1,200**	—
Retained earnings	22	**5,236**	5,234
Total equity		**6,439**	6,542
Liabilities			
Gross insurance liabilities	L,24	**80,031**	104,455
Gross liabilities for investment contracts	L,M,26	**150,635**	163,402
Unallocated divisible surplus	L,30	**1,849**	1,826
Deferred tax liabilities	AE,31	**101**	616
Current tax liabilities	AE,31	**7**	428
Borrowings	AF,34	**—**	700
Payables and other financial liabilities	V,35	**70,369**	75,239
Provisions	AD,32	**165**	275
Other liabilities	36	**547**	477
Total liabilities		**303,704**	347,418
Total equity and liabilities		**310,143**	353,960

The financial statements were approved by the Board of directors on 27 March 2023 and signed on its behalf by Iain Pearce:

Iain Pearce

Iain Pearce, Director

The accounting policies (identified alphabetically) on pages 19 to 28 and notes (identified numerically) on pages 33 to 100 are an integral part of the financial statements.

Statement of cash flows
For the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Cash flows (used in)/from operating activities			
Cash (used in)/generated from operating activities	39	**(614)**	4,197
Tax paid		**(431)**	(151)
Total net cash (used in)/generated from operating activities		**(1,045)**	4,046
Cash flows used in investing activities			
Acquisition of subsidiaries, joint ventures and associates	10,11	**(380)**	(179)
Disposal of subsidiaries, joint ventures and associates	10,11	**17**	15
Purchases of intangible assets	9	**(18)**	—
Total net cash used in investing activities		**(381)**	(164)
Cash flows used in financing activities			
Interest paid on other equity instruments		**(36)**	(40)
Dividends paid	8	**(593)**	(1,022)
Proceeds from issue of ordinary shares and capital contributions	22	**1,670**	—
Repayment of other equity instruments to parent	23	**(970)**	—
Repayment of borrowings to parent	34	**(200)**	—
Repayment of borrowings to fellow subsidiary	34	**(500)**	(25)
Total net cash used in financing activities		**(629)**	(1,087)
Total net (decrease)/increase in cash and cash equivalents		**(2,055)**	2,795
Cash and cash equivalents at 1 January		**23,154**	20,359
Cash and cash equivalents at 31 December	39	**21,099**	23,154

The accounting policies (identified alphabetically) on pages 19 to 28 and notes (identified numerically) on pages 33 to 100 are an integral part of the financial statements.

Notes to the financial statements

1. Exchange rates

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

	2022	2021
Euro	**1.1298**	1.1910
US Dollar	**1.2097**	1.3544

2. Details of income

	2022 £m	2021 £m
Gross written premiums		
Long-term insurance business	**8,294**	9,806
	8,294	9,806
Less: premiums ceded to reinsurers	**(4,193)**	(5,413)
Net earned premiums	**4,101**	4,393
Fee and commission income		
Fee income from investment contract business	**787**	848
Total revenue	**4,888**	5,241
Net investment income		
Interest and similar income	**2,774**	2,648
Dividend income	**2,663**	2,924
Other (expense)/income from investments designated as trading		
Realised (losses)/gains on disposals	**(990)**	366
Unrealised gains and losses		
Losses arising in the year	**(6,993)**	(958)
Gains/(losses) recognised now realised	**821**	(561)
Other income from investments designated as other than trading		
Realised gains/(losses) on disposals	**1,619**	(426)
Unrealised gains and losses		
(Losses)/gains arising in the year	**(33,373)**	10,930
(Losses)/gains recognised now realised	**(1,888)**	115
Net income from investment properties		
Rent	**220**	211
Expenses relating to these properties	**(20)**	(20)
Realised losses on disposal	**(1)**	(61)
Fair value (losses)/gains on investment properties	**(896)**	948
Foreign exchange gains/(losses) on investments other than trading	**1,080**	(165)
Other investment expenses	**(271)**	(242)
Net investment (expenses)/income	**(35,255)**	15,709
Total income	**(30,367)**	20,950

Notes to the financial statements (continued)

3. Details of expenses

	2022 £m	2021 £m
Claims & benefits paid		
Claims and benefits paid to policyholders on long-term business		
Insurance contracts	**8,566**	8,608
Participating investment contracts	**1,335**	1,374
	9,901	9,982
Less: Claim recoveries from reinsurers		
Insurance contracts	**(3,476)**	(3,334)
Claims and benefits paid, net of recoveries from reinsurers	**6,425**	6,648
Change in insurance liabilities		
Change in insurance liabilities	**(24,428)**	(1,098)
Change in reinsurance asset for insurance provisions	**10,793**	(4,966)
Change in insurance liabilities, net of reinsurance	**(13,635)**	(6,064)
Change in investment contract provisions		
Investment (income) / expense allocated to investment contracts	**(11,306)**	14,419
Participating investment contracts (note 26a)	**(3,256)**	(338)
Change in investment contract provisions	**(14,562)**	**14,081**
Change in unallocated divisible surplus	**23**	222
Fee and commission expense		
Commission expenses (for insurance and participating investment contracts)	**455**	439
Change in deferred acquisition costs (for insurance and participating investment contracts)	**134**	6
Change in deferred acquisition costs (for non-participating investment contracts)	**137**	82
Other fee and commission expense	**5**	45
	731	572
Other expenses		
Amortisation and impairment of AVIF and intangible assets	**16**	7
Other expenses	**705**	678
Less: Other expenses ceded to reinsurers	**(155)**	(285)
	566	400
Finance (income)/costs		
Investment (income)/ expense on quota share reinsurance (note 44a)	**(8,957)**	4,304
Other similar charges	**65**	73
	(8,892)	4,377
Total expenses	**(29,344)**	20,236

Notes to the financial statements (continued)

4. Employee information

The Company has no employees (*2021: nil*). All the Group employees are employed by AESL. Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of AESL. The Company is recharged with the costs of the staff provided by AESL however the associated costs and average number of persons employed can not be accurately disclosed.

5. Directors' remuneration

Mr Windsor, Mr Brown, Mr Pearce and Ms Jones were remunerated by AESL, a fellow subsidiary of the Group.

Mr Windsor's, Mr Brown's, Mr Pearce's and Ms Jones's remuneration is also disclosed within the aggregate of key management compensation in note 44.

The fees for Mr Carvill, Ms Agius, Mr McConville, Mr Howe, Mr Harris and Mr Trickett were paid for and borne by the Company, with the exception of additional fees paid by the ultimate parent Company, Aviva plc, to Mr Carvill and Mr Trickett where they represented the Company on certain group matters. In addition, Mr Trickett and Ms Agius received fees in respect of services as Non-Executive Directors of Aviva Wrap UK Limited and Aviva Equity Release UK Limited respectively, which are also subsidiaries of the Group, and these are disclosed in the financial statements of those companies. Ms Curtis is not included within the list as she was not appointed during 2022.

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

	2022 £'000	2021 £'000
Aggregate emoluments	**3,953**	5,038
	3,953	5,038

Where directors had multiple directorships and their services as a director for the Company were not incidental to their roles across the Group, it is not possible to accurately apportion their emoluments to individual companies. The emoluments of these directors reported in the above table are in respect of qualifying services performed for the Group, which may also be disclosed within the financial statements of other Group companies.

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

During the year, none of the directors (*2021: none*) accrued retirement benefits under money purchase pension schemes in respect of qualifying services.

During the year, none of the directors (*2021: five*) exercised share options, and three of the directors (*2021: four*) were granted shares under long-term incentive schemes in relation to shares of the Company's ultimate parent company, the Group.

The details of the highest paid director are as follows:

	2022 £'000	2021 £'000
Aggregate emoluments	**1,548**	1,279
	1,548	1,279

6. Auditors' remuneration

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

	2022 £'000	2021 £'000
Fees payable to PricewaterhouseCoopers LLP for the statutory audit of the Company's financial statements	**4,011**	3,245
Audit related assurance services	**1,674**	1,522
	5,685	4,767

Fees payable for audit related assurance include fees in relation to the audit of the Solvency II regulatory returns and Stakeholder engagement for 2022 and 2021.

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 the Group, which prepares consolidated financial statements. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and its 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 accounts of the Group.

7. Tax charge

(a) Tax (credit)/charge to the Income statement

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

	2022 £m	2021 £m
Current tax		
For the period	**26**	162
Prior period adjustments	**(14)**	31
Total current tax	**12**	193
Deferred tax		
Origination and reversal of temporary differences	**(855)**	134
Changes in tax rates or tax laws	**—**	10
Total deferred tax	**(855)**	144
Total tax (credited)/charged to the Income statement	**(843)**	337

Current tax prior year adjustments includes a credit of £27 million (2021: £nil) for current year losses carried back against profits of the prior year.

(ii) Deferred tax (credited)/charged to the Income statement represents movements on the following items:

	2022 £m	2021 £m
Deferred acquisition costs	**(30)**	11
Unrealised (losses)/gains on investments	**(304)**	126
Unused (losses)/gains and tax credits	**(29)**	20
Life insurance policyholder fund expenses	**(469)**	3
Provisions and other temporary differences	**(23)**	(16)
Total deferred tax (credited)/charged to the Income statement	**(855)**	144

(b) Tax credited to other comprehensive income

There was no tax credited or charged to other comprehensive income in either 2022 or 2021.

(c) Tax reconciliation

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

	2022 £m	2021 £m
(Loss)/profit before tax	**(1,023)**	714
Tax calculated at standard UK corporation tax rate of 19% (2021: 19%)	**(195)**	136
Different basis of tax - policyholders	**(626)**	196
Adjustment to tax charge in respect of prior periods	**(1)**	—
Non- assessable income and items not taxed at full statutory rate	**(4)**	2
Disallowable expenses	**—**	1
Change in future local statutory tax rates	**—**	10
Movement in valuation of deferred tax	**(10)**	—
Tax on interest amounts charged directly to equity	**(7)**	(8)
Total tax (credit)/charge to the Income statement	**(843)**	337

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. This rate has been used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2021 and 31 December 2022 and increased the Company's deferred tax liabilities by £10 million in the year ended 31 December 2021.

Notes to the financial statements (continued)

8. Dividends

	2022 £m	2021 £m
Ordinary dividends declared and charged to equity in the year:		
Final 2021 - 172.89 pence per share, paid on 12 May 2022	**593**	—
Interim 2021 – 64.72 pence per share, paid on 6 December 2021	—	222
Final 2020 – 145.77 pence per share, paid on 22 June 2021	—	500
Interim 2020 – 87.46 pence per share, paid on 25 February 2021	—	300
	593	1,022

9. Acquired value of in-force business and intangible assets

	AVIF £m	Intangible assets £m	Total £m
Gross amount			
At 1 January 2021	168	125	293
Additions and transfers	—	—	—
At 31 December 2021	**168**	**125**	**293**
Additions and transfers	—	**18**	**18**
At 31 December 2022	**168**	**143**	**311**
Accumulated amortisation			
At 1 January 2021	(95)	(54)	(149)
Amortisation for the year	(6)	(1)	(7)
At 31 December 2021	**(101)**	**(55)**	**(156)**
Amortisation for the year	**(5)**	**(11)**	**(16)**
At 31 December 2022	**(106)**	**(66)**	**(172)**
Accumulated impairment			
At 1 January 2021	(44)	(68)	(112)
At 31 December 2021	**(44)**	**(68)**	**(112)**
At 31 December 2022	**(44)**	**(68)**	**(112)**
Carrying amount			
At 1 January 2021	29	3	32
At 31 December 2021	23	2	25
At 31 December 2022	**18**	**9**	**27**

Intangible assets consist primarily of costs relating to capitalised software which are being amortised over three to five years.

Of the total carrying value of AVIF of £18 million *(2021: £23 million)*, £7 million *(2021: £11 million)* relates to insurance contracts and £11 million *(2021: £12 million)* relates to investment contracts.

Of the total carrying value of AVIF, £13 million *(2021: £17 million)* is expected to be recovered more than one year after the Statement of financial position date.

10. Investments in subsidiaries

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

	2022 £m	2021 £m
At 1 January	**1,893**	1,793
Transfer to investments in joint ventures and associates	—	(43)
Transfer from financial investments	—	54
Additions	**286**	150
Disposals	**(5)**	(9)
Impairments	—	(3)
Fair value losses	**(137)**	(49)
At 31 December	**2,037**	1,893

Notes to the financial statements (continued)

Distributions received from subsidiaries during the year amounted to £84 million *(2021: £183 million)*.

(b) Material movements

Additions

During the year the Company made further investment of £286 million (2021: £150 million) in property limited partnerships including the purchase of 85% ownership in Realm Social Housing for £190 million and 100% in 1 Liverpool Street (Unit Trust) and 101 Moorgate (Unit Trust) for £55 million and £31 million respectively. In 2021 the company purchased 100% ownership in Longcross (Unit Trust) for £103 million and 100% in Bermondsey Yards (Unit Trust) for £47 million. In the prior year the Company also reclassified £54 million of financial investments in 40 Spring Gardens (Unit Trust) to subsidiary with 100% ownership.

Disposals

During the year the Company made disposals of property limited partnerships totalling £5 million (2021: £9 million). In the prior year the Company also reclassified £43 million of financial investments in 20 Gracechurch (Unit Trust) from subsidiary to joint venture with 25% ownership.

(c) Related undertakings

Refer to note 47 for details of all related undertakings.

11. Investments in joint ventures and associates

Movements in the Company's investments in joint ventures and associates are as follows:

	2022 £m	2021 £m
At 1 January	**961**	807
Transfer from financial investments	—	40
Transfer from investments in subsidiaries	—	43
Additions	**94**	29
Disposals	**(12)**	(6)
Impairment of investments held at cost	**(10)**	—
Fair value (losses)/gains	**(14)**	48
At 31 December	**1,019**	961

A full list of joint ventures and associates is included within the list of significant holdings in undertakings other than subsidiary undertakings in note 47. Distributions received from joint ventures and associates during the year amounted to £28 million *(2021: £20 million)*.

The joint ventures have no significant contingent liabilities to which the Company is exposed, nor has the Company any significant contingent liabilities in relation to its interest in the joint ventures.

Most of the PLPs have raised external debt, secured on their respective property portfolios. The lenders are only entitled to obtain payment, of both interest and principal, to the extent that there are sufficient resources in the respective PLPs. The lenders have no recourse whatsoever to the Company.

Notes to the financial statements (continued)

12. Property and equipment

	Owner-occupied properties Leasehold £m
Cost or valuation	
At 1 January 2021	225
Disposals	(22)
At 31 December 2021	203
At 31 December 2022	**203**
Accumulated depreciation and impairment	
At 1 January 2021	(194)
Charge for the year	(3)
Disposals	20
At 31 December 2021	(177)
Charge for the year	(5)
Impairment charge	(1)
At 31 December 2022	**(183)**
Carrying amount	
At 1 January 2021	31
At 31 December 2021	26
At 31 December 2022	**20**

Owner-occupied properties held under lease arrangements are stated at amortised cost and are amortised on a straight-line basis over the lease term. For further information on the Company's lease arrangements see note 14.

13. Investment property

			2022			2021
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m
Carrying value						
At 1 January	**3,951**	**1,414**	**5,365**	3,294	1,148	4,442
Additions	**65**	**12**	**77**	156	148	304
Capitalised expenditure on existing properties	**52**	**49**	**101**	58	21	79
Fair value (losses)/gains	**(672)**	**(225)**	**(897)**	757	130	887
Disposals	**(181)**	**(49)**	**(230)**	(314)	(33)	(347)
At 31 December	**3,215**	**1,201**	**4,416**	3,951	1,414	5,365

14. Lease assets and liabilities

The Company's leased assets primarily consist of properties occupied by Group companies carried at amortised cost (see note 12) and leasehold investment properties carried at fair value (see note 13) which are sublet to third parties and real estate long income finance leases (see note 14(v)).

Although the Company is exposed to changes in the residual value at the end of the current leases, the Company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

(i) The following amounts in respect of leased assets have been recognised in the Company's Income statement.

	2022 £m	2021 £m
Interest expense on lease liabilities	1	2
Total lease expense recognised in the Income statement	**1**	2

Total cash outflows recognised in the period in relation to leases were £14 million (*2021: £16 million*).

Notes to the financial statements (continued)

(ii) The following table analyses the right of use assets relating to leased properties occupied by the Company.

	2022 £m	2021 £m
Balance at 1 January	**26**	31
Disposals	**—**	(2)
Impairment charge	**(1)**	—
Depreciation	**(5)**	(3)
Balance at 31 December	**20**	26

There were no gains *(2021: £nil)* arising from sale and leaseback transactions during the year. Included within the Income statement is £nil million *(2021: £2 million)* of income in respect of sublets of right of use assets.

(iii) Future contractual aggregate minimum lease payments are as follows:

	2022 £m	2021 £m
Within 1 year	**8**	8
Later than 1 year and not later than 5 years	**25**	24
Later than 5 years	**14**	13
Total undiscounted lease liabilities	**47**	45

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

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

	2022 £m	2021 £m
Within 1 year	**184**	189
Between 1 and 2 years	**164**	166
Between 2 and 3 years	**145**	145
Between 3 and 4 years	**127**	126
Between 4 and 5 years	**105**	106
Later than 5 years	**1,022**	983
Total undiscounted lease payments receivable	**1,747**	1,715

(v) Future contractual aggregate minimum lease rentals receivable under non-cancellable finance leases are as follows:

	2022 £m	2021 £m
Within 1 year	**3**	4
Between 1 and 2 years	**3**	3
Between 2 and 3 years	**4**	3
Between 3 and 4 years	**4**	3
Between 4 and 5 years	**4**	3
Later than 5 years	**158**	144
Total undiscounted lease payments receivable	**176**	160

Finance income on the net investment in finance leases during the period was £nil *(2021: £nil)*.

Unearned finance income in respect of finance leases at 31 December 2022, representing the difference between the gross and net investments in the lease, was £33 million *(2021: £32 million)*. Unguaranteed residual value in respect of finance leases was £nil *(2021: £nil)*.

15. Fair value methodology

(a) Basis for determining fair value hierarchy of financial instruments

Notes to the financial statements (continued)

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

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can access at the measurement date. Level 1 inputs already reflect market participant views of climate change impacts and no further adjustments are made to these values.

Level 2

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

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

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

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

Level 3

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

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

Investments in subsidiaries and associates recorded at fair value are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible.

(b) Changes to valuation techniques

There were no changes in the valuation techniques during the year compared to those described in the 2021 Annual report and financial statements.

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

Set out below is a comparison of the carrying amounts and fair values of financial assets/liabilities carried at amortised cost:

	2022		2021	
	Fair value	Carrying amount	Fair value	Carrying amount
	£m	£m	£m	£m
Financial assets				
Loans	**571**	**581**	1,612	1,600
Financial liabilities				
Borrowings	**—**	**—**	734	700

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

- Receivables
- Prepayments and accrued income
- Cash and cash equivalents
- Payables and other financial liabilities

As set out in accounting policy A, the Company has chosen to defer application of IFRS 9 due to its activities being predominantly connected with insurance. To facilitate comparison with entities applying IFRS 9 in full, the table below splits the Company's financial instruments as at the reporting date between

Notes to the financial statements (continued)

those which are considered to have contractual terms which are solely payments of principal and interest ("SPPI") on the principal amount outstanding (excluding instruments held for trading or managed and evaluated on a fair value basis), and all other instruments not falling into this category.

	2022	
	SPPI - fair value	**Non-SPPI - fair value**
	£m	**£m**
Debt securities	—	**41,101**
Equity securities	—	**31,146**
Loans	**571**	**23,236**
Receivables	**2,426**	**9**
Cash and cash equivalents	**4,285**	**17,026**
Other financial assets	—	**112,756**
Total	**7,282**	**225,274**

	2021	
	SPPI - fair value	Non-SPPI - fair value
	£m	£m
Debt securities	—	57,120
Equity securities	—	31,772
Loans	1,612	26,890
Receivables	2,286	317
Cash and cash equivalents	2,477	20,854
Other financial assets	—	122,632
Total	6,375	259,585

There has been a £907 million increase (*2021: £(491) million decrease*) in the fair value of SPPI instruments, and a £(34,311) million decrease (*2021: £7,877 million increase*) in the fair value of Non-SPPI instruments during the reporting period.

Instruments within the Non-SPPI - fair value category include financial assets that meet the definition of held for trading, financial assets that are managed and evaluated on a fair value basis, and instruments with contractual terms that do not give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Notes to the financial statements (continued)

(d) Fair value hierarchy

An analysis of assets and liabilities measured at fair value categorised by fair value hierarchy is given below:

	Level 1 £m	Level 2 £m	Level 3 £m	2022 Total £m
Recurring fair value measurements				
Financial investments and loans				
Debt securities	**10,685**	**22,714**	**7,702**	**41,101**
Equity security investments	**31,143**	—	**3**	**31,146**
Investment property	—	—	**4,416**	**4,416**
Loans	—	—	**23,236**	**23,236**
Other investments	**109,508**	**2,484**	**764**	**112,756**
Investment in subsidiaries	—	—	**1,186**	**1,186**
Investment in joint ventures and associates	—	—	**1,019**	**1,019**
Total	**151,336**	**25,198**	**38,326**	**214,860**
Financial liabilities				
Non-participating investment contracts	**132,921**	—	—	**132,921**
Deposits received from reinsurers	—	—	**57,602**	**57,602**
Derivative liabilities	**155**	**7,914**	**98**	**8,167**
Total	**133,076**	**7,914**	**57,700**	**198,690**

	Level 1 £m	Level 2 £m	Level 3 £m	2021 Total £m
Recurring fair value measurements				
Financial investments and loans				
Debt securities	17,567	30,743	8,810	57,120
Equity security investments	31,767	—	5	31,772
Investment property	—	—	5,365	5,365
Loans	—	—	26,890	26,890
Other investments	117,258	4,347	1,027	122,632
Investment in subsidiaries	—	—	1,042	1,042
Investment in joint ventures and associates	—	—	961	961
Total	166,592	35,090	44,100	245,782
Financial liabilities				
Non-participating investment contracts	142,432	—	—	142,432
Deposits received from reinsurers	—	—	65,904	65,904
Derivative liabilities	226	3,766	167	4,159
Total	142,658	3,766	66,071	212,495

(e) Transfers between levels of the fair value hierarchy

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

Transfers to/from level 3: Assets

Transfers to fair value hierarchy Level 3 from Level 2 in respect of debt securities amounted to £666 million (*2021: £189 million*).

Transfers to fair value hierarchy Level 3 from Level 1 in respect of equity security investments amounted to £6 million (*2021: £* nil).

Transfers from fair value hierarchy Level 3 to Level 1 in respect of equity security investments amounted to £ nil (*2021: £3 million*).

Transfers from fair value hierarchy Level 3 to Level 2 in respect of debt securities amounted to £508 million (*2021: £1,361 million*); in respect of Other Investments (derivative assets) amounted to £1 million (*2021: £6 million*).

Transfers to/from level 3: Liabilities

Transfers from fair value hierarchy Level 3 to Level 2 in respect of derivative liabilities amounted to £ nil million (*2021: £79 million).*

Notes to the financial statements (continued)

These reclassifications arose as the result of changes in observable market conditions.

(f) Valuation approach for fair value assets and liabilities classified as Level 2

Please see note 15(a) for a description of typical Level 2 inputs.

Debt securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances and stale price reviews. Pricing services, where available, are used to obtain the third-party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers. Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Unit trusts and other investment funds included under the other investments category are valued using net asset values which are not subject to a significant adjustment for restrictions on redemption or for limited trading activity.

(g) Further information on Level 3 financial instruments

The table below shows movements in the Level 3 assets and liabilities measured at fair value:

							Assets
							2022
	Debt securities	Equity securities	Investment property	Loans	Other investments (including derivatives)	Investment in subsidiaries	Investment in JV and associates
	£m	£m	£m	£m	£m	£m	£m
Opening balance at 1 January 2022	**8,810**	**5**	**5,365**	**26,890**	**1,027**	**1,042**	**961**
Total net (losses) / gains recognised in the Income statement	**(1,852)**	**(7)**	**(897)**	**(6,128)**	**(158)**	**(137)**	**(24)**
Purchases / issuances	**2,235**	**—**	**178**	**4,741**	**49**	**286**	**94**
Disposals / settlements	**(1,649)**	**(1)**	**(230)**	**(2,267)**	**(153)**	**(5)**	**(12)**
Transfers into level 3	**666**	**6**	**—**	**—**	**—**	**—**	**—**
Transfers out of level 3	**(508)**	**—**	**—**	**—**	**(1)**	**—**	**—**
Balance at 31 December 2022	**7,702**	**3**	**4,416**	**23,236**	**764**	**1,186**	**1,019**

		Liabilities
		2022
	Deposits received from reinsurers	Derivative liabilities
	£m	£m
Opening balance at 1 January 2022	**(65,904)**	**(167)**
Total net losses recognised in the Income statement	**8,957**	**(4)**
Purchases / issuances	**(655)**	**(1)**
Disposals / settlements	**—**	**74**
Balance at 31 December 2022	**(57,602)**	**(98)**

							Assets
							2021
	Debt securities	Equity securities	Investment property	Loans	Other investments (including derivatives)	Investment in subsidiaries	Investment in JV and associates
	£m	£m	£m	£m	£m	£m	£m
Opening balance at 1 January 2021	10,764	4	4,442	26,600	1,370	939	807
Total net (losses) / gains recognised in the Income statement	(1,331)	14	887	(1,171)	(200)	(48)	48
Purchases / issuances	1,234	1	383	3,626	37	160	112
Disposals / settlements	(685)	(11)	(347)	(2,165)	(174)	(9)	(6)
Transfers into level 3	189	—	—	—	—	—	—
Transfers out of level 3	(1,361)	(3)	—	—	(6)	—	—
Balance at 31 December 2021	8,810	5	5,365	26,890	1,027	1,042	961

Notes to the financial statements (continued)

	Liabilities 2021	
	Deposits received from reinsurers	Derivative liabilities
	£m	£m
Opening balance at 1 January 2021	(61,982)	(314)
Total net gains / (losses) recognised in the Income statement	(4,304)	78
Purchases / issuances	382	(10)
Transfers out of level 3	—	79
Balance at 31 December 2021	(65,904)	(167)

The principal investments classified as Level 3, and the valuation techniques applied to them, are:

(i) Investment in subsidiaries, JVs and associates

Investments in subsidiaries, joint ventures and associates are valued at cost, with the exception of those backing policyholder liabilities which are stated at their fair values. To value private equity investment funds the Company relies on quarterly investment valuation reports received from the fund manager as well as fully audited accounts received on an annual basis. Adjustments to fair values are made to reflect draw downs and distributions made between the date of the most recent valuation report received from the fund manager and the reporting date. In accordance with Solvency II requirements, the Company also undertakes an annual assessment to estimate the extent of uncertainty inherent in the valuation of private equity funds. For valuation of property partnerships refer to note (ii) below.

(ii) Investment in property

Investment property is valued in the UK at least annually by external chartered surveyors in accordance with guidance issued by The Royal Institution of Chartered Surveyors and using estimates during the intervening period.

Outside the UK, valuations are produced by external qualified professional appraisers in the countries concerned. The Group's methodology requires external valuers in the UK to apply the 'Sustainability and ESG in commercial property valuation and strategic advice' guidance note issued by The Royal Institution of Chartered Surveyors in December 2021. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations.

Investment properties are valued on an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated rental value of the property. The uplift and discount rates are derived from rates implied by recent market transactions on similar properties. These inputs are deemed unobservable. The yield used to value investment property can vary significantly depending on a number of factors including location, type of property and sector. The yield used to value the portfolio ranges from 100bps to 2160bps (2021: 113bps to 2094bps) with higher yields predominately relating to properties in the retail and leisure sectors. Over 95% of the portfolio is valued using spreads within the range from 100bps to 810bps (2021: 113bps to 870bps).

(iii) Loans

Mortgage loans including commercial property, healthcare, and Private Finance Initiative ("PFI") are valued using a Portfolio Credit Risk Model ("PCRM"). This model calculates a Credit Risk Adjusted Value ("CRAV") for each loan. The contractual cash flows are adjusted for credit risk and discounted using a swap curve and global assumptions for the liquidity premium. The model explicitly calculates the additional return that would be demanded by investors due to uncertainties in the asset cash flows. The mortgage loans have been classified as Level 3 as the liquidity premium is not deemed to be market observable. The liquidity premium used in the discount rate ranges between 110 bps to 115 bps (*2021: 90 bps to 150 bps*), depending on the type of mortgage, as at 31 December 2022. Future capital expenditure costs of 0.9% per annum (2021: 0.6%) are included in the modelling to address climate change actions, including potential climate-related legislation changes.

Equity release mortgage loans are valued using an internal model, with fair value initially being equal to the transaction price. The value of these loans is dependent on the expected term of the mortgage and the forecast property value at the end of the term, and is calculated by adjusting future cash flows *for credit risk and discounting using a yield curve plus an allowance for illiquidity. At 31 December 2022 the illiquidity premium used in the discount rate* was 155 bps (*2021: 180 bps*). An implicit allowance for the potential impact of climate change is also incorporated in the future property growth rate assumption used to calculate the forecast property value at the end of the term.

The mortgages have a no negative equity guarantee ("NNEG") such that the cost of any potential shortfall between the value of the loan and the realised value of the property, at the end of the term, is recognised by a deduction to the value of the loan. Property valuations at the reporting date are obtained by taking the most recent valuation for the property and indexing using an internal house price index based on published Land Registry data.

NNEG is calculated using base property growth rates reduced for the cost of potential dilapidations, using a stochastic model. In addition, a cost of capital charge is applied to reflect the variability in these cash flows. The base property growth rate assumption is Retail Price Index ("RPI") +0.75% (*2021: RPI +0.75%*) which equates to a long-term average growth rate of 4.3% pa (*2021: 4.3% pa*). The growth rates include an adjustment for the 5-year period 2023-2027 to reflect the market view of short-term growth being lower than long-term growth and for 2022, an allowance of 0.5% per annum is included for the potential impact of climate change actions. After applying the cost of capital charge, dilapidations and the stochastic distribution, the effective net long-term growth rate equates to 0.4% pa (*2021: 0.6% pa*).

Loans and advances to banks are valued using a discounted cash flow ("DCF") methodology whereby risk adjusted cash-flows are discounted to give the present value. The model considers the likelihood of the counterparty defaulting along with the performance of the underlying collateral in the event of counterparty default. Losses occur in scenarios where the counterparty defaults and the value of the collateral is below the loan advanced.

A portfolio of non-PFI infrastructure loans are valued using a DCF methodology. The discount rate is risk free plus a spread above the risk free rate reflecting both credit and illiquidity risk. Credit spreads are assessed based on the rating of each loan and the expected recovery in the event of default.

A portfolio of UK Commercial Real Estate loans are valued using a DCF methodology. The discount rate is risk free plus a spread above the risk free rate reflecting the market rate for new mortgages of comparable credit risk

(iv) Debt and equity securities

Private, fixed maturity securities held by the Company amounted to £4,488 million *(2021: £5,125 million)*. Comprising a range of different structures and exposures, these assets are all illiquid and are valued using mark to model approaches, which typically discount future cash flows at risk free, plus spreads reflecting credit and illiquidity risk.

Marked to market debt is valued using consensus prices or evaluated prices sourced from Reuters or Bloomberg. Assets are moved to Level 3 if either the Bloomberg Valuation Service ("BVAL") score is less than 6, indicating lower quantity and quality of market inputs used in calculating a price, or if the evaluated price differs from the primary valuation by an amount in excess of 200bps.

(v) Deposits with ceding undertakings

The value of deposits received from reinsurers of £57,602 million *(2021: £65,904 million)* is driven by the value of the underlying assets held by the Company that are attributable to Aviva International Insurance Limited (AII) under the quota share arrangement of 30% *(2021: 30%)*. The deposit assets and liabilities have been classified as Level 3 given the underlying assets are valued using unobservable inputs. Changing the unobservable inputs to the valuation of the underlying assets will have a direct proportionate impact on the valuation of the deposit assets and liabilities.

Sensitivities

The valuation of Level 3 assets involves a high degree of judgement and estimation uncertainty due to the reliance of valuation models on unobservable inputs. Where possible, the Company tests the sensitivity of the fair values of Level 3 assets to changes in unobservable inputs to reasonable alternatives. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation. On the basis of the methodology outlined in the table below, the Company is able to perform sensitivity analysis for £38,326 million *(2021: £44,100 million)* of the Company's Level 3 assets.

	2022 Fair value £m	Most significant unobservable inputs	Reasonable alternative	Change in fair value: Positive impact £m	Change in fair value: Negative impact £m
Investments in subsidiaries					
PLPs and other subsidiaries	1,186	Multiple of IFRS net asset value	±5% of NAV	59	(59)
Investments in joint ventures and associates	1,019	Multiple of IFRS net asset value	±5% of NAV	51	(51)
Investment property	4,416	Expected rental yields	±5%	221	(221)
Loans					
Commercial mortgages	6,619	Illiquidity premium	±20bp	85	(83)
PFI commercial mortgages	1,231	Illiquidity premium	±20bp	23	(23)
Equity release mortgages	7,284	Current property market values	±10%	236	(291)
		Base property growth rate	+/- 40 bps p.a.	153	(159)
Loans and advances to banks	1,568	Discounts spreads and collateral values	±25bps	19	(4)
Loans to subsidiaries	160	Illiquidity premium	±50bp	—	—
Infrastructure loans	6,374	Illiquidity premium	±20bp / ±25bp	154	(149)
Debt securities	7,702	Credit and liquidity spreads	±25bps on discount spread	196	(118)
Equity securities					
Unlisted/private equities directly held	3	Multiple of IFRS net asset value	+40%/-10%	—	—
Other investments (including derivatives)	764	Multiple of IFRS net asset value	±10-40%	68	(36)
Total Level 3 investments	38,326			1,265	(1,194)

Notes to the financial statements (continued)

	2021 Fair value £m	Most significant unobservable inputs	Reasonable alternative	Change in fair value Positive impact £m	Negative impact £m
Investments in subsidiaries					
PLPs and other subsidiaries	1,042	Multiple of IFRS net asset value	±5% of NAV	52	(52)
Investments in joint ventures and associates	961	Multiple of IFRS net asset value	±5% of NAV	48	(48)
Investment property	5,365	Expected rental yields	±5%	268	(268)
Loans					
Commercial mortgages	8,209	Illiquidity premium	±20bp	89	(95)
PFI commercial mortgages	1,465	Illiquidity premium	±20bp	29	(28)
Equity release mortgages	9,065	Base property growth rate	±10%	217	(270)
		Current property market values	±10%	191	(200)
Loans and advances to banks	301	Discounts spreads and collateral values	±25bps	18	(2)
Loans to subsidiaries	206	Illiquidity premium	±50bp	—	—
Infrastructure loans	7,644	Illiquidity premium	±20bp / ±25bp	119	(113)
Debt securities	8,810	Credit and liquidity spreads	±25bps on discount spread	240	(236)
Equity securities					
Unlisted/private equities directly held	5	Multiple of IFRS net asset value	+40%/-10%	—	—
Other investments (including derivatives)	1,027	Multiple of IFRS net asset value	±10-40%	77	(46)
Total Level 3 investments	44,100			1,348	(1,358)

The above tables demonstrate the effect of a change in one unobservable input while other assumptions remain unchanged. In reality, there may be a correlation between the unobservable inputs and other factors. It should also be noted that some of these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

(h) Assets and liabilities not carried at fair value for which fair value is disclosed

The table below shows the fair value and fair value hierarchy for those assets and liabilities not carried at fair value.

2022 Fair value hierarchy	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets and liabilities not carried at fair value				
Loans	—	—	**571**	**571**
Borrowings	—	—	—	—

2021 Fair value hierarchy	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Loans	—	—	1,612	1,612
Borrowings	—	—	734	734

Notes to the financial statements (continued)

16. Loans

(a) Carrying amounts

The carrying amounts of loans at 31 December 2022 and 2021 were as follows:

	2022			2021		
	At fair value through profit or loss other than trading	**At amortised cost**	**Total**	At fair value through profit or loss other than trading	At amortised cost	Total £m
	£m	**£m**	**£m**	£m	£m	£m
Policy loans	**—**	**13**	**13**	—	13	13
Mortgage loans	**13,903**	**—**	**13,903**	17,275	—	17,275
PFI commercial mortgages	**1,231**	**—**	**1,231**	1,464	—	1,464
Loans to banks	**1,568**	**—**	**1,568**	301	1,027	1,328
Loans to parent	**—**	**487**	**487**	—	487	487
Loans to subsidiaries	**160**	**—**	**160**	206	—	206
Other loans	**6,374**	**81**	**6,455**	7,644	73	7,717
	23,236	**581**	**23,817**	26,890	1,600	28,490

Loans to banks that were valued at amortised cost at 31 December 2021 matured during 2022 and were replaced with instruments measured at fair value.

	2022	2021
	£m	£m
Expected to be recovered in less than one year	**2,394**	2,054
Expected to be recovered in more than one year	**21,423**	26,436
	23,817	28,490

Loans at fair value

£7,851 million (*2021: £9,674 million*) of the above mortgage loans and PFI commercial mortgages are Commercial Mortgages. Further details of the fair value methodology are given in note 15.

The cumulative change in fair value of loans attributable to changes in credit risk to 31 December 2022 was a £304 million loss (*2021: £83 million loss*).

Further information regarding collateral received on the loans can be found in note 43.

Loans at amortised cost

The fair value of these loans at 31 December 2022 was £571 million (*2021: £1,612 million*).

(b) Analysis of loans carried at amortised cost

	2022			2021		
	Amortised Cost	**Impairment**	**Carrying Value**	Amortised Cost	Impairment	Carrying Value
	£m	**£m**	**£m**	£m	£m	£m
Policy loans	**13**	**—**	**13**	13	—	13
Loans to credit institutions	**—**	**—**	**—**	1,027	—	1,027
Loans to parent	**487**	**—**	**487**	487	—	487
Other loans	**81**	**—**	**81**	73	—	73
	581	**—**	**581**	1,600	—	1,600

No impairment provisions were held in respect of these loans *(2021: £nil)*.

Notes to the financial statements (continued)

17. Interest in structured entities

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

The Company holds redeemable shares or units in investment vehicles, which consist of:

	Interest in Subsidiaries	Interest in joint ventures	Interest in associates	Financial investments	Loans	Real Estate Long Income	2022 Total assets
	£m	£m	£m	£m	£m	£m	£m
Structured debt securities	—	—	—	3,379	—	—	3,379
Other investments and equity securities:							
Analysed as:							
Unit trust and other investment vehicles	—	—	—	109,760	—	—	109,760
Liquidity funds	—	—	—	16,371	—	—	16,371
Property Limited Partnerships ("PLPs") and property funds	1,132	982	37	96	81	—	2,328
Other (including other funds and equity securities)	279	—	—	136	—	—	415
Finance Lease	—	—	—	—	—	143	143
Loans	—	—	—	—	9,173	—	9,173
Total	1,411	982	37	129,742	9,254	143	141,569

	Interest in Subsidiaries	Interest in joint ventures	Interest in associates	Financial investments	Loans	Real Estate Long Income	2021 Total assets
	£m	£m	£m	£m	£m	£m	£m
Structured debt securities	—	—	—	3,517	—	—	3,517
Other investments and equity securities:							
Analysed as:							
Unit trust and other investment vehicles	—	—	—	117,561	—	—	117,561
Liquidity funds	—	—	—	20,655	—	—	20,655
Property Limited Partnerships ("PLPs") and property funds	1,011	916	38	118	73	—	2,156
Other (including other funds and equity securities)	265	—	—	358	—	—	623
Finance Lease	—	—	—	—	—	129	129
Loans	—	—	—	—	9,109	—	9,109
Total	1,276	916	38	142,209	9,182	129	153,750

Debt securities which comprise securitisation vehicles that the Company does not originate and those issued by a wholly owned subsidiary Aviva ERFA 15 UK Limited. These securities consist of Residential Mortgage-Backed Securities, Commercial Mortgage-Backed Securities, Asset Backed Securities, Asset Backed Commercial Papers, Wrapped credits securities and Collateralised Loan Obligation securities.

Unit trust and other investment vehicles which include: private equity funds, unit trusts, Open Ended Investment Companies, Sociétés d'Investissement à Capital Variables, and Tax Transparent Funds.

Other (including other funds and equity securities) which include: a limited liability partnership and derivative assets/liabilities.

The Company's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. The investment manager makes investment decisions after extensive due diligence of the underlying investment vehicle including consideration of its strategy and the overall quality of the underlying investment vehicle's manager. All of the investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance- based incentive fee, and is reflected in the valuation of the investment vehicles.

As permitted under IAS 27, *Separate Financial Statements,* and under Section 400 of the Companies Act 2006, the Company has elected not to present consolidated financial statements and as such all holdings in structured entities are unconsolidated. The Company does not sponsor any of the unconsolidated structured entities.

As at 31 December, a summary of the Company's interest in unconsolidated structured entities is as follows:

- The maximum exposure to loss of the interests presented above is the carrying amount of the investments and the majority of debt securities above are investment grade securities. Based on the different structures of the securities, in some cases the Company may be required to absorb losses from an unconsolidated structured entity before other parties. Those cases occur when and if the Company's interest is more subordinated with respect to other owners of the same security;

Notes to the financial statements (continued)

- The Company has granted loans to PLPs classified as subsidiaries, joint ventures and associates for a total of £81 million (*2021: £73 million*). This amount has been provided for the purpose of short term liquidity funding for commitments to property management joint ventures. In relation to risk management, disclosures on debt securities and investment vehicles are given in note 41;
- The Company has provided letters of support in respect of a number of its investments in PLPs. The Company has not provided any other financial or other support in addition to that described above as at the reporting date, and there are no intentions to provide support in relation to other unconsolidated structured entities in the foreseeable future; and
- In November 2021 the Company entered into an agreement to provide a liquidity facility to Aviva ERFA 15 UK Limited. Further information on this facility can be found in note 27.

18. Financial investments

(a) Carrying amount

Financial investments comprise:

			2022			2021
	At fair value through profit or loss			At fair value through profit or loss		
	Trading	Other than trading	Total	Trading	Other than trading	Total
	£m	£m	£m	£m	£m	£m
Debt securities	—	**41,101**	**41,101**	—	57,120	57,120
Equity securities	—	**31,146**	**31,146**	—	31,772	31,772
Other investments						
Unit trusts and other investment vehicles	—	**109,760**	**109,760**	—	117,561	117,561
Derivative financial instruments	**2,901**	—	**2,901**	4,954	—	4,954
Minority interests	—	**95**	**95**	—	117	117
Total financial investments	**2,901**	**182,102**	**185,003**	4,954	206,570	211,524

Of the above financial investments £535 million (*2021: £624 million*), £136 million (*2021: £216 million*), £288 million (*2021: £333 million*) and £443 million (*2021: £599 million*) are held in Trust on behalf of the Trustees of Friends Provident, West Ferry Printers, John Laing and Pearson Bulk Annuity Schemes respectively. Amounts become payable to the Trustees in the event that the Company is in breach of its payments obligations in respect of policyholder benefits.

Financial investments include £3,940 million (2021: £743 million) in respect of non-cash collateral pledged to third parties where the economic rights are retained by the Company.

(b) Cost, unrealised gains and fair value

The following is a summary of the cost/amortised cost, gross unrealised gains and losses and fair value of financial investments.

				2022				2021
	Cost/ amortised cost	Unrealised gains	Unrealised losses and impairments	Fair value	Cost/ amortised cost	Unrealised gains	Unrealised losses and impairments	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
Debt securities	**49,708**	**309**	**(8,916)**	**41,101**	56,810	3,632	(3,322)	57,120
Equity securities	**26,211**	**6,805**	**(1,870)**	**31,146**	23,352	9,981	(1,561)	31,772
Other investments								
Unit trusts and other investment vehicles	**106,035**	**3,725**	—	**109,760**	98,929	18,632	—	117,561
Derivative financial instruments	**(72)**	**2,973**	—	**2,901**	4,661	293	—	4,954
Minority interests	**95**	—	—	**95**	117	—	—	117
	181,977	**13,812**	**(10,786)**	**185,003**	183,869	32,538	(4,883)	211,524

All unrealised gains and losses and impairments on financial investments classified as fair value through profit or loss have been recognised in the Income statement.

The movement in the unrealised gain/loss position reported in the Statement of financial position during the year, shown in the table above, includes foreign exchange movements on the translation of unrealised gains and losses on financial investments held by foreign subsidiaries, which are recognised in other comprehensive income, as well as transfers due to the realisation of gains and losses on disposal and the recognition of impairment losses.

(c) Financial investments arrangements

Debt Securities issued by a wholly owned subsidiary Aviva ERFA 15 UK Limited ("ERFA 15") amounting to £420 million (*2021: £233 million*) have been included in the total value of debt securities. These loan notes were issued by ERFA 15 to the Company as a result of the securitisation of certain equity release mortgages ("ERM"). As the Company was the ultimate beneficial owner of the ERM both before and after the securitisation, the requirements of IAS 39 do not permit the Company to derecognise the ERM assets which continue to be recognised as loans (see note 16). As a result of non derecognition of the ERM, the Company recognised an inter company liability to ERFA 15, which has been offset against the value of the loan notes, with the net balance being included in the value of debt securities as follows:

Notes to the financial statements (continued)

	Debt securities	Inter company loan	Net debt security
	£m	£m	£m
At 1 January 2022	**8,948**	**(8,715)**	**233**
Additions	**730**	**(729)**	**1**
Repayments	**(472)**	**445**	**(27)**
Fair value gains / (losses)	**(1,817)**	**2,030**	**213**
At 31 December 2022	**7,389**	**(6,969)**	**420**

	Debt securities	*Inter company loan*	*Net debt security*
	£m	£m	£m
At 1 January 2021	9,395	(8,499)	896
Additions	504	(590)	(86)
Repayments	(1,256)	644	(612)
Fair value gains / (losses)	305	(270)	35
At 31 December 2021	8,948	(8,715)	233

(d) Stock lending arrangements

The Company has entered into stock lending arrangements during the year in accordance with established market conventions. The majority of the Company's stock lending transactions occur in the UK, where investments are lent to European Economic Area ("EEA")-regulated, locally domiciled counterparties and governed by agreements written under English law.

The Company receives collateral in order to reduce the credit risk of these arrangements, either in the form of securities or cash. See note 43 for further discussion regarding collateral positions held by the Company.

(e) Non-UK Government Debt Securities (gross of non-controlling interests)

The following is a summary of non-UK government debt by issuer as at 31 December 2022, analysed by policyholder, participating and shareholder funds.

	Policyholder		Participating		Shareholder		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Austria	—	—	—	—	**53**	34	**53**	34
Belgium	**1**	1	—	—	**244**	284	**245**	285
Denmark	—	1	**88**	78	**114**	141	**202**	220
France	**5**	6	**5**	18	**324**	460	**334**	484
Germany	**15**	13	**83**	114	**119**	254	**217**	381
Ireland	—	1	**22**	23	—	—	**22**	24
Italy	**3**	5	—	—	**10**	13	**13**	18
Netherlands	**10**	12	—	—	**184**	237	**194**	249
Norway	—	—	**3**	4	**284**	376	**287**	380
Spain	**2**	2	—	—	**4**	4	**6**	6
European Supranational debt	**13**	10	**120**	183	**1,265**	1,918	**1,398**	2,111
Other European countries	**1**	1	**211**	200	**145**	143	**357**	344
Europe	**50**	52	**532**	620	**2,746**	3,864	**3,328**	4,536
Canada	**1**	2	**7**	10	**212**	330	**220**	342
United States	**30**	33	**1**	—	**540**	882	**571**	915
North America	**31**	35	**8**	10	**752**	1,212	**791**	1,257
Australia	**1**	1	—	—	**15**	22	**16**	23
Singapore	—	—	—	13	**44**	66	**44**	79
Other	**8**	11	**673**	1,556	**1,229**	957	**1,910**	2,524
Asia Pacific and other	**9**	12	**673**	1,569	**1,288**	1,045	**1,970**	2,626
Total (excluding assets held for sale)	**90**	99	**1,213**	2,199	**4,786**	6,121	**6,089**	8,419

Notes to the financial statements (continued)

(f) Exposure to worldwide banks – debt securities

Direct shareholder and participating fund assets exposures to worldwide bank debt securities (net of non-controlling interests, excluding policyholder assets)

	Shareholder assets				**Participating fund assets**			
	Total senior debt	**Total subordinated debt**	**Total debt**	**Total equity**	**Total senior debt**	**Total subordinated debt**	**Total debt**	**Total equity**
2022	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Australia	**45**	—	**45**	—	**235**	—	**235**	**65**
Denmark	—	—	—	—	**55**	—	**55**	—
France	**270**	—	**270**	—	**129**	**38**	**167**	**4**
Ireland	**7**	**2**	**9**	—	—	—	—	**1**
Netherlands	**169**	—	**169**	—	**24**	**18**	**42**	**2**
Spain	**252**	**15**	**267**	—	**65**	**51**	**116**	**5**
Sweden	—	—	—	—	—	**9**	**9**	**1**
Switzerland	**6**	—	**6**	—	**51**	—	**51**	**3**
United Kingdom	**1,035**	**65**	**1,100**	**5**	**407**	**108**	**515**	**107**
United States	**798**	**36**	**834**	—	**134**	**7**	**141**	**1**
Other	**70**	**2**	**72**	—	**484**	**13**	**497**	**18**
2022 Total	**2,652**	**120**	**2,772**	**5**	**1,584**	**244**	**1,828**	**207**

	Shareholder assets				Participating fund assets			
	Total senior debt	Total subordinated debt	Total debt	Total equity	Total senior debt	Total subordinated debt	Total debt	Total equity
2021	£m	£m	£m	£m	£m	£m	£m	£m
Australia	30	—	30	—	442	—	442	76
Denmark	—	—	—	—	107	—	107	—
France	366	17	383	—	71	20	91	5
Ireland	10	2	12	—	—	4	4	—
Netherlands	288	—	288	—	37	25	61	2
Spain	322	18	341	—	157	56	212	4
Sweden	27	—	27	—	—	—	—	3
Switzerland	9	—	9	—	65	—	65	4
United Kingdom	1,235	137	1,371	5	571	181	752	115
United States	1,103	45	1,148	—	165	8	173	1
Other	8	2	10	—	846	17	863	38
2021 Total	3,398	221	3,619	5	2,461	311	2,770	248

The above total does not include the Company's unit-linked debt and equity securities.

Notes to the financial statements (continued)

19. Receivables

	2022 £m	2021 £m
Amounts owed by contract holders	**283**	250
Amounts owed by intermediaries	**59**	52
Amounts due from reinsurers	**307**	278
Amounts due from brokers for investment sales	**460**	148
Finance lease receivables	**143**	129
Amounts due from parent company	**5**	6
Amounts due from subsidiaries	**18**	15
Amounts due from fellow subsidiaries	**54**	48
Amounts receivable for cash collateral pledged	**185**	872
Other receivables	**921**	805
Total as at 31 December	**2,435**	2,603

Of the total receivables, £2,292 million (*2021:£2,474 million*) is expected to be recovered in less than one year after the Statement of financial position date.

20. Deferred acquisition costs, other assets, prepayments and accrued income

(a) The carrying amount comprises:

	2022 £m	2021 £m
Deferred acquisition costs in respect of:		
Insurance contracts	**447**	607
Participating investment contracts	**29**	33
Non-participating investment contracts	**661**	768
Total deferred acquisition costs	**1,137**	1,408
Prepayments and accrued income	**1,761**	1,384
Total as at 31 December	**2,898**	2,792

	2022 £m	2021 £m
Expected to be recovered in less than one year	**1,920**	1,533
Expected to be recovered in more than one year	**978**	1,259
	2,898	2,792

(b) Deferred acquisition costs - movement in the year:

	2022 Total £m	2021 Total £m
Carrying amount at 1 January	**1,408**	1,496
Acquisition costs deferred during the year	**66**	56
Amortisation	**(293)**	(192)
Impact of assumption changes	**(44)**	48
Carrying amount at 31 December	**1,137**	1,408

	2022 £m	2021 £m
Expected to be recovered in less than one year	**159**	149
Expected to be recovered in more than one year	**978**	1,259
	1,137	1,408

For long-term business where amortisation of the deferred acquisition costs ("DAC") balance depends on projected profits, the amount expected to be recovered is estimated and actual experience will differ.

Notes to the financial statements (continued)

(c) Other assets, prepayments and accrued income

Of the total other assets, prepayments and accrued income of £1,761 million (*2021: £1,384 million*) is expected to be recovered in less than one year after the Statement of financial position date.

21. Ordinary share capital

	2022	2021
	£m	£m
Allotted, called up and fully paid		
Ordinary shares of £1 each	**3**	343

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.

The ordinary shares issued was reduced to 2,732,162 (*2021: 342,732,162*) after the completion of the following share transactions during the year:

- In August 2022 £340m share capital was cancelled (340,000,000 ordinary shares of £1 each)

- In August 2022 £470m share capital was issued (469,866,387 ordinary shares of £1 each)

- In October 2022 £470m share capital was cancelled (469,866,387 ordinary shares of £1 each)

22. Retained earnings

	2022			2021		
	Capital contribution reserve	Retained earnings	Total	Capital contribution reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 January	**—**	**5,234**	**5,234**	—	5,917	5,917
(Loss)/profit for the year	**—**	**(180)**	**(180)**	—	377	377
Dividends paid (note 8)	**—**	**(593)**	**(593)**	—	(1,022)	(1,022)
Interest paid on other equity instruments	**—**	**(36)**	**(36)**	—	(40)	(40)
Capital contribution	**1,200**	**—**	**1,200**	—	—	—
Share capital reduction	**—**	**810**	**810**	—	—	—
Other movements	**—**	**1**	**1**	—	2	2
Balance at 31 December	**1,200**	**5,236**	**6,436**	—	5,234	5,234

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to insurance companies under the requirements of Solvency II. Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of regulatory capital requirements. See note 40.

23. Other equity

	2022	2021
	£m	£m
4.39% £500 million STICS – Issued June 2005	**—**	495
5.50% £114 million Restricted Tier 1 Subordinated Notes – Issued May 2018	**—**	114
5.63% £356 million Restricted Tier 1 Subordinated Notes - Issued Nov 2020	**—**	356
Balance at 31 December	**—**	965

Step-up Tier 1 insurance capital securities ("STICS") were issued on 27 June 2005. The STICS bore interest at a rate of 2.74% from 1 July 2020 to 1 August 2022. The STICS were redeemed at par in August 2022. £5 million of issue costs were capitalised in the carrying value of the instruments.

The £114 million Restricted Tier 1 Subordinated Notes ("RT1 Notes") were issued to Aviva Group Holdings ("AGH") on 31 May 2018 to finance the acquisition of a subsidiary.

The fixed interest of 5.50% per annum was due and payable only at the sole and absolute discretion of the Company. The Company was not permitted to pay the interest if the solvency conditions were not satisfied. Unpaid interest was assumed to be cancelled and did not become due or accumulate. No interest was accrued and no payment was declared.

Notes to the financial statements (continued)

The £356 million Restricted Tier 1 Subordinated Notes ("RT1 Notes") were issued to AGH on 9 November 2020 to refinance Upper Tier 2 ("UT2") Subordinated Liabilities of the same value.

The fixed interest of 5.63% per annum was due and payable only at the sole and absolute discretion of the Company. The Company was not permitted to pay the interest if the solvency conditions were not satisfied. Unpaid interest was assumed to be cancelled and did not become due or accumulate. No interest was accrued and no payment was declared.

Both the £114m and £356m RT1 Notes were redeemed at par in August 2022.

Under IAS 32, *Financial Instruments: Presentation*, it was necessary to treat the RT1 Notes and STICS as equity as there was no requirement to settle the obligation in cash or another financial asset.

24. Gross insurance liabilities

(a) Carrying amount:

(i) Insurance liabilities (gross of reinsurance) at 31 December comprised:

	2022 £m	2021 £m
Long-term business provision		
Participating insurance contracts	**16,038**	20,937
Unit-linked non-participating insurance contracts	**7,181**	8,386
Other non-participating insurance contracts	**55,613**	74,030
	78,832	103,353
Outstanding claims provisions	**1,199**	1,102
Total at 31 December	**80,031**	104,455

	2022 £m	2021 £m
Expected to be settled in less than one year	**6,790**	7,908
Expected to be settled in more than one year	**73,241**	96,547
	80,031	104,455

(b) Long-term business provision

(i) Business description

The Company underwrites long-term business as follows:

- New With-profits Sub-Fund ("NWPSF"), where the With-profits policyholders are entitled to at least 90% of the distributed profits, with the shareholders receiving the balance. Any surplus or deficit emerging in the NWPSF that is not distributed as bonus will be transferred from this sub-fund to the Reattributed Inherited Estate External Support Account ("RIEESA") (see below).
- Old With-profits Sub-Fund ("OWPSF"), With-profits Sub-Fund ("WPSF") and Provident Mutual Sub-Fund ("PMSF") where the With-profits policyholders are entitled to at least 90% of the distributed profits, with the shareholders receiving the balance.
- FP With-profits Sub-Fund ("FP WPSF"), which is closed to new business and where shareholders are entitled to 10% of the distributed profits, plus 60% of the surplus arising on pre-demutualisation non-profit and unitised business and non-investment sources of surplus on policies held by post-demutualisation policyholders. The Friends Provident demutualisation occurred in 2001.
- FLC With-profits Sub-Fund ("FLC WPSF"), WL With-profits Sub-Fund ("WL WPSF") and FLAS With-profits Sub-Fund ("FLAS WPSF") which are closed to new business and where policyholders are entitled to 90% of the distributed profits aside from certain policies in the FLC WPSF with guaranteed bonus rates, and certain policies in the WL WPF which are reinsured into the fund where the shareholders do not receive one-ninth of the bonus.
- FPLAL With-profits Sub-Fund ("FPLAL WPSF"), SGF With-profits Fund ("SGF WPF"), which are closed to new business and where policyholders are entitled to 100% of the distributed profits.
- Non Profit Sub-Fund ("NPSF"), where shareholders are entitled to 100% of the distributed profits.
- The RIEESA, which is a Non-profit fund where shareholders are entitled to 100% of the profits. These profits cannot be distributed until the 'lock-in' criteria set by the Reattribution Scheme have been met. The RIEESA is used to provide capital support to NWPSF, and has been used in the past to write non-participating business.

(ii) Company practice With-profits and Non-profit business

Insurance liabilities are calculated separately for each fund.

Material judgement is required in calculating the provisions and is exercised particularly through the choice of assumptions, where discretion is permitted. In turn, the assumptions used depend on the circumstances prevailing in each of the life funds. Provisions are most sensitive to assumptions regarding future investment returns, discount rates, future bonus rates, mortality/morbidity rates and persistency. Where discount rate assumptions are based on current market yields on fixed interest securities, allowance is made for default risk implicit in the yields on the underlying assets.

Notes to the financial statements (continued)

Bonuses paid during the year are reflected in claims paid, whereas those allocated as part of the bonus declaration are included in the movements in the long-term business provision.

(iii) Movements

The following movements have occurred in the gross insurance liabilities during the year:

	2022 £m	2021 £m
Carrying amount at 1 January	**104,455**	105,559
Other movements recognised as an (income) / expense:		
Provisions in respect of new business	**4,780**	6,801
Expected change in existing business provisions	**(5,215)**	(6,019)
Variance between actual and expected experience	**(2,285)**	1,341
Impact of operating assumption changes	**(1,305)**	(903)
Impact of economic assumption changes	**(20,403)**	(2,318)
Change in liability recognised as an expense	**(24,428)**	(1,098)
Foreign exchange rate movements	**4**	(6)
Carrying amount at 31 December	**80,031**	104,455

For many types of long-term business, including unit-linked and participating funds, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The £(2,285) million variance between actual and expected experience reflects the fact that equity returns over 2022 were lower than expected.

The impact of operating assumption changes of £(1,305) million in 2022 reduces the carrying value of insurance liabilities and relates mainly to release of reserves for longevity and mortality, albeit a large percentage of the mortality exposure is reinsured and hence has a largely offsetting impact within reinsurance assets.

The £(20,403) million impact of economic assumption changes in 2022 decreases the carrying value of insurance liabilities. Approximately £(16,100) million of this relates to annuity business, caused largely by a higher discount rate (resulting from a rise in risk-free rates, partially offset by a fall in credit spreads net of lower bad debt allowances on the backing assets) and partially offset by increases in expectations for future inflation (which increases expected annuity benefits that are linked to inflation). A further impact of approximately £(2,300) million relates to changes in discount rates on with-profit liabilities.

For participating business, a movement in liabilities is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact on profit. Where assumption changes do impact on profit, these are included in the effect of changes in assumptions and estimates during the year shown in note 29, together with the impact of movements in related non-financial assets.

25. Insurance liabilities methodologies and assumptions

Long-term business

The main method of actuarial valuation of liabilities arising under long-term insurance contracts is the gross premium method which involves the discounting of projected future cash flows.

The cash flows are calculated using the contractual premiums payable together with explicit assumptions for investment returns, inflation, mortality, morbidity, persistency and future expenses. Assumptions are also required for the rates used to discount the cash flows. These assumptions can vary by contract type and reflect current and expected future experience with an allowance for prudence.

(a) Non-profit business

The valuation of Non-profit business under IFRS 4 is based on grandfathered regulatory requirements prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business. Conventional Non-profit contracts, including those written in the With-profits funds, are valued using the gross premium method. For Non-profit business in the ex-Friends Life With-profits funds, the liabilities are measured on a realistic basis with implicit recognition of the present value of future profits.

For unit-linked and some unitised With-profits business, the provisions are valued by adding a prospective non-unit reserve to the bid value of units. The prospective non-unit reserve is calculated by projecting the future non-unit cash flows using prudent assumptions and on the assumption that future premiums cease, unless it is more onerous to assume that they continue.

(i) Discount rates

Valuation discount rate assumptions are set with regard to yields on the supporting assets and the general level of long-term interest rates as measured by gilt yields. An allowance for risk is included by making an explicit deduction from the yields on corporate bonds, mortgages and deposits, based on historical or modelled default experience of each asset class and incorporating a margin for prudence for each asset class. A further margin for risk is then deducted from the valuation interest rate.

Valuation discount rates for business in the Non-profit funds are as follows:

Notes to the financial statements (continued)

Valuation discount rates (Gross of investment expenses)	**2022**	2021
Assurance		
Life conventional Non-profit	**3.5%**	1.1%
Pensions conventional Non-profit	**3.5%**	1.1%
Annuities		
Immediate and deferred annuities	**3.5% to 5%**	1.1%-2.0%
Non-unit reserves on unitised business		
Life	**2.8%**	0.9%
Pensions	**3.5%**	1.1%
Income protection		
Active lives	**3.5%**	1.1%
Claims in payment – level and index linked	**3.5%**	1.1%

The valuation rates shown above are after reduction for risk, but before allowance for investment expenses. For conventional immediate annuity business, the allowance for risk comprises long-term assumptions on a prudent basis for defaults or, in the case of equity release assets, expected losses arising from the No-Negative-Equity Guarantee. These allowances vary by asset category and for some asset classes by rating.

The risk allowances made for corporate bonds (including overseas government bonds and structured finance assets), mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets), and equity release equated to 34 bps, 28 bps, and 98 bps respectively at 31 December 2022 (*2021: 44 bps, 30 bps, and 91 bps respectively*).

The total valuation allowance net of reinsurance in respect of corporate bonds and mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets but excluding equity release) was £0.7 billion (*2021: £1.3 billion*) over the remaining term of the portfolio at 31 December 2022. The total valuation allowance in respect of equity release mortgages was £0.5 billion at 31 December 2022 (*2021: £0.8 billion*). Total liabilities net of reinsurance for the annuity business in NP funds were £33.9 billion at 31 December 2022 (*2021: £44.1 billion*).

(ii) Guarantees and options

The provisions held in respect of guaranteed annuity options ("GAO") are a prudent assessment of the additional liability incurred under the option on a basis and method consistent with that used to value basic policy liabilities, and includes a prudent assessment of the proportion of policyholders who will choose to exercise the option.

(iii) Expenses

Maintenance expense assumptions for Non-profit business are generally expressed as a "per policy" charge set with regards to an allocation of current year expense levels by broad category of business and using the policy count for in-force business. The assumptions also include an allowance for prudence and increase by future expense inflation over the lifetime of each contract. Expense inflation is assumed to be in line with RPI. An additional liability is held if projected per-policy expenses in future years are expected to exceed current assumptions. Further, explicit project expense liabilities are held for non-discretionary project costs that typically relate to mandatory regulatory requirements. Expense-related liabilities are not held where expenses are covered by anticipated future profits in the liability methodology, notably for unit-linked contracts. Investment expenses are generally expressed as a proportion of the assets backing the liabilities.

(iv) Persistency

Rates, which will vary between classes of business, are based on experience adjusted to take into account assumed future trends.

(v) Mortality

Mortality assumptions for Non-profit business are set with regard to recent Company experience (excluding 2021 and 2020 experience due to the adverse effects of Covid-19) and general industry trends.

The mortality tables used in the valuation are summarised below:

Notes to the financial statements (continued)

Mortality table used	2022	2021
Assurances		
Non-profit mortality	**AM00/AF00 or TM08/TF08 or TM16/TF16 or ELT15/ELT16 *adjusted for smoker status and* age/sex specific factors with allowance for mortality improvements**	AM00/AF00 or TM08/TF08 or ELT15/ELT16 *adjusted for smoker status and age/sex* specific factors with allowance for mortality improvements
Non-profit critical illness	**AC16 or reinsurer rates adjusted for smoker status and age/sex specific factors with allowance for deterioration**	AC08 or reinsurer rates adjusted for smoker status and age/sex specific factors with allowance for deterioration
Non-profit PHI inception rates	**IP11 or CMII12 adjusted by factors derived from our own experience**	IP06 or CMII12 adjusted by factors derived from our own experience
Non-profit PHI recovery rates	**IP11 or CMIR12 adjusted by factors derived from our own experience**	CMIR12 adjusted by factors derived from our own experience
Pure endowments and deferred annuities before vesting	**AM00/AF00 adjusted, with allowance for improvements**	AM00/AF00 adjusted with allowance for improvements
Annuities in payment		
Pensions business and general annuity business	**PMA16_IND/PFA16_IND or PMA16_IND_INT/ PFA16_IND_INT or other with allowance for mortality improvements**	PMA16_IND/PFA16_IND or PMA16_IND_INT/ PFA16_IND_INT or other with allowance for mortality improvements
BPA	**CV3 or S3PMA_H/S3PFA_H with allowance for mortality improvements**	CV3 or S3PMA_H/S3PFA_H with allowance for mortality improvements

For the largest portfolio of pensions annuity business, the underlying mortality assumptions for males are 102.0% of PMA16_IND with base year 2016 (*2021: 102% of PMA16_IND with base year 2016*); for females the underlying mortality assumptions are 98.3% of PFA16_IND with base year 2016 (*2021: 98.3% of PFA16_IND with base year 2016).*

Improvements are based on 'CMI_2021 (S=7.25) Advanced with adjustments' (*2021: 'CMI_2019 (S=7.25) Advanced with adjustments'*) with a long-term improvement rate of 1.5% (*2021: 1.5%*) for males and 1.5% (*2021: 1.5%*) for females, both with an additional improvement for prudence of 0.5% (*2021: 0.5%*) to all future annual improvement adjustments. An allowance has been made to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI_2021 is based using "Parameter A", which is set to 0.15% for males and 0.20% for females, tapering to zero between ages 90 and 110 (for 2021 the same approach was taken with respect to CMI_2019). Long-term improvement rates are set to taper to zero between ages 85 and 110 (2021: 90 and 115).

In addition, on a significant proportion of individual annuity business, year-specific adjustments are made to allow for potential selection effects due to the development of the Enhanced Annuity market and covering possible selection effects from pension freedom reforms (unchanged from 2021).

(b) With-profits business

The Company's UK With-profits funds are evaluated by reference to FRS 27, which was grandfathered under IFRS 4, prior to the adoption of Solvency II. This uses an approach of calculating the realistic liabilities for the contracts. The realistic liabilities include the With-profits benefit reserve ("WPBR"), and an additional provision for the expected cost of any guarantees and options in excess of the WPBR. The WPBR for an individual contract is generally calculated on a retrospective basis and represents the accumulation of the premiums paid on the contract, allowing for investment return, taxation, expenses and any other charges levied on the contract.

Provisions for guarantees and options within realistic liabilities are measured using market-consistent stochastic models. A stochastic approach includes measuring the time value of guarantees and options, which represents the additional cost arising from uncertainty surrounding future economic conditions. Non-market-related assumptions (for example, persistency, mortality and expenses) are assessed on a best estimate basis with reference to Company and wider industry experience, adjusted to take into account future trends.

The With-profits business is valued based on an adjusted Solvency II best estimate liability ("BEL") assessment, which results in a valuation in accordance with FRS 27.

(i) Future investment return

A 'risk-free' rate equal to the spot yield on UK swaps is used for the valuation of With-profits business. The rates vary according to the outstanding term of the policy, with a typical rate as at 31 December 2022 of 3.71% (*2021: 0.95%*) for a policy with ten years outstanding.

(ii) Volatility of investment return

Volatility assumptions are set with reference to implied volatility data on traded market instruments, where available, or on a best estimate basis where not.

Volatility	2022	2021
Equity returns	**19.3 %**	19.4 %
Property returns	**15 %**	15.4 %

The equity volatility used depends on term, moneyness and region. The figure shown is for a sample UK equity, at the money, with a ten-year term.

(iii) Future regular bonuses

Annual bonus assumptions for 2023 have been set consistently with the year-end 2022 declaration. Future annual bonus rates reflect the principles and practices of each fund. In particular, the level is set with regard to the projected margin for final bonus and the change from one year to the next is limited to a level consistent with past practice.

(iv) Mortality

Mortality assumptions for With-profits business are set with regard to recent Company experience and general industry trends. The mortality tables used in the valuation are summarised below:

Notes to the financial statements (continued)

Mortality table used	2022	2021
Assurances, pure endowments and deferred annuities before vesting	**Nil or Axx00 adjusted**	Nil or Axx00 adjusted
Pensions business after vesting and pensions annuities in payment	**PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement**	PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement

(v) Expenses

Maintenance fee assumptions for With-profits business are generally expressed as a fixed 'per policy' charge in line with a memorandum of understanding between the With-profits funds and the Non-profit fund within the Company.

The memorandum of understanding specifies the charges for a 5-year period ending in 2023, and specifies a level of charge inflation during that period of Consumer Price Index ("CPI") +2% or CPI+3% depending on the product type. After the end of the period covered by the memorandum of understanding we assume that the charges will remain unchanged, and a level of charge inflation of RPI+1% for all products will apply.

Any difference of expenses charged by Aviva Life Services UK Limited (UKLS) to the Company over the charges specified by the memorandum of understanding is borne by the Non-profits fund.

(vi) Guarantees and options

The provisions held in respect of GAO are a realistic assessment of the additional liability incurred under the option on a basis and method consistent with that used to value basic policy liabilities, and includes a realistic assessment of the proportion of policy holders who will choose to exercise the option.

(vii) Persistency

Rates, which will vary between classes of business, are based on experience adjusted to take into account assumed future trends.

26. Gross liabilities for investment contracts

(a) Carrying amounts

The liability for investment contracts (gross of reinsurance) at 31 December comprised:

	2022 £m	2021 £m
Participating investment contracts	**17,714**	20,970
Non-participating investment contracts	**132,921**	142,432
Total	**150,635**	163,402

(b) Investment liabilities

Investment contracts are those that do not transfer significant insurance risk from the contract holder to the issuer, and are therefore treated as financial instruments under IFRS.

Many investment contracts contain a discretionary participation feature in which the contract holder has a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts and are measured according to the methodology and practice for insurance liabilities as described in note 25. They are not measured at fair value as there is currently no agreed definition of fair valuation for discretionary participation features under IFRS. In the absence of such a definition it is not possible to provide a range of estimates within which a fair value is likely to fall.

For participating business, the discretionary participation feature is recognised separately from the guaranteed element and is classified as a liability, referred to as the unallocated divisible surplus. Guarantees on long-term investment products are discussed in note 27.

Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at fair value.

Of the non-participating investment contracts measured at fair value, £132,876 million *(2021: £142,385 million)* are unit-linked in structure and the fair value liability is equal to the unit reserve plus additional non-unit reserves, if required, on a fair value basis. These contracts are classified as "Level 1" in the fair value hierarchy, as the unit reserve is calculated as the publicly quoted unit actively traded price multiplied by the number of units held by contracts. Of the remaining non-participating contracts measured at fair value, all are non-linked contracts classified as "Level 1" in the fair value hierarchy.

For non-participating investment contracts, a deferred acquisition cost asset and deferred income reserve liability are recognised in respect of transaction costs and front-end fees, that relate to the provision of investment management services, and which are amortised on a systematic basis over the contract term. The amount of the related deferred acquisition cost asset is shown in note 20 and the deferred income reserve is shown in note 36.

For non-participating investment contracts, deposits collected and amounts withdrawn are not shown on the Income statement, but are accounted for directly through the Statement of financial position as an adjustment to the gross liabilities for investment contracts. The change in investment contract provisions shown on the Income statement consists of the attributed investment return. Participating investment contracts are treated consistently with insurance contracts with the change in investment contract provisions primarily consisting of the movement in participating investment contract liabilities (net of reinsurance) over the reporting period.

(c) Movements in the year

(i) Participating investment contracts

	2022 £m	2021 £m
Carrying amount at 1 January	**20,970**	21,309
Provisions in respect of new business	**10**	12
Effect of portfolio transfers, acquisitions and disposals (note 44)	**—**	—
Expected change in existing business provisions	**(1,425)**	(1,482)
Variance between actual and expected experience	**(1,256)**	1,295
Impact of operating assumption changes	**19**	(29)
Impact of economic assumption changes	**(604)**	(135)
Change in liability	**(3,256)**	(339)
Other movements	**—**	—
Carrying amount at 31 December	**17,714**	20,970

(ii) Non-participating investment contracts

	2022 £m	2021 £m
Carrying amount at 1 January	**142,432**	126,020
Provisions in respect of new business	**3,436**	3,972
Effect of portfolio transfers, acquisitions and disposals (note 44)	**—**	—
Expected change in existing business provisions	**(1,569)**	(2,260)
Variance between actual and expected experience	**(11,263)**	14,723
Impact of operating assumption changes	**(9)**	(57)
Impact of economic assumption changes	**(106)**	34
Change in liability	**(9,511)**	16,412
Foreign exchange rate movements	**—**	—
Other movements	**—**	—
Carrying amount at 31 December	**132,921**	142,432

The £(11,263) million variance between actual and expected experience in 2022 is primarily the result of weak equity performance, together with increases in interest rates over the year.

The effect of changes in the main assumptions is given in note 29.

27. Financial guarantees and options

As a normal part of operating activities, the Company has given guarantees and options, including investment return guarantees, in respect of certain long-term insurance products. Further information on assumptions is given in accounting policy L.

(a) With-profits business

FRS 27, *Life Assurance*, which is grandfathered from PRA requirements prior to the adoption of Solvency II, requires liabilities to be calculated as realistic basis liabilities. Provisions for guarantees and options within realistic liabilities must be measured using a market consistent approach, which generally requires a stochastic approach. A stochastic approach includes measuring the time value of guarantees and options, which represents the additional cost arising from uncertainty surrounding future economic conditions. The material guarantees and options to which this provision relates are:

(i) Maturity value guarantees ("MVG") - Substantially all of the conventional With-profits business and a significant proportion of unitised With-profits business have minimum maturity values reflecting the sums assured plus declared annual bonus. For some unitised With-profits life contracts the amount paid after the fifth anniversary is guaranteed to be at least as high as the premium paid increased in line with the rise in RPI or CPI.

(ii) No MVR guarantees - For unitised business, there are a number of circumstances where a 'no MVR' guarantee is applied, for example on certain policy anniversaries, guaranteeing that no market value reduction will be applied to reflect the difference between the accumulated value of units and the market value of the underlying assets.

(iii) GAO - The Company's With-profits funds have written individual and group pension contracts which contain GAO where the policyholder has the option to take the benefits from a policy in the form of an annuity based on guaranteed conversion rates.

(iv) Guaranteed minimum pension ("GMP") - The Company's With-profits funds also have certain policies which contain a guaranteed minimum level of pension as part of the condition of the original transfer from state benefits to the policy.

(v) In addition, the Company has made promises to certain policyholders in relation to their With-profits mortgage endowments. Top up payments will be made on these policies at maturity to meet the mortgage value up to a maximum of the 31 December 1999 illustrated shortfall.

Notes to the financial statements (continued)

(b) Non-profit business in the With-profits funds

FRS 27 requires the Non-profit liabilities in a With-profits fund to be evaluated by reference to the grandfathered regulatory requirements prior to the adoption of Solvency II.

Guaranteed unit price on certain products – Certain unit-linked pension products linked to long-term life insurance funds provide policyholders with guaranteed benefits at retirement or death. No provision is required for other guarantees because the investment management strategy for these funds is designed to ensure that the guarantee can be met from the fund, mitigating the impact of large falls in investment values and interest rates.

(c) Non-profit business

Non-profit business was not subject to the requirements of the PRA's realistic reporting regime and, therefore, liabilities are evaluated by reference to grandfathered regulatory requirements prior to the adoption of Solvency II.

(i) GAO – Similar options to those written in the With-profits funds have been written in relation to Non-profit products. Provision for these guarantees does not materially differ from a provision based on a market-consistent stochastic model, and amounts to £40 million at 31 December 2022 *(2021:£68 million)*.

(ii) Guaranteed unit price on certain products – Certain unit-linked pension products linked to long-term life insurance funds provide policyholders with guaranteed benefits at retirement or death. Provision is made for guarantees, except where the investment management strategy for these funds is designed to ensure that the guarantee can be met from the fund, mitigating the impact of large falls in investment values and interest rates. An additional provision is made for guarantees in the unit-linked Guarantee Fund.

(iii) Mortgage Protection Guarantee - Some mortgage protection policies include a guarantee that the policy will make up any shortfall between the sum assured on the policy schedule and the amount owed to the mortgage provider in the event of a claim, if certain eligibility conditions are met. Provisions are held to meet the potential shortfall.

(iv) Maturity Value Guarantees - One of the linked funds has offered maturity value guarantees on certain unit-linked products.

(v) Return of Premium guarantees - German Pension products sold in Friends Life between 2006 and 2014 are subject to a Return of Premium guarantee whereby the product guarantees to return the maximum of the unit fund value or total premiums paid (before deductions). Provisions for this guarantee are calculated using a market-consistent stochastic model and amount to £92 million at 31 December 2022 *(2021: £164 million)*.

(d) Sensitivity

In providing these guarantees and options, the Company's capital position is sensitive to fluctuations in financial variables including foreign currency exchange rates, interest rates, real estate prices and equity prices. Interest rate guaranteed returns, such as those available on GAOs, are sensitive to interest rates falling below the guaranteed level. Other guarantees, such as maturity value guarantees and guarantees in relation to minimum rates of return, are sensitive to fluctuations in the investment return below the level assumed when the guarantee was made.

(e) Subsidiaries

On 30 November 2021, the Company entered into an agreement to provide a liquidity facility to its subsidiary Aviva ERFA 15 UK Limited. At 31 December 2022 the total amount available to draw under the facility was £479 million (2021: £491 million), of which £nil million (2021: £nil million) had been drawn by ERFA 15.

28. Reinsurance assets

(a) Carrying amounts

The reinsurance assets at 31 December comprised:

	2022 £m	2021 £m
Insurance contracts	**61,442**	71,734
Participating investment contracts	**—**	—
Non-participating investment contracts	**5,272**	5,108
Total at 31 December	**66,714**	76,842

	2022 £m	2021 £m
Expected to be recovered in less than one year	**2,429**	2,770
Expected to be recovered in more than one year	**64,285**	74,072
	66,714	76,842

(b) Assumptions

The assumptions, including discount rates, used for reinsurance contracts follow those used for insurance contracts. Reinsurance assets are valued net of an allowance for their recoverability.

Notes to the financial statements (continued)

(c) Movements

The following movements have occurred in the reinsurance assets during the year:

	2022 £m	2021 £m
Carrying amount at 1 January	**76,842**	70,254
Asset in respect of new business in quota share arrangement (note 44)	**2,210**	2,613
Asset in respect of new business other than quota share arrangement	**794**	1,989
Expected change in existing business assets	**(1,901)**	(2,264)
Variance between actual and expected experience	**(3,624)**	5,372
Impact of operating assumption changes	**(824)**	(609)
Impact of economic assumption changes	**(6,787)**	(793)
Other movements[1]	**—**	286
Change in assets	**(10,132)**	6,594
Foreign exchange rate movements	**4**	(6)
Carrying amount at 31 December	**66,714**	76,842

[1]Other movements during 2021 relate to a reclassification of reinsurance assets that had previously been held as gross.

The reinsurance asset primarily represents a quota share reinsurance arrangement with Aviva International Insurance Limited and therefore key drivers are as in the underlying funds, as shown in notes 24 and 26. The impact shown also includes external reinsurance, which particularly affects the impact of operating assumptions due to reinsurance on protection business.

29. Effect of changes in assumptions and estimates during the year

This note analyses the impact of changes in estimates and assumptions from 2021 to 2022 on liabilities for insurance and investment contracts, and related assets and liabilities, such as unallocated divisible surplus, reinsurance and deferred acquisition costs, and does not allow for offsetting movements in the value of backing financial assets.

Notes to the financial statements (continued)

	Effect on UDS before reinsurance	Effect on profit before reinsurance	Effect on UDS after reinsurance	Effect on profit after reinsurance	Effect on UDS before reinsurance	Effect on profit before reinsurance	Effect on UDS after reinsurance	Effect on profit after reinsurance
				2022				2021
	£m	£m	£m	£m	£m	£m	£m	£m
Assumptions								
Insurance contracts								
Economic assumptions	965	18,749	970	12,001	172	2,019	167	1,231
Persistency rates	(1)	(7)	(1)	(1)	—	36	—	3
Mortality for assurance contracts	1	158	1	24	—	403	—	5
Mortality for annuity contracts	22	1,031	22	383	13	380	13	198
Expenses / (income)	3	74	3	28	2	(72)	2	(63)
Other operating assumptions	—	—	—	—	264	—	264	—
	990	20,005	995	12,435	451	2,766	446	1,374
Investment contracts - Participating								
Economic	302	10	302	10	70	(7)	70	(7)
Persistency Rates	(9)	2	(9)	2	—	—	—	—
Expenses	—	(12)	—	(12)	(2)	31	(2)	31
Other operating assumptions	—	—	—	—	—	—	—	—
	293	—	293	—	68	24	68	24
Investment contracts - Non-participating								
Economic	—	97	—	97	—	(34)	—	(34)
Persistency Rates	—	(2)	—	(2)	—	—	—	—
Expenses	—	11	—	11	—	58	—	58
	—	106	—	106	—	24	—	24
Total increase as a result of changes in assumptions and estimates	1,283	20,111	1,288	12,541	519	2,814	514	1,422

The £12,001 million effect on profit after reinsurance of economic assumption changes on insurance contracts includes approximately £10,481 million from annuity business. This is caused principally by the significant rise in risk-free rates over 2022.

The mortality basis for assurance contracts has been changed in 2022 for certain portfolios which are heavily reassured, leading to a relatively large impact before reinsurance, but little impact after reinsurance.

The impact of mortality for annuitant contracts on long-term business relates primarily to the UK. In 2022, there has been a reduction in reserves of £383m due to longevity assumptions arising from:

- Updates to base mortality to reflect methodology and process refinements on BPA business, totalling £38 million
- Updates to the rate of mortality improvements for a change to the long-term-rate rate used to taper improvements at the oldest ages from between ages 90 to 115 to between ages 85 to 110, which gave a reduction of £272 million and
- Updates to mortality improvements moving onto the latest CMI_2021 model from CMI_2019, which gave a reduction of £72 million

There has been a small overall reduction in expense reserves primarily due to an assumed reduction in investment costs.

Notes to the financial statements (continued)

30. Unallocated divisible surplus

An unallocated divisible surplus ("UDS") is established where the nature of policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain at the reporting date. Therefore the expected duration for settlement of the UDS is not defined.

This note shows the movements in the UDS in the year.

	2022 £m	2021 £m
Carrying amount at 1 January	**1,826**	1,604
Change in participating fund assets	**(5,265)**	(2,839)
Change in participating fund liabilities	**5,288**	3,061
Change in liability recognised as expense	**23**	222
Carrying amount at 31 December	**1,849**	1,826

31. Tax assets and liabilities

(a) Current tax

Current tax assets recoverable and liabilities payable in more than one year are £106 million and £16 million *(2021: £108 million and £93 million respectively).*

Current tax assets recoverable in more than one year relate to the claims under the CFC & Dividend Group Litigation Order, to which the Company is a party. This challenged the tax treatment of dividends received from non-UK entities before 2009. The Company is attempting to recover claims from HMRC covered by this judgement. A recoverable balance of £106 million *(2021: £108 million)* is included within current tax assets.

(b) Deferred tax

(i) The balance at 31 December comprises:

	2022 £m	2021 £m
Deferred tax assets	**340**	–
Deferred tax liabilities	**(101)**	(616)
Net deferred tax asset/(liability)	**239**	(616)

(ii) The net deferred tax asset/(liability) arises on the following items:

	2022 £m	2021 £m
Deferred acquisition costs	**(117)**	(146)
Unrealised gains on investments	**(181)**	(485)
Unused losses and tax credits	**31**	2
Life insurance policyholder fund expenses	**521**	52
Provisions and other temporary differences	**(15)**	(39)
Net deferred tax asset/(liability)	**239**	(616)

(iii) The movement in the net deferred tax asset/(liability) was as follows:

	2022 £m	2021 £m
Net deferred tax liability at 1 January	**(616)**	(472)
Amounts credited/(charged) to the Income statement (note 7(a))	**855**	(144)
Net deferred tax asset/(liability) at 31 December	**239**	(616)

Net deferred tax assets of £340m in respect of a reduction in unrealised gains on investments (deferred tax liability of £181m) and expenses deductible in future periods (deferred tax asset of £521m) arose as a result of significant market volatility during the year. These positions are expected to reverse as the market recovers. The deferred tax asset relates to UK tax losses which carry forward indefinitely and is recognised based on probable future taxable investment income and gains within 5 years. Assumed investment returns are consistent with actuarial assumptions used in reserving and alternative assumptions modelled by the Company also show full recovery of the deferred tax asset over this period

(iv) Unrecognised deferred tax

The Company has unrecognised temporary differences of £102 million (2021: £102 million) to carry forward against future taxable income. This comprises £102 million of non-trade losses (2021: £102 million).

Notes to the financial statements (continued)

32. Provisions

(a) Carrying amounts

	2022 £m	2021 £m
Other provisions	**165**	275
Total provisions	**165**	275

Other provisions includes amounts set aside relating to product governance rectification.

(b) Movements on other provisions

	2022		2021	
	Other provisions £m	**Total £m**	Other provisions £m	Total £m
At 1 January	**275**	**275**	420	420
Additional provisions	**113**	**113**	172	172
(Release) to Income statement	**(86)**	**(86)**	(184)	(184)
Utilised during the year	**(137)**	**(137)**	(133)	(133)
At 31 December	**165**	**165**	275	275

	2022 £m	2021 £m
Expected to be settled in less than one year	**136**	275
Expected to be settled in more than one year	**29**	—
	165	275

33. Pension obligations

(a) Introduction

The Group operates a number of defined benefit and defined contribution pension schemes. Staff whose costs are recharged to the Company are either members of the Aviva Staff Pension Scheme ("ASPS") or the Friends Provident Pension Scheme ("FPPS") in the UK. They receive benefits on either a defined benefit or defined contribution basis. New entrants join the defined contribution section of the scheme, as the defined benefit scheme is now closed.

Full details of the ASPS are given in note 50 of the Group Annual Report and Accounts 2022.

The Company makes monthly deficit recovery contributions into the FPPS, a defined benefit pension scheme.

The FPPS has been closed to new members since 1 July 2007 and was closed to active membership on 31 December 2012. The assets of FPPS are held in separate trustee-administered funds to meet long-term pension liabilities to past and present employees. The appointment of trustees is determined by trust documentation. Trustees are required to act in the best interests of the scheme's beneficiaries. The long-term investment objectives of the trustees and the employer are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. The scheme operates within the UK pensions' regulatory framework.

In the absence of any contractual arrangements or stated policy to allocate the net defined benefit cost for the FPPS, measured in accordance with IAS 19 Employee Benefits, to individual businesses it is the Group's policy to allocate this cost fully to AESL (the statutory employer of the FPPS). The pension surplus/deficit, calculated in accordance with IAS 19, is reflected within the balance sheet of AESL. The cost recognised by the Company is equal to its contribution payable for the period.

The disclosures required by IAS 19 in respect of group pension plans where there is no contractual arrangement or stated policy to allocate the net defined benefit cost are set out in this note.

(b) IAS 19 disclosures

Full details of the ASPS are given in note 50 of the Group Annual Report and Accounts 2022.

Notes to the financial statements (continued)

The details for the FPPS are given below.

(i) Movements in the scheme's surplus

Movements in the pension scheme's surplus comprise:

			2022
	Scheme assets	**Scheme liabilities**	**Pension scheme surplus**
	£m	**£m**	**£m**
Net surplus in the Scheme at 1 January	**2,318**	**(1,969)**	**349**
Past service costs – amendments	—	—	—
Administrative expenses	(4)	—	(4)
Net interest on the pension scheme	43	(36)	7
Total recognised income	**39**	**(36)**	**3**
Remeasurements			
Return on scheme assets excluding interest income	(976)	—	(976)
Gains from change in financial assumptions	—	725	725
Gains from change in demographic assumption	—	97	97
Experience losses	—	(26)	(26)
Total remeasurements recognised in other comprehensive income	**(976)**	**796**	**(180)**
Employer	3	—	3
Benefits paid	(57)	57	—
Net surplus in the Scheme at 31 December	**1,327**	**(1,152)**	**175**

			2021
	Scheme assets	Scheme liabilities	Pension scheme surplus
	£m	£m	£m
Net surplus in the Scheme at 1 January	2,313	(2,086)	227
Past service costs – amendments	—	—	—
Administrative expenses	(3)	—	(3)
Net interest on the pension scheme	30	(28)	2
Total recognised expense	27	(28)	(1)
Remeasurements			
Return on scheme assets excluding interest income	14	—	14
Gains from change in financial assumptions	—	70	70
Gains from change in demographic assumption	—	30	30
Experience losses	—	(12)	(12)
Total remeasurements recognised in other comprehensive income	14	88	102
Employer	21	—	21
Benefits paid	(57)	57	—
Net surplus in the Scheme at 31 December	2,318	(1,969)	349

Notes to the financial statements (continued)

(ii) Scheme assets

Total scheme assets are analysed by those that have a quoted market price in an active market and other, as follows:

			2022
	Total quoted	**Total other**	**Total**
	£m	**£m**	**£m**
Bonds			
Fixed interest	**283**	**—**	**283**
Index linked	**728**	**—**	**728**
Pooled investment vehicles	**—**	**316**	**316**
Cash and other*	**(36)**	**(396)**	**(432)**
Insurance contract	**—**	**432**	**432**
Total fair value of assets at 31 December	**975**	**352**	**1,327**

			2021
	Total quoted	Total other	Total
	£m	£m	£m
Bonds			
Fixed interest	453	—	453
Index linked	1,283	—	1,283
Pooled investment vehicles	—	834	834
Cash and other*	(90)	(787)	(877)
Insurance contract	—	625	625
Total fair value of assets at 31 December	1,646	672	2,318

*Cash and other assets comprise cash at bank, receivables, payables and repurchase agreements. At 31 December 2022, cash and other assets primarily consist of repurchase agreements of £371 million (2021: £789 million) and short positions of £62 million (2021: £nil).

There are no significant judgements involved in the valuation of the scheme assets.

(iii) Assumptions on scheme liabilities

The valuations used for accounting under IAS 19 have been based on the most recent full actuarial valuations, updated to take account of the standard's requirements in order to assess the liabilities of the material schemes at 31 December 2022.

The projected unit credit method

The inherent uncertainties affecting the measurement of scheme liabilities require these to be measured on an actuarial basis. This involves discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. This is an accrued benefits valuation method which calculates the past service liability to members and makes allowance for their projected future earnings. It is based on a number of actuarial assumptions, which vary according to the economic conditions. Changes in these assumptions can materially affect the measurement of the pension obligations.

Financial assumptions

The main financial assumptions used to calculate scheme liabilities under IAS 19 are:

	2022	2021
Inflation rate*	**3.40%**	3.40%
Pension increases	**Relevant inflation assumption with Black-Scholes Model & Caps and floors**	Relevant inflation assumption with Black-Scholes Model & Caps and floors
Deferred pension increases	**RPI assumption less 1.0% over the period before 2030; less 0.0% from 2030**	RPI assumption less 0.8% over the period before 2030; less 0.0% from 2030
Discount rate for non-insured members	**4.8 %**	1.9 %
Discount rate for insured members	**4.8 %**	1.8 %
Basis of discount rate	**AA-rated Corporate Bonds**	AA-rated Corporate Bonds

*Assumptions shown are RPI / CPI single rates. For the FPPS, RPI / CPI swap curves are used, which are broadly equivalent to the single rates disclosed.

The discount rate and pension increase rate are the two assumptions that have the largest impact on the value of the liabilities, with the difference between them being known as the net discount rate. The discount rate is based on current average yields of high quality debt instruments, taking account of the maturity of the defined benefit obligation.

Mortality assumptions

Mortality assumptions are significant in measuring the sponsoring employer's obligations under its defined benefit scheme. The assumptions used are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of the scheme. The mortality table, average life expectancy and pension duration used at 31 December 2022 for scheme members are as follows:

Notes to the financial statements (continued)

Mortality table 2022		Life expectancy / (pension duration) at NRA of a male		Life expectancy / (pension duration) at NRA of a female	
	Normal retirement age ("NRA")	Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
Self-Administered Pension Scheme, including allowance for future improvement	60	87.7 (27.7)	89.5 (29.6)	90.1 (30.1)	91.8 (31.8)

Mortality table 2021		Life expectancy / (pension duration) at NRA of a male		Life expectancy / (pension duration) at NRA of a female	
	Normal retirement age ("NRA")	Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
Self-Administered Pension Scheme, including allowance for future improvement	60	87.9 (27.9)	90.0 (30.0)	90.3 (30.3)	92.2 (32.2)

The table makes allowance for observed variations in such factors as age, gender, pension amount, salary and postcode-based lifestyle group, and has been adjusted to reflect recent research into mortality experience. However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption.

Maturity profile of the defined benefit obligation

The FPPS discounted scheme liabilities have an average duration of 15 years.

(iv) Risk management and asset allocation strategy

As noted above, the long-term investment objectives of the trustee and the employer are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term cost of the scheme. The investment strategy will continue to evolve over time and is expected to match to the liability profile increasingly closely.

The Group works closely with the trustee, who is required to consult with the Group on the investment strategy. Interest rate and inflation risks are managed using a combination of liability-matching assets and derivatives. The other principal risk is longevity risk which is reduced by the insurance contract the FPPS has entered into.

(v) Funding

Formal actuarial valuations normally take place every three years and where there is a deficit, the employer and the trustee would agree a deficit recovery plan. The assumptions adopted for triennial actuarial valuations are determined by the trustee and agreed with the Group and are normally more prudent than the assumptions adopted for IAS19 purposes, which are best estimate.

On 29 July 2022 the FPPS trustees and the employer signed a new deficit recovery plan and supporting schedule of contributions which requires monthly contributions of £10 million per annum payable into the Contingent Capital Account (CCA) from January 2022 to September 2024 or until the scheme is fully funded on the agreed basis increasing each year in line with RPI price inflation.

Charges to the Income statement

The total management charge borne by the Company in relation to the ASPS is disclosed below.

	2022	2021
	£m	£m
Defined benefit scheme	—	16
Defined contribution scheme	**24**	25
Total ASPS pension costs	**24**	41

The total management charge borne by the Company in relation to the FPPS is disclosed below.

	2022	2021
	£m	£m
Defined benefit scheme	**10**	21
Defined contribution scheme	—	—
Total FPPS pension costs	**10**	21

34. Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, most 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. This note shows the carrying values and contractual maturity amounts of each type, and explains their main features and movements during the year.

Notes to the financial statements (continued)

(a) Contractual maturity

The following table provides information about the maturity periods of the Company's borrowings.

Borrowings are considered current if the contractual maturity dates are within a year. The carrying amount is a reasonable approximation for fair value at the Statement of financial position date. Contractual undiscounted cash flows of these borrowings are shown below. The figures include contractual interest payments and so do not agree directly to the carrying amounts shown on the Statement of financial position.

			2022
	Subordinated debt	Amounts owed to subsidiaries	Total
	£m	£m	£m
Contractual maturity date			
Within 1 year	—	—	—
Between 1 and 5 years	—	—	—
Total	—	—	—

			2021
	Subordinated debt	Amounts owed to subsidiaries	Total
	£m	£m	£m
Contractual maturity date			
Within 1 year	516	—	516
Between 1 and 5 years	213	—	213
Total	729	—	729

(b) Description and features

i. Subordinated debt

Since December 2014 £200 million 5.9% undated subordinated debt has been callable at par at the option of the Company. In the event that the Company does not call the debt, the coupon will reset at each application reset date to 5-year Benchmark Gilt plus 1.2%. Interest payable on the loan is chargeable at an annual rate of 1.7102% until the next point of review in December 2024 and equates to £3 million per annum.

The £200m subordinated debt was redeemed in August 2022.

Under the FLL Scheme transfer in 2017, the following subordinated debt transferred to the Company:

(a) £500 million lower tier two subordinated debt with Friends Life Holdings plc ("FLH") with an interest rate of 8.25% and a maturity date of 2022.

The £500m subordinated debt was redeemed in April 2022.

The subordinated debt ranked below the senior obligations of the Company and ahead of its preference shares and ordinary share capital.

(c) Movements in carrying amount during the year

Movements in borrowings during the year were:

	2022	2021
	£m	£m
Balance at 1 January	**700**	725
Repayment of borrowings, excluding commercial paper	**(700)**	(25)
Reduction of borrowings from parent, in consideration for share capital issued	—	—
Net cash (outflow)	**(700)**	(25)
Movements in the year	**(700)**	(25)
Balance at 31 December	—	700

Notes to the financial statements (continued)

35. Payables and other financial liabilities

	2022 £m	2021 £m
Payables arising out of direct insurance	**843**	778
Payables arising out of reinsurance operations	**102**	98
Deposits and advances received from reinsurers	**57,602**	65,904
Bank overdrafts	**212**	177
Lease liabilities	**83**	92
Derivative financial liabilities	**8,167**	4,159
Obligations for repayment of cash collateral received	**1,735**	2,827
Amounts due to brokers for investment purchases	**458**	139
Amounts due to other group companies	**93**	164
Other financial liabilities	**1,074**	901
Total as at 31 December	**70,369**	75,239
Expected to be settled within one year	**12,336**	8,660
Expected to be settled in more than one year	**58,033**	66,579
	70,369	75,239

36. Other liabilities

	2022 £m	2021 £m
Deferred income	**65**	87
Accruals	**482**	390
Total as at 31 December	**547**	477
Expected to be settled within one year	**542**	471
Expected to be settled in more than one year	**5**	6
Total as at 31 December	**547**	477

37. Contingent liabilities and other risk factors

(a) Uncertainty over claims provisions

Note 25 gives details of the estimation techniques used in determining the long-term business liabilities. These approaches are designed to allow for the appropriate cost of policy-related liabilities, with a degree of prudence, to give a result within the normal range of outcomes. However, the actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, and hence there is uncertainty in respect of these liabilities.

(b) Guarantees on long term savings products

As a normal part of their operating activities, the Company has given guarantees and options, including interest rate guarantees, in respect of certain long-term insurance and investment products. Note 27 gives details of these guarantees and options. In providing these guarantees and options, the Company's capital position is sensitive to fluctuations in financial variables including foreign currency exchange rates, interest rates, property values and equity prices. Interest rate guaranteed returns, such as those available on GAO, are sensitive to interest rates falling below the guaranteed level. Other guarantees, such as maturity value guarantees and guarantees in relation to minimum rates of return, are sensitive to fluctuations in the investment return below the level assumed when the guarantee was made. The directors continue to believe that the existing provisions for such guarantees and options are sufficient.

(c) Regulatory compliance

The FCA and the PRA regulate and authorise the Company's UK business and in addition monitor the financial resources and organisation of the Company as a whole. The PRA and FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources.

The directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted. However, all regulated financial services companies face the risk that the regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

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

Notes to the financial statements (continued)

(d) Other

In the course of conducting insurance and investment business, the Company receives liability claims, and becomes involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect.

The Company has indemnified the overdrafts of certain other Group companies. In the opinion of the directors, no material loss will arise in respect of these indemnities.

The Company has granted a floating charge to a fellow Group Company, AII, in respect of the exposure to the funds withheld by the Company under the terms of a 30% (*2021: 30%*) quota share reinsurance agreement. The charge, subordinate to policyholders, is issued over the Non-profit fund assets of the Company, excluding the financial investments of the BPA schemes disclosed in note 18 and those providing cover for derivative transactions as required by regulatory reporting regulations.

38. Commitments

Capital commitments

Contractual commitments for acquisitions or capital expenditures of subsidiaries and joint ventures, associates and minority holdings in property partnerships, infrastructure loans, investment property and equity funds, which have not been recognised in the financial statements, are as follows:

	2022 £m	2021 £m
Investment Property	**13**	26
Infrastructure loan advances	**384**	628
Equity funds	**404**	554
Property partnerships		
Associates	**2**	2
Joint ventures	**—**	19
Subsidiaries	**57**	43
Investments	**10**	—
	870	1,272

Notes to the financial statements (continued)

39. Statement of cash flows

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

	2022 £m	2021 £m
(Loss)/profit before tax	**(1,023)**	714
Adjustments for:		
Profit/(loss) on the sale of:		
Investment property	**1**	61
Investments	**(629)**	60
Fair value losses/(gains) on:		
Subsidiaries and joint ventures	**151**	—
Investment property	**896**	(948)
Investments	**20,969**	(7,144)
Depreciation of property and equipment	**6**	5
Capitalised expenditure on properties	**(101)**	(79)
Capitalised issue costs on redeemed equity instrument	**5**	—
Impairment and expensing of:		
Acquired value of in-force business and intangibles	**16**	7
Subsidiaries and joint ventures	**10**	3
Amortisation of:		
Loans	**—**	2
Premium/discount on non-participating investment contracts	**310**	109
Deferred acquisition costs	**293**	192
Foreign currency exchange (gains)/losses	**(863)**	223
Change in economic assumptions	**44**	(48)
	21,108	(7,557)
Changes in working capital:		
Decrease/(increase) in reinsurance assets	**10,128**	(6,180)
Increase in deferred acquisition costs and prepayments	**(66)**	(56)
(Decrease)/increase in insurance and investment contracts liabilities	**(37,191)**	14,969
Increase in other assets and liabilities	**4,949**	1,793
	(22,180)	10,526
Net sales of operating assets:		
Net purchases of investment property	**(77)**	(304)
Net proceeds on sale of investment property	**230**	347
Net sales of financial investments	**1,328**	471
	1,481	514
Total cash (used in)/generated from operating activities	**(614)**	**4,197**

The cash flows presented in this statement cover all the Company's activities and include flows from both policyholder and shareholder activities. Operating cash flows reflect the movement in both policyholder and shareholder controlled cash and cash equivalent balances.

Purchases and sales of investment property / loans and financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims.

Notes to the financial statements (continued)

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

	2022 £m	2021 £m
Cash at bank and in hand	**1,431**	1,216
Cash equivalents	**19,880**	22,115
	21,311	23,331
Bank overdrafts	**(212)**	(177)
	21,099	23,154

Of the above total, £8,000 million (*2021: £6,279 million*) is shareholder controlled, with the remainder representing policyholder cash and cash equivalents.

40. 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 Solvency II regime.

(b) Capital management

In managing its capital, the Company seeks to:

(i) match the profile of its assets and liabilities, taking account of the risks inherent in the business;

(ii) maintain financial strength to support new business growth and satisfy the requirements of its policyholders and regulators;

(iii) retain financial flexibility by maintaining strong liquidity; and

(iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company considers not only traditional sources of capital funding but alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital.

(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:

(i) Accounting basis

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

(ii) Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on Solvency II which is a Europe-wide prudential regulatory framework that came into force on 1 January 2016, and which has been adopted by the PRA under the transitional approach to the UK's withdrawal from the European Union. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a risk-based capital model. The risk management note (note 41) gives further details.

Solvency II "own funds" represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency II regime, and is a closely monitored metric. At 31 December 2022 the Company's own funds under Solvency II were £10,068 million *(2021: £11,417 million)*. The Company's own funds are sufficient to meets its capital requirements under Solvency II. 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 Solvency II.

	2022 £m	2021 £m
Total IFRS shareholders' funds	**6,439**	6,542
Unallocated divisible surplus	**1,849**	1,826
Adjustments onto a regulatory basis:		
Intangible assets	**(27)**	(25)
Regulatory valuation differences	**3,414**	3,405
Solvency II net assets	**11,675**	11,748
Ring fenced funds restriction	**(1,607)**	(1,027)
Subordinated debt	**—**	696
Total own funds	**10,068**	11,417

Notes to the financial statements (continued)

41. Risk management

(a) Risk management framework

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

The Risk Appetite Framework was refreshed during the year, with revised risk appetites, preferences and tolerances considered and approved by the Board. 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 ensuring 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. For those risk types managed through the holding of capital, being the Company's principal risk types except for liquidity risk, the Company measures and monitors its risk profile on the basis of the Solvency II Solvency Capital Requirement ("SCR").

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 and Conduct Committee . The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Two management level committees (Executive Risk Committee and Asset Liability Committee) exist to assist executives in the discharge of their delegated authorities in relation to their regulatory responsibilities.

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

(b) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to these risks. Credit risk is taken so that the Company can provide the returns required to satisfy policyholder liabilities and to generate returns to the Company's shareholders.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposures to debt securities, structured asset investments, bank deposits, derivative counterparties, mortgage lending and reinsurance counterparties.

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

The Company continues to monitor credit quality within its commercial mortgage and equity release mortgage portfolios, specific de-risking actions include phased sales and credit hedging.

(i) Financial exposures by credit ratings

Financial assets are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. The following table provides information regarding the aggregated credit risk exposure of the Company for financial assets with external credit ratings.

Whilst not externally rated, the risk characteristics of commercial mortgages are assessed before acquisition and are monitored thereafter.

"Not rated" assets capture assets not rated by external ratings agencies. The majority of non-rated debt securities are allocated an internal rating using a methodology consistent with that adopted by an external rating agency and are considered to be of investment grade credit quality.

The credit quality of receivables and other financial assets is monitored by the Company, and provisions for impairment are made for irrecoverable amounts. In assessing whether assets are impaired, due consideration is given to the factors outlined in accounting policies L, T and U.

Notes to the financial statements (continued)

31 December 2022	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not-rated £m	Carrying value £m
Debt securities	**4,609**	**17,095**	**8,623**	**5,631**	**192**	**4,951**	**41,101**
Reinsurance assets	—	**65,122**	**1,437**	**108**	—	**47**	**66,714**
Other investments	—	—	—	—	—	**112,756**	**112,756**
Loans	—	—	**44**	**123**	—	**23,650**	**23,817**
Total	**4,609**	**82,217**	**10,104**	**5,862**	**192**	**141,404**	**244,388**

31 December 2021	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not-rated £m	Carrying value £m
Debt securities	7,015	24,454	12,151	7,731	226	5,542	57,120
Reinsurance assets	—	71,137	5,092	566	—	47	76,842
Other investments	—	—	—	—	—	122,632	122,632
Loans	—	1,027	—	205	—	27,258	28,490
Total	7,015	96,618	17,243	8,502	226	155,479	285,084

At 31 December 2022, a significant portion of assets remain investment grade in line with 2021. The Company has remained focused on high quality assets.

The Company's maximum exposure to credit risk of financial assets, without taking collateral into account, is represented by the carrying value of the financial instruments in the Statement of financial position plus guarantees that are set out in note 27, and the undrawn portion of an inter company loan commitment of £15 million (*2021: £20 million*). These comprise debt securities, reinsurance assets, derivative assets, loans and receivables. The carrying values of these assets are disclosed in the relevant notes: financial investments (note 18), reinsurance assets (note 28), loans (note 16), and receivables (note 19). The collateral in place for these credit exposures is disclosed in note 43; Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

To the extent that collateral held is greater than the amount receivable that it is securing, the table above shows only an amount equal to the latter. In the event of default, any over-collateralised security would be returned to the relevant counterparty.

SPPI financial exposure by credit ratings

31 December 2022	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m
Loans	—	—	—	—	—	**571**
Receivables	—	—	**173**	—	—	**2,253**
Total	—	—	**173**	—	—	**2,824**

31 December 2021	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m
Loans	—	1,027	—	—	—	585
Receivables	—	160	393	—	—	1,733
Total	—	1,187	393	—	—	2,318

"Not rated" assets, in the tables above, capture assets not rated by external ratings agencies. The majority of non-rated debt securities are allocated an internal rating using a methodology consistent with that adopted by an external rating agency and are considered to be of investment grade credit quality.

(ii) Other investments

Other investments include unit trusts and other investment vehicles; derivative assets, representing positions to mitigate the impact of adverse market movements; and other financial assets includes deposits with credit institutions and minority holdings in property management undertakings.

The credit quality of the underlying debt securities within investment vehicles is managed by the safeguards built into the investment mandates for these funds which determine the funds' risk profiles. The asset quality of unit trusts and other investment vehicles is monitored against set limits.

A proportion of the assets underlying these investments are represented by equities and so credit ratings are not generally applicable. Equity exposures are managed against agreed benchmarks that are set with reference to overall appetite for market risk.

(iii) Loans

The Company's loan portfolio principally comprises:

- Policy loans which are generally collateralised by a lien or charge over the underlying policy;
- Loans and advances to banks which primarily relate to loans of cash collateral received in stock lending transactions. These loans are fully collateralised by other securities;
- Healthcare, infrastructure and PFI loans secured against healthcare, education, social housing and emergency services related premises; and
- Mortgage loans collateralised by property assets.

The Company uses loan-to-value; interest and debt service cover; and diversity and quality of the tenant base metrics to internally monitor its exposures to mortgage loans. The Company uses credit quality, based on dynamic market measures, and collateralisation rules to manage our stock lending activities. Policy loans are loans and advances made to policyholders, and are collateralised by the underlying policies.

(iv) Credit concentration risk

The Company is generally not exposed to significant concentrations of credit risk due to compliance with applicable regulations and the Group credit policy and limits framework, which limit investments in individual assets and asset classes.

Reinsurance credit exposures

The Company is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Company operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer. Reinsurance exposures are aggregated with other exposures to ensure that the overall risk is within tolerance. Exposures are actively monitored with escalation to the Chief Financial Officer, Chief Risk Officer, Asset and Liabilities Committee ("ALCO") and the Risk Committee as appropriate.

The Company's largest intra-group reinsurance counterparty is AII as a result of the quota share reinsurance ceded to AII. At 31 December 2022, the reinsurance asset recoverable from AII, excluding the unearned premium, was £56,457 million *(2021: £64,555 million)*. The credit exposure has been partially mitigated by agreeing to withhold a significant portion of the balance due to AII (see note 44).

(v) Derivative credit exposures

The Company is exposed to counterparty credit risk through derivative trades. This risk is generally mitigated through holding collateral for most trades. Residual exposures are captured within the Company's credit management framework.

(vi) Unit-linked business

In unit-linked business the policyholder bears the direct market risk and credit risk on investment assets in the unit-funds and the shareholders' exposure to credit risk is limited to the extent of the income arising from asset management charges based on the value of assets in the fund.

(vii) Impairment of financial assets

In assessing whether financial assets carried at amortised cost are impaired, due consideration is given to the factors outlined in accounting policy T. The following table provides information regarding the carrying value of financial assets subject to impairment testing that have been impaired and the ageing of those assets that are past due but not impaired.

		Financial assets that are past due but not impaired					
	Neither past due nor impaired	0-3 months	3-6 months	6 months-1 year	Greater than 1 year	Financial assets that have been impaired	Carrying value
31 December 2022	£m	£m	£m	£m	£m	£m	£m
Reinsurance assets	**66,714**	—	—	—	—	—	**66,714**
Loans	**581**	—	—	—	—	—	**581**
Receivables and other financial assets	**2,435**	—	—	—	—	—	**2,435**

		Financial assets that are past due but not impaired					
	Neither past due nor impaired	0-3 months	3-6 months	6 months-1 year	Greater than 1 year	Financial assets that have been impaired	Carrying value
31 December 2021	£m	£m	£m	£m	£m	£m	£m
Reinsurance assets	76,842	—	—	—	—	—	76,842
Loans	1,600	—	—	—	—	—	1,600
Receivables and other financial assets	2,603	—	—	—	—	—	2,603

Excluded from the tables above are financial and reinsurance assets carried at fair value through profit or loss that are not subject to impairment testing, as follows: £41,101 million of debt securities *(2021: £57,120 million)*, £112,756 million of other investments *(2021: £122,632 million)*, £15,134 million of mortgage loans *(2021: £18,739 million)*, £160 million of loans to subsidiaries *(2021: £206 million)*, £1,568 million of loans to credit institutions *(2021: £301 million)* and £6,374 million of other loans *(2021: £7,644 million)*.

(c) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, foreign currency exchange rates, equity and property prices. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held. The Company seeks some market risks as part of its investment strategy. However, it has limited appetite for interest rate risk because it does not believe interest rate risk is adequately rewarded.

The Company manages market risk using its market risk framework and within regulatory constraints, including established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

The management of market risk is undertaken at business unit and at the Group level. The Group Capital team is responsible for monitoring and managing market risk at the overall Group level.

In addition, where the Company's long-term savings business has written insurance and investment products where the majority of investment risks are borne by its policyholders, these risks are managed in line with local regulations and marketing literature, in order to satisfy the policyholders' risk and reward objectives. Company shareholders' exposure to market risk on unit-linked business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

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

(i) Equity price risk

The Company is subject to direct equity price risk arising from changes in the market values of its equity securities portfolio. The Company's most material indirect equity price risk exposures are to policyholder unit-linked funds, which are exposed to a fall in the value of the fund thereby reducing the fees the Company earns on those funds, and participating contracts, which are exposed to a fall in the value of the funds thereby increasing the Company's costs for policyholder guarantees. The full list of material guarantees and options is set out in note 27. The Company also has some equity exposure in shareholder funds through equities held to match inflation-linked liabilities.

The Company continues to limit its direct equity exposure in line with its risk preferences. This includes investments in subsidiaries and shareholdings in strategic business partners, with regular management information presented to the Board Investment Committee. The Company's investment limits and investment regulations require that it holds diversified portfolios of assets thereby reducing exposure to individual equities. The Company does not have material holdings of unquoted equity securities.

Equity risk is also managed using a variety of derivative instruments, including futures and options. The Company actively models the performance of equities through the use of risk models, in particular to understand the impact of equity performance on guarantees, options and bonus rates.

Sensitivity of profit and shareholders' equity to changes in equity prices is given in section (g) 'risk and capital management' below.

(ii) Property price risk

The Company is subject to property price risk directly due to holdings of investment properties in a variety of locations and indirectly through investments in property investment vehicles, mortgages, and mortgage backed securities. Investment in property managed by the Company is subject to regulations on investments, liquidity requirements and the expectations of policyholders.

As at 31 December 2022, no material derivative contracts had been entered into to mitigate the effects of changes in property prices. Exposure to property risk on equity release mortgages from sustained underperformance in UK house price inflation is managed by setting suitably low loan to value levels at origination and monitoring levels of business written against agreed credit limits.

Sensitivity of profit and shareholders' equity to changes in property prices is given in section (g) 'risk and capital management' below.

(iii) Interest rate risk

Interest rate risk arises primarily from the Company's investments in long-term debt and fixed income securities and their movement relative to the value placed on the insurance liabilities. A number of policyholder product features have an influence on the Company's interest rate risk. The major features include guaranteed surrender values, GAO, and minimum surrender and maturity values. Details of material guarantees and options are given in note 27.

The Group launched a formal programme of change activity in 2019 to manage the transition to alternative risk-free rates from LIBOR settings. As part of this, the Company has reviewed all financial instruments, engaged with counterparties to either transition to alternative risk-free rates or has exited positions where required. The Company has adhered to the ISDA Fallback Protocol. Significant progress has been made, with a substantive majority of the Company's original GBP LIBOR exposure already resolved. The Group has worked closely with UK regulators, impacted clients, industry experts and industry associations to ensure a smooth and transparent transition of the exposures. The programme continues to address all risks posed by the transition, including the risk of non-transition of outstanding exposures. No change to the Company's risk management strategy has been required in response to the transition. At 31 December 2022, £500 million of non-derivative financial assets and £26 million of derivative financial liabilities had yet to transition to an alternative risk-free rate.

Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing. The impact of exposure to both low and elevated interest rate environment is considered within our scenario testing.

The Company typically manages interest rate risk by investing in fixed interest securities which closely match the interest rate sensitivity of the liabilities where such investments are available. In particular, a key objective is to at least match the duration of the Company's annuity liabilities with assets of the same duration, and in some cases where appropriate cash flow matching has been used. These assets include corporate bonds, residential mortgages and commercial mortgages. Should they default before maturity, it is assumed that the Company can reinvest in assets of a similar risk and return profile, which is subject to market conditions. Interest rate risk is also managed using a variety of derivative instruments, primarily interest rate swaps.

Some of the Company's products, principally participating contracts, expose it to the risk that changes in interest rates will impact on profits through a change in the interest spread (the difference between the amounts that the Company is required to pay under the contracts and the investment income the Company is able to earn on the investments supporting the Company's obligations under those contracts).

Other product lines of the Company, such as protection, are less sensitive to interest rate or market movements. For unit-linked business, the shareholder margins emerging are typically a mixture of annual management fees and risk/expense charges. Risk and expense margins will be largely unaffected by interest rates. Annual management fees will vary depending on the value of the underlying unit funds and their growth rate which can be sensitive to interest rates. For the Company's annuities business interest rate exposure is mitigated by closely matching the duration of liabilities with assets of the same duration.

The Company's participating business includes contracts with features such as guaranteed surrender values, GAO, and minimum surrender and maturity values. These liabilities are managed through duration matching of assets and liabilities and the use of derivatives, primarily interest rate swaps.

Sensitivity to changes in interest rates is given in section (g) 'risk and capital management' below.

(iv) Inflation risk

Inflation risk arises primarily from the Company's exposure to inflation linked benefits within the annuity portfolio and expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. Exposure to inflation risk is monitored through capital modelling, sensitivity testing and stress and scenario testing. The Company typically manages inflation risk through its investment strategy and, in particular, by investing in inflation linked securities and through a variety of derivative instruments, including inflation linked swaps.

(v) Currency risk

The Company has minimal exposure to currency risk from financial instruments held in currencies other than sterling, as nearly all such holdings are backing either unit-linked or With-profits contract liabilities or mitigated by hedging. As a result the foreign exchange and losses on investments (see note 2) are largely offset by changes in unit-linked and With-profits liabilities and fair value changes in derivatives attributable to changes in foreign exchange rates recognised in the Income statement.

(vi) Derivatives risk

Derivatives are used for efficient investment management, risk hedging purposes, or to structure specific retail savings products. Derivatives are used within policy guidelines agreed by the Board of directors and activity is overseen by the Group Capital and the Group Risk teams, which monitor exposure levels and approve large or complex transactions.

The Company applies strict requirements to the administration and valuation processes it uses, and has a control framework that is consistent with market and industry practice for the activity that is undertaken.

(vii) Correlation risk

The Company recognises that lapse behaviour and potential increases in consumer expectations are sensitive to and interdependent with market movements and interest rates. These interdependencies are taken into consideration in the internal capital model and in scenario analysis.

(d) Liquidity risk

Liquidity risk is the risk that financial obligations to policyholders and other relevant external and internal parties cannot be met in a timely and cost-effective manner as they fall due. Liquidity issues may arise from uncertainty in the value and timing of liabilities as well as uncertainty in the ability to realise assets as cash to meet obligations.

The relatively illiquid nature of insurance liabilities is a potential source of additional investment return by allowing investment in higher yielding, but less liquid assets such as commercial mortgages. The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a liquidity risk policy and business standard. The Company has a liquidity risk appetite which requires that sufficient liquid resources be maintained to cover net outflows in a stress scenario. The Company monitors its position relative to its agreed liquidity risk appetite.

The Company uses derivative contracts to manage interest rate, inflation and foreign-exchange risks. Following the sharp and rapid rise in interest rates at the end of Q3 2022 the value of these instruments moved significantly. This required sizeable collateral flows which were able to be met due to the sufficient liquidity buffers and intergroup funding.

The Company has access to two external undrawn committed borrowing facilities totalling £325m which were entered into in 2020 and expire in 2024.

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

Maturity analysis

The following tables show the maturities of the Company's insurance and investment contract liabilities, and of the financial and reinsurance assets held to meet them. A maturity analysis of the contractual amounts payable for borrowings, payables, other financial liabilities and derivatives is given in notes 34, 35, 36, and 42, respectively. Contractual obligations under operating capital commitments are given in note 38.

(i) Analysis of maturity of insurance and investment contract liabilities

For insurance and investment business, the following table shows the gross liability at 31 December 2022 and 2021 analysed by remaining duration. The total liability is split by remaining duration in proportion to the present value of cash-flows expected to arise during that period, as permitted under IFRS 4, Insurance Contracts.

Almost all linked business and non-linked investment contracts may be surrendered or transferred on demand. For such contracts, the earliest contractual maturity date is therefore the current Statement of financial position date, for a surrender amount approximately equal to the current Statement of financial position liability. However, the Company expects surrenders, transfers and maturities to occur over many years, and therefore the tables below reflect the expected cash flows for these contracts, rather than their contractual maturity date.

2022	**Total**	**On demand or within 1 year**	**1-5 years**	**5-15 years**	**Over 15 years**
	£m	**£m**	**£m**	**£m**	**£m**
Insurance contracts non-linked	**72,945**	**7,113**	**19,275**	**28,822**	**17,735**
Investment contracts non-linked	**13,682**	**1,352**	**4,423**	**6,366**	**1,541**
Linked business	**144,039**	**4,120**	**15,031**	**44,467**	**80,421**
Total contract liabilities	**230,666**	**12,585**	**38,729**	**79,655**	**99,697**

2021	Total	On demand or within 1 year	1-5 years	5-15 years	Over 15 years
	£m	£m	£m	£m	£m
Insurance contracts non-linked	96,114	7,755	21,447	36,837	30,075
Investment contracts non-linked	16,479	1,612	5,252	7,493	2,122
Linked business	155,264	4,464	16,367	47,629	86,804
Total contract liabilities	267,857	13,831	43,066	91,959	119,001

(ii) Analysis of maturity of financial assets

Notes to the financial statements (continued)

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise. The table also includes the maturity of deposits received from reinsurers that represent the reinsurers' interest in the Company's financial assets. The Company also has non-financial assets, such as investment property of £4,416 million (*2021: £5,365 million*), for which a maturity analysis has not been provided.

2022

	Total	**On demand or within 1 year**	**1-5 years**	**Over 5 years**	**No fixed term**
	£m	**£m**	**£m**	**£m**	**£m**
Debt securities	**41,101**	**2,068**	**9,708**	**29,325**	**—**
Equity securities	**31,146**	**31,146**	**—**	**—**	**—**
Other investments (including derivatives)	**112,756**	**109,954**	**393**	**2,409**	**—**
Loans	**23,817**	**2,234**	**3,980**	**17,443**	**160**
Reinsurance assets	**66,714**	**2,429**	**10,213**	**54,072**	**—**
Deposits received from reinsurers	**(57,602)**	**(2,097)**	**(8,818)**	**(46,687)**	**—**
Cash and cash equivalents	**21,311**	**21,311**	**—**	**—**	**—**
	239,243	**167,045**	**15,476**	**56,562**	**160**

2021

	Total	On demand or within 1 year	1-5 years	Over 5 years	No fixed term (restated)
	£m	£m	£m	£m	£m
Debt securities	57,120	4,099	11,035	41,986	—
Equity securities	31,772	31,772	—	—	—
Other investments (including derivatives)	122,632	117,690	341	4,601	—
Loans	28,490	1,848	3,679	22,757	206
Reinsurance assets	76,842	2,770	10,410	63,662	—
Deposits received from reinsurers	(65,904)	(2,376)	(8,928)	(54,600)	—
Cash and cash equivalents	23,331	23,331	—	—	—
	274,283	179,134	16,537	78,406	206

The assets above are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company. Where an instrument is transferable back to the issuer on demand, such as a unit trust or similar type of investment vehicle, it is included in the 'On demand or within 1 year' column. Debt securities with no fixed contractual maturity date are generally callable at the option of the issuer at the date the coupon rate is reset under the contractual terms of the instrument. The terms for resetting the coupon are such that the Company expects the securities to be redeemed at this date, as it would be uneconomic for the issuer not to do so, and for liquidity management purposes the Company manages these securities on this basis. The first repricing and call date is normally ten years or more after the date of issuance.

Most of the Company's investments in equity securities and debt securities are market traded and therefore, if required, can be liquidated for cash at short notice in unstressed circumstances.

(e) Life insurance risk

(i) Types of risk

Life insurance risk in the Company arises through its exposure to longevity risk, mortality risk and morbidity risk, and exposure to worse-than-anticipated operating experience on factors such as persistency levels, exercising of policyholder options and management and administration expenses.

The overall impact of COVID-19 on the profile of the Company's life insurance risks, primarily longevity, persistency, mortality, morbidity and expense risks, has been limited during 2022. The Company also tracks the potential longer-term impacts from the pandemic (e.g. morbidity impacts). Underwriting procedures on Individual Life Protection products limits our exposure to cohorts of the population at highest risk of COVID-19.

(ii) Risk management

The Company has developed a policy for the management of life insurance risk and guidelines for the practical application of key areas of life insurance practice. The impact of life insurance risk is monitored by the Company as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities, the asset liability management framework, the operation of the Deals Governance Framework that includes economic capital assessment of insurance risk-related deals, profit reporting under IFRS, Stress & Scenario analysis, and the Internal Model process. The individual life insurance risks are managed as follows:

- *Mortality and morbidity risks* are managed through comprehensive medical underwriting, input and advice from medical experts, as well as frequent monitoring and analysis of the Company's experience. Reinsurance treaties are in place to provide further mitigation.
- *Longevity risk* is managed through monitoring and analysis of the Company's experience as well as considering the latest external industry data and emerging trends. Reinsurance treaties are in place to provide further mitigation.
- *Persistency risk* is managed through frequent monitoring of the Company's experience, and benchmarking against local market information and expectations. Generally, persistency risk arises from customers lapsing their policies earlier than has been assumed. Lapses and their associated financial impact are reduced through appropriate design of products to meet current and, where possible, future customer needs. The Company also implements specific initiatives to improve the retention of policies that may otherwise lapse.

- *Expense risk* is primarily managed through robust cost controls and efficiency targets, together with frequent monitoring of expense levels.

In addition to economic capital modelling and Stress & Scenario analysis, Solvency II reporting uses sensitivity testing to measure the impact on the Solvency II closing balance sheet due to exposure to life insurance risks. This enables the Company to determine whether action is required to reduce risk, or whether that risk is within the overall risk appetite.

(iii) Risk concentrations

The Company writes a diverse mix of business that is subject to similar risks (mortality, persistency etc). The Company assesses the relative costs and concentrations of each type of risk through the Internal Model. This analysis enables the Company to assess whether accumulations of risk exceed risk appetite.

The main concentrations of insurance risk for the Company are persistency and longevity, with lesser levels of mortality and morbidity risks. The Company continually monitors these risks and the opportunities for mitigating actions through use of reinsurance, improved asset liability matching, or innovative solutions that emerge in the market.

Internal Model analysis helps identify both concentrations of risk types and the benefits of diversification of risk.

(iv) Embedded derivatives

The Company is exposed to the risk of changes in policyholder behaviour due to the exercise of options, guarantees and other product features embedded in its long-term savings products. These product features offer policyholders varying degrees of guaranteed benefits at maturity or on early surrender, along with options to convert their benefits into different products on pre-agreed terms.

Examples of each type of embedded derivative affecting the Company are:

- Options: call, put, surrender and maturity options, GAO, options to cease premium payment, options for withdrawals free of market value adjustment, annuity options, and guaranteed insurability options.
- Guarantees: embedded floor (guaranteed return), maturity guarantee, guaranteed death benefit, and guaranteed minimum rate of annuity payment.
- Other: indexed interest or principal payments, maturity value, loyalty bonus.

The impact of these is reflected in the capital model and managed as part of the asset liability framework. Further disclosure on financial guarantees and options embedded in contracts and their inclusion in insurance and investment contract liabilities is provided in note 27.

(f) Operational risk

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

The Company has limited appetite for operational risk and aims to reduce these risks as far as is commercially sensible.

The Company's Operational Risk and Control Management Framework, integrates the results of the risk identification and assurance activities carried out across the Company's three lines of defence. Operational risks are initially identified and assessed against implemented controls. Residual risk, outside tolerance, is given prioritised management action to reduce it within tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed. Management use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

The Russia-Ukraine conflict and increasing geo-political tensions more generally have heightened the risk of cyber security attacks on the Company or its suppliers, with the potential to cause business service interruption and/or data or intellectual property theft. In response the Company 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 Company has engaged with suppliers to put in place all reasonable measures so that services to Aviva and its customers are protected.

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

(g) Risk and capital management

(i) Sensitivity test analysis

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of capital requirements and to manage its capital more efficiently. Risk based capital models are used to support the quantification of risk under the Solvency II framework. Management undertakes a quarterly review of risk, the output from which is a key input into the risk-based capital assessments. Primarily, a risk-based capital model and scenario tests are used. Sensitivities to economic and operating experience are regularly produced on financial performance measurements to inform the Company's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which the Company is exposed.

(ii) Life insurance and investment contracts

The nature of long-term business is such that a number of assumptions have been made in compiling these financial statements. Assumptions are made about investment returns, expenses, mortality and morbidity rates, and persistency in connection with the in-force policies. Assumptions are best estimates based on historical and expected experience of the business. A number of the key assumptions are disclosed in note 25.

(iii) Sensitivity test results

Some results of sensitivity testing for long-term business are set out below. For each sensitivity test the impact of a change in a single factor is shown, with other assumptions left unchanged. This reflects the sensitivity of profit and shareholders' equity in the Non-profit funds and NWPSF only. Profit in the other

With-profits funds arises on the shareholders' share of bonuses paid on claims during the year, or added to policies at the end of the year. Changes in the sensitivity factors will have no impact upon this figure.

(iii) Sensitivity test results (continued)

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in market interest rates by ± 1%
Expenses	The impact of an increase in maintenance expenses by 10%
Equity/property market values	The impact of a change in equity/property market values by ± 10%
Assurance mortality/morbidity	The impact of an increase in mortality/morbidity rates for assurance contracts by 5%.
Annuitant mortality	The impact of a reduction in mortality rates for annuity contracts by 5%
Credit spreads	The impact of a 0.5% increase in credit spreads over risk free interest rates on corporate bonds and other non-sovereign credit assets. The test allows for any consequential impact on liability valuations. In allowing for the liability impacts the credit default allowances have been increased by 25% of the changes in spreads.

The above sensitivity factors are applied using actuarial and statistical models. The impacts are shown in tables below:

Long-term Business

The tables above indicate the impact of stated changes after the effect of reinsurance. The impact of changes in assurance in mortality and interest rates would be significantly higher if existing reinsurance arrangements were not in place.

Impact on profit before tax and shareholder's equity

								2022
	Interest rates +1%	Interest rates -1%	Equity/property +10%	Equity/property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%	Credit spreads +0.5%
	£m	£m	£m	£m	£m	£m	£m	£m
Insurance participating	**(48)**	**50**	**(55)**	**40**	**(17)**	**1**	**(3)**	**(5)**
Insurance non-participating	**(459)**	**599**	**(101)**	**84**	**(120)**	**(77)**	**(368)**	**(408)**
Investment participating	**(53)**	**59**	**(56)**	**46**	**(28)**	**—**	**—**	**(3)**
Investment non-participating	**—**	**—**	**4**	**(4)**	**(2)**	**—**	**—**	**—**
Total	**(560)**	**708**	**(208)**	**166**	**(167)**	**(76)**	**(371)**	**(416)**

								2021
	Interest rates +1%	Interest rates -1%	Equity/property +10%	Equity/property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%	Credit spreads +0.5%
	£m	£m	£m	£m	£m	£m	£m	£m
Insurance participating	(64)	76	(46)	29	(23)	9	(5)	(2)
Insurance non-participating	(823)	988	(136)	121	(143)	(96)	(614)	(467)
Investment participating	(65)	81	(44)	33	(36)	—	—	1
Investment non-participating	(1)	1	5	(5)	(2)	—	—	(1)
Total	(953)	1,146	(221)	178	(204)	(87)	(619)	(469)

Limitations of sensitivity analysis

The sensitivity analyses do not take into account that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there may be a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

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

42. Derivative financial instruments

The Company uses a variety of derivative financial instruments, including both exchange traded and over-the-counter instruments, in line with our overall risk management strategy. The objectives include managing exposure to market, foreign currency and/or interest rate risk on existing assets or liabilities, as well as planned or anticipated investment purchases.

In the narrative and tables below, figures are given for both the notional amounts and fair values of these instruments. The notional amounts reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transaction. They do not reflect current market values of the open positions. The fair values represent the gross carrying values at the year end for each class of derivative contract held (or issued) by the Company.

The fair values do not provide an indication of credit risk, as many over-the-counter transactions are contracted and documented under International Swaps and Derivatives Association ("ISDA") master agreements or their equivalent. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure. In addition, the Company has collateral agreements in place with the relevant counterparties. Refer to note 43 for further information on collateral and net credit risk of derivative instruments.

Notes to the financial statements (continued)

(i) The Company's derivatives at 31 December 2022 and 2021 were as follows:

	2022			2021		
	Contract/ notional amount	Fair value asset	Fair value liability	Contract/ notional amount	Fair value asset	Fair value liability
	£m	£m	£m	£m	£m	£m
Foreign exchange contracts						
OTC						
Forwards	**4,695**	**17**	**(210)**	3,443	44	(8)
Swaps	**9,242**	**102**	**(1,158)**	8,347	424	(266)
Total	**13,937**	**119**	**(1,368)**	11,790	468	(274)
Interest rate contracts						
OTC						
Swaps	**35,579**	**1,908**	**(5,457)**	37,230	3,644	(1,601)
Exchange traded						
Futures	**2,821**	**31**	**(71)**	4,719	3	(30)
Swaptions	**717**	**25**	—	—	—	—
Total	**39,117**	**1,964**	**(5,528)**	41,949	3,647	(1,631)
Equity/Index contracts						
OTC						
Swaps	—	—	—	—	—	—
Options	**168**	**19**	**(1)**	54	31	—
Exchange traded						
Futures	**9,897**	**137**	**(51)**	9,480	83	(70)
Options	**1,040**	**137**	—	1,129	180	—
Total	**11,105**	**293**	**(52)**	10,663	294	(70)
Credit contracts						
OTC						
Swaps	**196**	—	**(1)**	199	—	(4)
Swaps index	**1,442**	**8**	**(34)**	3,568	—	(126)
Total	**1,638**	**8**	**(35)**	3,767	—	(130)
Inflation swaps	**12,829**	**517**	**(1,184)**	10,482	545	(2,054)
Total as at 31 December	**78,626**	**2,901**	**(8,167)**	78,651	4,954	(4,159)

Fair value assets of £2,901 million *(2021: £4,954 million)* are recognised as 'Derivative financial instruments' in note 18, while fair value liabilities of £8,167 million *(2021: £4,159 million)* are recognised as 'Derivative liabilities' in note 35.

The Company's derivative risk management policies are outlined in note 41.

The contractual undiscounted cash flows in relation to non-hedge derivative liabilities have the following maturities

	2022	2021
	£m	£m
Within 1 year	**1,301**	516
Between 1 and 2 years	**780**	368
Between 2 and 3 years	**683**	297
Between 3 and 4 years	**635**	276
Between 4 and 5 years	**612**	239
After 5 years	**7,462**	2,761
	11,473	4,457

(a) Collateral

Certain derivative contracts, primarily interest rate and currency swaps, involve the receipt or pledging of cash and non-cash collateral. The amounts of cash collateral receivable or repayable are included in notes 19 and 35 respectively.

43. Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

(a) Offsetting financial assets and liabilities and related net exposures

Financial assets and liabilities are offset in the Statement of financial position when the Company has a currently enforceable legal right to offset and has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The Company mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements to facilitate the Company's right to offset credit risk exposure. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by the Company or its counterparty.

Derivative transactions requiring the Company or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps. These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative, securities lending and securities borrowing activities.

The Company participates in a number of stock lending and repurchase arrangements. In some of these arrangements cash is exchanged by the Company for securities and a related receivable is recognised within 'Loans to banks' (note 16). These arrangements are reflected in the table below. In instances where the collateral is recognised on the Statement of financial position, the obligation for its return is included within 'payables and other financial liabilities'.

In other arrangements, securities are exchanged for other securities. The collateral received must be in a readily realisable form such as listed securities and is held in segregated accounts. Transfer of title always occurs for the collateral received. In many instances, however, no market risk or economic benefit is exchanged and these transactions are not recognised on the Statement of financial position in accordance with our accounting policies, and accordingly not included in the tables below. If risks and benefits are exchanged then the transactions are recognised on the Statement of financial position and reflected in the tables below.

							2022
				Related amounts not set off in the Statement of financial position			
	Gross amounts	Gross amounts offset	Net amounts presented in the Statement of financial position	Financial instruments	Cash collateral	Securities collateral received / pledged	Net amount
	£m	£m	£m	£m	£m	£m	£m
Financial assets							
Derivative financial assets	**1,793**	**—**	**1,793**	**(1,740)**	**(43)**	**(7)**	**3**
Loans to banks and repurchase arrangements	**1,568**	**—**	**1,568**	**—**	**(300)**	**(1,268)**	**—**
Total financial assets	**3,361**	**—**	**3,361**	**(1,740)**	**(343)**	**(1,275)**	**3**
Financial liabilities							
Derivative financial liabilities	**5,585**	**—**	**5,585**	**(2,166)**	**(22)**	**(3,299)**	**98**
Total financial liabilities	**5,585**	**—**	**5,585**	**(2,166)**	**(22)**	**(3,299)**	**98**

							2021
				Related amounts not set off in the Statement of financial position			
	Gross amounts	Gross amounts offset	Net amounts presented in the Statement of financial position	Financial instruments	Cash collateral	Securities collateral received / pledged	Net amount
	£m	£m	£m	£m	£m	£m	£m
Financial assets							
Derivative financial assets	3,891	—	3,891	(2,785)	(904)	(126)	76
Loans to banks and repurchase arrangements	1,328	—	1,328	—	(300)	(1,018)	10
Total financial assets	5,219	—	5,219	(2,785)	(1,204)	(1,144)	86
Financial liabilities							
Derivative financial liabilities	3,655	—	3,655	(2,967)	(27)	(658)	3
Total financial liabilities	3,655	—	3,655	(2,967)	(27)	(658)	3

Derivative assets are recognised as 'Derivative financial instruments' in note 18, while fair value liabilities are recognised as 'Derivative financial liabilities' in note 35. £1,108 million *(2021: £1,063 million)* of derivative assets and £2,582 million *(2021: £504 million)* of derivative liabilities are not subject to master netting agreements and are therefore excluded from the table above.

Amounts receivable related to reverse-repurchase agreements totalling £1,568 million (*2021: £1,328 million*) are recognised within 'Loans to credit institutions' in note 16.

(b) Collateral

In the tables above, the amounts of assets or liabilities presented in the Statement of financial position are offset first by financial instruments that have the right of offset under master netting or similar arrangements with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than amounts presented in the tables above in the case of over collateralisation. The tables above exclude amounts receivable related to securities lending arrangements, except for reverse-repurchase agreements.

Notes to the financial statements (continued)

The total amount of collateral received which the Company is permitted to sell or re-pledge in the absence of default was £6,203 million *(2021: £14,537 million)*, all of which other than £1,743 million *(2021:* £2,477 million*)* is related to securities lending arrangements. Collateral of £1,610 million *(2021:* £1,018 million*)* has been received related to balances recognised within 'Loans to credit institutions' in note 16.

The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Company's risk exposure. The fair values of collateral received approximate to their carrying amounts.

44. Related party transactions

The Company has the following transactions with related parties which include parent companies, subsidiaries, joint ventures, associates and fellow subsidiaries in the normal course of business.

(a) The Company had the following related party transactions

(i) Quota share arrangements

Aviva International Insurance Limited ("AII")

The reinsurance arrangement with AII is priced on an economic basis which makes allowance for items not included within the IFRS valuation. The net impact of the reinsurance in the Income statement and the Statement of financial position may be summarised as follows:

	2022 £m	2021 £m
Premiums ceded to reinsurers	**(1,687)**	(1,528)
Net investment income ceded	**8,957**	(4,304)
Reinsurance claims	**1,295**	1,266
Change in reinsurance assets	**(8,594)**	4,129
Change in deferred acquisition costs	**52**	9
Fee and commission expenses ceded	**155**	285
Net result ceded	**178**	(143)

As at 31 December 2022, the balances in the Statement of financial position relating to this arrangement are:

	2022 £m	2021 £m
Reinsurance asset	**56,457**	64,555
Deposits received from reinsurer	**57,592**	65,896

Aviva Life & Pensions Ireland DAC ("ALPI")

Following the Part VII transfer, the Company entered into a quota share reinsurance agreement with ALPI. Under the terms of this agreement, the Company reinsures and indemnifies ALPI for policies in respect of the Overseas Life and Pension Business ("OLAB").

The rate of reinsurance is one hundred percent (100%).

The premiums, claims and expenses which have been reinsured into the Company under the arrangement are:

	2022 £m	2021 £m
Premiums accepted from cedant	**54**	58
Claims incurred	**(41)**	(41)
Net result accepted	**13**	17

As at 31 December 2022, the balances in the Statement of financial position relating to this arrangement are:

	2022 £m	2021 £m
Receivables	**999**	1,213
Gross insurance liabilities	**(999)**	(1,213)
Net Result	**—**	—

Notes to the financial statements (continued)

(ii) Other transactions

Services provided to, and by related parties

	2022				2021 restated			
	Income earned in the year	Expenses incurred in the year	Payable at year end	Receivable at year end	Income earned in the year	Expenses incurred in the year	Payable at year end	Receivable at year end
	£m	£m	£m	£m	£m	£m	£m	£m
Parent	**13**	**2**	**—**	**5**	14	3	—	6
Subsidiaries	**9**	**77**	**23**	**18**	10	71	55	15
Fellow subsidiaries	**—**	**1,143**	**70**	**54**	—	1,075	109	48
	22	**1,222**	**93**	**77**	24	1,149	164	69

Under a management agreement, UK Life Services ("UKLS") supplies and makes charges for the provision of operational assets and staff to the Company. The agreement specifies the amount payable to UKLS in respect of acquisition costs and administrative expenses. The amount of this charge is £1,105 million *(2021: £1,014 million)*.

The Company paid a premium of £67 million (2021 (restated); £71million to its subsidiary Aviva Equity Release UK Limited ("UKER") for the origination of equity release mortgage loans during the year.

During the year, the Company paid dividends of £593 million *(2021: £1,022 million)* to its parent.

Also included within distributions received from subsidiaries (note 10) are distributions from PLPs of £84 million *(2021: £183 million)*. Included within distributions received from joint ventures and associates (note 11) are distributions from PLPs of £28 million *(2021: £20 million)*. With regard to PLPs classified as subsidiaries, joint ventures and associates, the Company granted loans for a total of £81 million *(2021: £73 million)* for short-term liquidity funding.

Included within debt securities in note 18 are £420 million *(2021: £233 million)* of loan notes issued by a wholly owned subsidiary Aviva ERFA 15 UK Limited and £200 million *(2021: £220 million)* of loan notes issued by the five special purpose securitisation companies: Equity Release Funding (No.1) plc, Equity Release Funding (No.2) plc, Equity Release Funding (No.3) plc, Equity Release Funding (No.4) plc and Equity Release Funding (No.5) plc, which directly, or in trust, hold the beneficial interest in five portfolios of mortgages transferred by a fellow group subsidiary. Interest receivable during the year in respect of these loan notes amounted to £7 million *(2021: £6 million)* in respect of the five special purpose securitisation vehicles. The Company also received interest from cash and cash equivalent balances held in Aviva ERFA15 UK Limited amounting to £5 million *(2021: £1 million)* In addition, the Company provides a credit facility agreement to Equity Release Funding (No.4) plc with an outstanding balance receivable as at 31 December 2022 of £162 million *(2021: £178 million)*.

In October 2022, the Company entered into an intra-group facility agreement with Aviva Group Holdings Limited, whereby Aviva Group Holdings Limited agreed to lend the Company £500 million. The facility remains undrawn as at 31 December 2022.

In November 2021 the Company entered into an agreement to provide a liquidity facility to Aviva ERFA 15 UK Limited. Further information on this facility can be found in note 27.

The Company issued Restricted Tier 1 Subordinated Notes to its parent, Aviva Group Holdings Limited, of £114 million in May 2018 and £356 million in November 2020 which were redeemed in August 2022. Further details of these transactions are given in other equity note 23.

The Company received a £1,200 million capital contribution from Aviva Life Holdings Limited during the year which was subsequently used to repay the £700 million subordinated debt (note 34) and redeem the £500 million STICS (note 23).

The Company had borrowings and other equity instruments with related parties. The details are disclosed in note 34 and note 23 respectively. Interest payments to related parties for these equity instruments total £36 million *(2021: £40 million)*.

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

During the current period, the Aviva Staff Pension Scheme completed two (2021: three) further bulk annuity buy-in transactions with the Company. Total premiums of £1,324 million (2021: £2,456 million) were paid by the scheme to the Company, with the Company recognising gross liabilities of £1,001 million (2021: £2,184 million). The difference between the premium and the gross liabilities implies a profit of £323 million, which does not include costs incurred by the Company associated with the transaction, and is driven primarily by differences between the measurement bases used to calculate the premium and the accounting value of the associated gross liabilities. As at 31 December 2022, the Company recognised technical provisions of £3,342 million (*2021: £4,264 million*) in relation to buy-in transactions with the Aviva Staff Pension Scheme which have been included within the Company's gross insurance liabilities.

(iii) 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	**8,748**	10,377
Other long-term benefits	**582**	780
Post-employment benefits	**—**	—
Termination benefits	**—**	1,215
Total	**9,330**	12,372

Details of directors' emoluments are given in note 5 .

Notes to the financial statements (continued)

(iv) Parent entity

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

(v) 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. The Group 2022 Annual report and accounts are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ, and on the Group website at www.aviva.com.

45. Subsequent events

The Company performed a review of events subsequent to the balance sheet date through to the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

46. IFRS 17 Transition

IFRS 17 Insurance Contracts, is a new accounting standard that provides a comprehensive and consistent approach to accounting for insurance contracts. IFRS 17 is effective for the Company for the annual reporting period beginning 1 January 2023 and replaces IFRS 4, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies. The Company is implementing IFRS 17 retrospectively on 1 January 2023. The opening balance sheet date for comparative information is 1 January 2022, which is also known as the transition date.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (participating investment contracts). It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk (the fulfilment cash flows); and a contractual service margin (CSM), representing the unearned profit to be recognised in profit or loss over the service period (coverage period). Losses on contracts that are onerous at inception are recognised immediately. The core of IFRS 17 is the general measurement model (GMM), supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach (VFA)), and a simplified approach (the premium allocation approach (PAA)) for short-duration contracts. The Company does not expect to apply the PAA.

The application of IFRS 17 significantly impacts the measurement and presentation of insurance contracts, reinsurance contracts and participating investment contracts. Investment contracts with no significant insurance risk or discretionary participating features, equity release mortgage loans, and investment management business are out of scope and therefore not impacted by the new standard.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the Statement of comprehensive income is based on the concept of insurance services provided during the period; and extensive disclosures provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts. We expect to align disclosure to two major groupings: Life Risk and Life Participating, which broadly align with the IFRS 17 measurement models GMM and VFA respectively.

(a) IFRS 17 Measurement Models

The two measurement models apply to the Company as follows:

Model	Applicable business
GMM	• Bulk purchase annuities • Individual immediate and deferred annuities • Individual and Group protection • With-profits contracts with guaranteed annuity terms • Reinsurance contracts held
VFA	• Participating investment contracts • Unit linked or with-profits contracts with significant insurance risk

The Company applies judgement when determining eligibility criteria for the VFA measurement model (see section (b)(i) below).
Under the measurement model insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e., the obligation that relates to the unexpired portion of the coverage period, including the CSM. The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported. The key features of the measurement model are set out below. As the LIC is most relevant for non-life insurance contracts, the descriptions of the GMM and VFA measurement models focus on the LRC.

(i) GMM

The GMM is the default IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period of the contract. Except for reinsurance contracts held, losses on groups of contracts that are onerous at inception are recognised immediately.

The CSM is subsequently remeasured for changes in the fulfilment cash flows relating to non-financial risk, applying locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is amortised over the coverage period of the contract. The coverage period is determined based on the service provided to customers including both insurance and investment services. Losses on groups of contracts that are profitable at inception but subsequently become onerous, are recognised immediately.

Notes to the financial statements (continued)

In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous the reinsurance CSM recognised is adjusted to offset the gross losses arising. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately in the Income statement.

(ii) VFA

The VFA is a modified approach to the GMM that is applied to groups of insurance and investment contracts with direct participating features which meet eligibility requirements that demonstrate they provide substantial investment related services to policyholders.

Fulfilment cash flows for VFA contracts comprise the obligation to pay policyholders an amount equal to the fair value of underlying items, less the variable fee for future service. The variable fee includes the present value of the shareholders' share of the fair value of underlying items adjusted for cash flows that do not vary with those underlying items. The risk adjustment reflects the compensation for non-financial risk in relation to the variable fee only.

The CSM is subsequently remeasured for changes in the variable fee due to both financial and non-financial risks using current market discount rates. Consistent with the GMM, the CSM is recognised in profit or loss over the coverage period in line with the insurance and investment services provided to customers.

(b) Significant accounting judgements and estimates

The implementation of IFRS 17 will require the Company to apply new accounting policies, replacing those previously applied under IFRS 4, and make estimates and assumptions that will affect items reported in the consolidated Income statement and Statement of financial position. The significant accounting policies, judgements and estimates that will be applied by the Company on transition to IFRS 17 are summarised below.

(i) Choice of measurement model

VFA eligibility

Life business is considered eligible for the VFA measurement model where:

- Contractual terms evidence that policyholders participate in a pool of clearly identified underlying items, for example unit-linked or with-profits funds;
- The policyholders expect to receive a substantial share of the returns on underlying items (defined by the Company as greater than 50%); and
- A substantial proportion of changes in amounts payable to policyholders varies with returns on the underlying items (defined by the Company as a correlation coefficient of greater than 50%).

Reinsurance contracts held are not eligible to apply the VFA.

(ii) Level of aggregation

IFRS 17 specifies the unit of account is a group of contracts and provides guidance on the level at which insurance contracts can be aggregated into groups for measurement purposes. Discrete CSM's are determined for each group of insurance contracts applying GMM or VFA. Groups of insurance contracts have been determined by identifying portfolios of insurance contracts, comprising contracts subject to similar risks that are managed together, and dividing each portfolio into annual cohorts by year of issue. Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and comprising:

- contracts that are onerous;
- contracts that have no significant possibility of becoming onerous (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- all remaining contracts.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net gains/losses on initial recognition, and comprising

- contracts that have a net gain at initial recognition;
- contracts that have no significant possibility of a net gain arising subsequently; and
- all remaining contracts.

The approach to profitability grouping makes use of sets. Where it can be demonstrated that all contracts within a set are sufficiently homogeneous, they are allocated to the same profitability group without performing an individual contract assessment. Sets of contracts usually correspond to policyholder pricing groups. The likelihood of changes in insurance, financial and other exposures resulting in contracts becoming onerous is monitored at the level of these pricing groups.

The Company has used internal management information to identify facts and circumstances that may indicate that a group is onerous.

(iii) Estimate of future cash flows

The estimate of future cash flows is assessed at the level of profitability groups and represents the best estimate of the Company's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary. Cash flows are modelled separately for gross and reinsurance contracts.

Principal non-financial assumptions

Principal non-financial assumptions used in the calculation of life insurance and participating investment contract fulfilment cash flows include those in respect of annuitant and assurance mortality and future expenses. Expenses must be directly attributable to fulfilling insurance contracts, including an allocation of overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

(iv) Financial assumptions

Discount rates

Discounting is applied to the estimate of future cash flows. The Company uses a bottom-up discount rate for all insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities

Notes to the financial statements (continued)

are subject to lapse risk or where cashflows depend on underlying asset performance (such as unit-linked and with-profits), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Top-down Discount rates
The discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liability. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

The CSM for annuity contracts is measured using a locked-in discount rate based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

Bottom-up Discount rates
The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for structured settlements where surrenders are not possible, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business.

Inflation assumptions
Future inflation assumptions are treated as a financial assumption when applied to policyholder benefits or outsourced maintenance expenses that are contractually linked to an inflation index.

Presentation of financial assumption changes
The impact of changes in financial assumptions can be presented in the Income statement or in the Statement of comprehensive income as a matter of accounting policy choice. The Company has elected to recognise these impacts in the Income statement, consistent with the approach to the presentation of fair value movements on assets in accordance with IFRS 9, thus eliminating accounting mismatches.

(v) Risk adjustment

The risk adjustment reflects the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated to the Company's pricing and capital allocation framework, leveraging the Solvency II view of non-financial risk, considering a lifetime view, and including diversification between risks.

(vi) CSM

The CSM represents a liability for unearned profit measured at inception and recognised in the Income statement over the life of the contract as insurance and investment related services are provided to the customer. The amount of CSM amortisation recognised in profit or loss each year is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period.

The coverage units used by major product lines are:

Product line	Coverage units
Immediate annuities	Annuity outgo
Deferred annuities	Annuity outgo for insurance service post retirement and weighted expected investment return for the investment return
Individual and Group Protection	Sum assured
Individual and Group Income Protection	Benefit amount payable
Unit linked insurance	Sum assured including unit value
With-profits	Cost of guarantees plus asset share

For deferred annuities the weighting between insurance and investment return services targets equivalence at retirement with the CSM for an immediate annuity that only provides post-retirement insurance services, after allowing for expected retirement date, transfers and commutations.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

(vii) Insurance acquisition cashflows

Insurance acquisition cashflows are initially deferred on the balance sheet as an insurance acquisition cashflow asset and then allocated against groups of insurance contracts to which they are directly attributable.

Where insurance acquisition cashflows are allocated to contract groups applying GMM or VFA, they are included within the measurement of the CSM and recognised in the Income statement over the period which services are provided to the customer.

(c) IFRS 17 transition approach

Changes in accounting policies resulting from the implementation of IFRS 17 must be applied using the Fully Retrospective Approach (FRA) where practicable, calculating the CSM at the date of transition as if the standard had always applied. Where FRA is not practicable for a particular group of insurance contracts there is a choice to apply the Modified Retrospective Approach (MRA) to the extent that reasonable and supportable information exists, or the Fair Value Approach (FVA). The choice between MRA and FVA can have a significant impact on the valuation of the CSM on transition and has been made separately for each group of insurance contracts for which it is impracticable to apply FRA.

The Company has applied judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists to apply the MRA. The following approaches have been applied on transition to IFRS 17:

- The FRA has been used for the majority of business written since 2016, as prior to this date the risk adjustment is considered indeterminable without the benefit of hindsight due to the multiple views of risk that were reported at that time; and
- The FVA has been used for all other business written prior to 2016.

Application of the FVA

Under the FVA the CSM recognised at the transition date is determined as the fair value of the portfolio of contracts at the transition date less the fulfilment cash flows at the transition date. Unlike the FRA and MRA no pre-transition information is required to calculate the FVA CSM.

Where FVA has been applied, the fair value has been derived in accordance with IFRS 13 Fair Value Measurement and represents the price a market participant would require to assume the liabilities in an orderly transaction. As quoted market prices are not available for portfolios of insurance contracts, valuation models have been used to calculate the fair value of each portfolio. The choice of model and inputs to the model involves judgement and this gives rise to a range of plausible fair values.

Valuation inputs reference market information where available with unobservable inputs otherwise used. Inputs have been calibrated to those Aviva would expect market participants would use when pricing the liabilities. The most significant judgements for each portfolio are as follows:

- Identification of the principal market
- The return on assets backing the portfolio
- The level of regulatory capital required to support the portfolio
- The required rate of return on capital deployed

For business transitioning under the FVA, the Company has taken advantage of the simplification permitting contracts in different annual cohorts to be placed into a single group of contracts.

(d) Financial impacts on transition to IFRS17

At this stage the impacts of IFRS 17 on the Company's statement of financial position at 1 January 2022 and Income statement and Statement of financial position at 31 December 2022 cannot be reliably estimated pending full implementation and testing of systems, including the impact of the calculation of internal reinsurance arrangements, the operational effectiveness of internal control processes and appropriate governance. The company's IFRS transition programme will conclude in the first half of 2023.

On transition, the drivers of differences between IFRS 4 and IFRS 17 total equity will include the following

Drivers	Description
IFRS 4 margins	Margins included in the IFRS 4 measurement of insurance contract liabilities are excluded from the IFRS 17 fulfilment cash flows, as the liabilities are measured on a best estimate basis with a separate explicit adjustment for risk.
Differences in the valuation of future cash flows	The primary differences in measurement of the future cash flows are: • Inclusion of future shareholder profits from unit-linked and with-profits business, that are not fully recognised under IFRS 4. • Change in discount rate, most materially for annuities.
Deferred acquisition costs and acquired value in-force business	Deferred acquisition costs and acquired value of in-force business are de-recognised for contracts in scope of IFRS 17 and are instead included implicitly in the measurement of the LRC. The deferred acquisition costs and acquired value of in-force business for non-IFRS 17 business are unaffected.
Contractual Service Margin	This IFRS 17 liability represents the unearned profit of the insurance contracts which will be recognised in profit or loss over the coverage period in line with the service provided to customers.
Risk Adjustment	The risk adjustment is an explicit allowance for risk recognised under IFRS 17, replacing some of the IFRS 4 margins.
Change in deferred tax due to increase in liabilities	Taxable profits are generally based on an accounting profit and the adoption of IFRS 17 will impact current tax liabilities. The principles of deferred tax mean that the total tax (current and deferred) remains aligned to the reported profits. The transition CSM includes profits that were previously reported in accordance with IFRS 4 and subject to tax. The reduction in net assets on adoption of IFRS 17, including the CSM recognition, gives rise to a deferred tax asset as tax on profits is only paid once. The deferred tax asset will reverse as the CSM unwinds and profits are recognised in future.

The impact on transition to IFRS 17 is most significant for the Company's annuity and protection business where the deferral of profit in the CSM is the most material. A significant proportion of the CSM on transition arises from the Company's existing immediate annuity portfolio, the unwind of which will become a material driver of the contribution to future profits. Offsetting this, the majority of profits on new annuity and protection business will now be deferred. In addition, under IFRS 17, the impact of changes in non-financial assumptions on future cashflows will be adjusted through the CSM and spread forward rather than being recognised immediately in profit as under IFRS 4.

There are more limited impacts from the Company's other lines of insurance business with no impact for business out of scope of IFRS 17 including Investment contracts with no significant insurance risk or discretionary participating features, equity release mortgage loans, and investment management business.

IFRS 17 will have no impact on our Solvency II performance measures.

Notes to the financial statements (continued)

47. Related undertakings

The Company's Act 2006 requires disclosure of certain information about the Company's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings. Significant holdings are where the Company either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Company's assets.

The Company's related undertakings along with the country of incorporation, the registered address, the class of shares held and the effective percentage of equity owned at 31 December 2022 are listed below. The list also includes holdings in open-ended investment companies ("OEICs"), societes d'investissement a capital variable ("SICAVs"), investment companies with variable capital ("ICVCs") and liquidity funds where the Company has a significant holding in the underlying assets of the fund, where information is available.

The direct related undertakings of the Company as at 31 December 2022 are listed below:

Name of undertaking	Registered Address	Country	Share class	% owned by Aviva Life & Pensions UK Limited
10-11 GNS Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
41-42 Lowndes Square Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£0.25 B ORDINARY shares	75.00 %
Atlas Park Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	100.00 %
Aviva Equity Release UK Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva ERFA 15 UK Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva Investors European Renewable Energy S.A.	16, Avenue de la Gare, Luxembourg, Grand duchy of Luxembourg, L-1610, Luxembourg	Luxembourg	€1.00 Ordinary shares	100.00 %
Aviva Investors Property Fund Management Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva Life & Pensions Ireland Designated Activity Company	Building 12, Cherrywood Business Park, Loughlinstown, Co Dublin, D18 W2P5, Ireland.	Ireland	€1.27 Ordinary-A shares €1.27 Ordinary-B shares	100.00 %
Aviva Pension Trustees UK Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva Savings Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva UKLAP De-risking Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva Undershaft Four Limited	13-18 City Quay, Dublin 2, Dublin, D02 ED70, Ireland.	Ireland	€1.25 Ordinary shares	100.00 %
Axcess 10 Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	100.00 %
Barwell Business Park Nominee Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
BMO Commercial Property Trust Limited	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Guernsey	Guernsey	£0.01 Ordinary shares	20.34 %
Cannock Consortium LLP	Nations House, 3rd Floor , 103 Wigmore Street, London, W2U 1WH, United Kingdom	United Kingdom	Limited Liability Partnership	42.50 %
Criterion Tec Holdings Ltd	9-10 St Andrew Square, Edinburgh, EH2 2AF, United Kingdom	United Kingdom	£0.01 Ordinary shares	23.64 %
FPB Holdings GmbH	c/o WSWP Weinert GmbH, Theatinerstr. 31, 80333, Munich, Germany	Germany	€1.00 Series A shares €1.00 Series B shares	100.00 %
FPPE Fund Public Limited Company	Georges Court, 54-62 Townsend Street, Dublin 2, Ireland	Ireland	1.00 Shares of No Par Value €1.00 Subscriber Euro €1 shares	100.00 %
Friends AEL Trustees Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 ORDINARY shares	100.00 %
Friends AELRIS Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 £1 STOCK shares	100.00 %
Goodman European Business Park Fund (Lux) S.àr.l.	28 Boulevard D'Avranches, L-1160, Luxembourg	Luxembourg	€2.50 Ordinary shares	50.00 %
HILLSWOOD MANAGEMENT LIMITED	SHAKESPEARE HOUSE, 42 NEWMARKET ROAD, CAMBRIDGE, CAMBS, CB5 8EP	United Kingdom	£0.10 Ordinary B shares	23.53 %
Houghton Regis Management Company Limited	15TH Floor, 140 London Wall, London, EC2Y 5DN, United Kingdom	United Kingdom	£1.00 Ordinary B shares	33.33 %
Lancashire and Yorkshire Reversionary Interest Company Limited /The	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£9.25 Ordinary shares	100.00 %

Notes to the financial statements (continued)

Norwich Union (Shareholder GP) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Opus Park Management Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	100.00 %
Quarryvale One Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Stonebridge Cross Management Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	100.00 %
Suntrust Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 ORDINARY shares	100.00 %
Tenet Group Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£0.0001 B Ordinary shares	24.16 %
UKP Holdings Inc.	2711 Centreville Road, Suite 400, Wilmington, New Castle, Delaware, 19808, United States of America	United States	US$1.00 Common Stock shares US$100.00 Non Cumulative Preferred Stock shares	100.00 %
Victor Hugo 1 S.à r.l.	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	€25.00 Ordinary Each Eur 25 shares	100.00 %
Voyager Park South Management Company Limited	Aviva , Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	51.85 %
Winslade Investments Inc.	Cogency Global Inc., 850 New Burton Road, Suite 201, Dover Delaware Kent County 19904, United States	United States	US$ COMMON STOCK WPV shares	100.00%
			US$ SERIES A PREF WPV shares	47.70%

The indirect related undertakings of the Company as at 31 December 2022 are listed below:

1 Liverpool Street GP Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
1 Liverpool Street Nominee 1 Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
1 Liverpool Street Nominee 2 Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
10 Station Road	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
10 Station Road Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
10 Station Road Nominee 2 limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
101 Moorgate GP Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
101 Moorgate Limited Partnership Open Ended Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Property Limited Partnership	100.00 %
101 Moorgate Nominee 1 Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
101 Moorgate Nominee 2 Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
11-12 Hanover Square LP Property Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
11-12 Hanover Square Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
11-12 Hanover Square Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
130 Fenchurch Street General Partner Limited	St Helen's , 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
130 Fenchurch Street LP Property Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	100.00 %
130 Fenchurch Street Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
130 Fenchurch Street Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %

Notes to the financial statements (continued)

20 Gracechurch (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 'A' Ordinary shares	50.00 %
20 Gracechurch Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	25.00 %
20 Station Road Nominee 1 Limited	St Helens, 1 Undershaft, London, EC3P 3DQ	United Kingdom	£1.00 Ordinary shares	100.00 %
20 Station Road Nominee 2 Limited	St Helens, 1 Undershaft, London, EC3P 3DQ	United Kingdom	£1.00 Ordinary shares	100.00 %
20 Station Road Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
2-10 Mortimer Street (GP No 1) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
2-10 Mortimer Street GP Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 'B' Ordinary shares	50.00 %
30 Station Road Nominee 1 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
30 Station Road Nominee 2 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
30 Station Road Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
30-31 Golden Square LP Property Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
30-31 Golden Square Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
30-31 Golden Square Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
40 Spring Gardens Unit Trust	3rd Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 1BL	Jersey	Unit Trust	100.00 %
50-60 Station Road Nominee 1 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
50-60 Station Road Nominee 2 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
50-60 Station Road Unit Trust Npv	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
AI UK Listed Equity Fund UK Corporate Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	57.00 %
AIEREF Holding 1	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	€1.00 Equity shares	100.00 %
AIEREF Holding 2	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	€1.00 Issued Capital shares	100.00 %
AIEREF Renewable Energy s.r.o	5/482, Ve Svahu, Prague 4, 147 00, Czech Republic	Czech Republic	CZK1.00 Ordinary shares	100.00 %
Alliancebernstein Low Volatility Global Equity Fund	4th Floor Pountney Hill House 6 Laurence Pountney Hill London. EC4R 0BL	United Kingdom	Open Ended Investment Company	71.00 %
Artemis UK Special Situations Fund	Artemis Fund Managers Limited, 57-59 St James's Street, London SW1A 1LD,	United Kingdom	Unit Trust	28.00 %
Ascot Real Estate Investments GP LLP	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited Liability Partnership	50.00 %
Ascot Real Estate Investments LP Property Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
Ashtown Management Company Limited	Friends First House, Cherrywood Science & Technology Park, Loughlinstown, Dublin, Co. Dublin, Ireland	Ireland	€1.27 Ordinary shares	50.00 %
Aspire Financial Management Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
Atrium Nominees Limited	13-18 City Quay, Dublin 2, Ireland	Ireland	€1.27 Ordinary shares	100.00 %
Aviva Investors - Emerging Markets Corporate Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	50.00 %
Aviva Investors (FP) Limited	Aviva, Pitheavlis, PERTH, Perthshire, PH2 0NH, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva Investors (GP) Scotland Limited	Aviva, Pitheavlis, PERTH, Perthshire, PH2 0NH, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva Investors 30 70 Global Eq Ccy Hedged Ind Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors 40 60 Global Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors 60 40 Global Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Alt Income Solutions Fund Open Ended	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	99.00 %

Notes to the financial statements (continued)

Aviva Investors Alternative Income Solutions General Partner S.à r.l.	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Asia Pacific Ex Japan Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	59.00 %
Aviva Investors Asian Equity Income Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	92.00 %
Aviva Investors Balanced Life Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Balanced Pension Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Cautious Pension Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Climate Transition European Equity Fund	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	SICAV	60.00 %
Aviva Investors Climate Transition Global Credit Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	21.00 %
Aviva Investors Climate Transition Global Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	99.00 %
Aviva Investors Climate Transition Real Assets Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Continental Euro Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Corporate Bond Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	97.00 %
Aviva Investors Dev Asia Pacific Ex Japan Eq Ind Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	92.00 %
Aviva Investors Dev Euro Ex Uk Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	82.00 %
Aviva Investors Dev World Ex Uk Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	92.00 %
Aviva Investors Developed Overseas Gov Bd Ex UK Ind Fd	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	85.00 %
Aviva Investors Distribution Life Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors EBC GP Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva Investors EBC S.à r.l.	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	€125.00 Class A corporate units shares €125.00 Class B corporate units shares €125.00 Class C corporate units shares €125.00 Class D corporate units shares €125.00 Class E corporate units shares €125.00 Class F corporate units shares €125.00 Class G corporate units shares €125.00 Class H corporate units shares €125.00 Class I corporate units shares €125.00 Class J corporate units shares	100.00 %
Aviva Investors Emerging Markets Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	63.00 %
Aviva Investors Emerging Markets Equity Income Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	94.00 %
Aviva Investors Emerging Markets Equity Small Cap Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	62.00 %
Aviva Investors Emerging Markets Local Currency Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	78.00 %
Aviva Investors Europe Equity Ex Uk Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	33.00 %
Aviva Investors Europe Equity Ex Uk Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	42.00 %
Aviva Investors European Corporate Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	71.00 %
Aviva Investors European Property Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	49.00 %

Notes to the financial statements (continued)

Aviva Investors European Renewable Energy S.A.	16, Avenue de la Gare, Luxembourg, Grand duchy of Luxembourg, L-1610, Luxembourg	Luxembourg	€1.00 Ordinary shares	100.00 %
Aviva Investors Global Aggregate Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	79.00 %
Aviva Investors Global Convertibles Absolute Return Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	59.00 %
Aviva Investors Global Emerging Markets Index Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	78.00 %
Aviva Investors Global Equity Alpha Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Global Equity Endurance Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	98.00 %
Aviva Investors Global Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Global Equity Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	61.00 %
Aviva Investors Global High Yield Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	61.00 %
Aviva Investors Global Investment Grade Corporate Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	73.00 %
Aviva Investors Idx-Lkd Gilts Ovr 5 Yrs Idx Fd	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	92.00 %
Aviva Investors Index Linked Gilt Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors International Index Tracking Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	77.00 %
Aviva Investors Japan Equity Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	30.00 %
Aviva Investors Japan Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	95.00 %
Aviva Investors Japan Equity Mom 1 Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100.00 %
Aviva Investors Japanese Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	93.00 %
Aviva Investors Managed High Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	69.00 %
Aviva Investors Money Market Vnav Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	98.00 %
Aviva Investors Multi-Asset 40 85 Shares Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Multi-Asset Core Fund Ii	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	25.00 %
Aviva Investors Multi-Asset Ii Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	32.00 %
Aviva Investors Multi-Asset Iii Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	49.00 %
Aviva Investors Multi-Asset Iv Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	33.00 %
Aviva Investors Multi-Asset V Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	34.00 %
Aviva Investors Multi-Manager 20-60% Shares Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	81.00 %
Aviva Investors Multi-Manager 40-85% Shares Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	80.00 %
Aviva Investors Multi-Manager Flexible Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	80.00 %
Aviva Investors Multi-Strategy Target Return Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	54.00 %
Aviva Investors Multi-Strategy Target Return Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	77.00 %
Aviva Investors Non-Gilt Bond All Stocks Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	99.00 %
Aviva Investors Non-Gilt Bond Over 15 Yrs Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Non-Gilt Bond Up to 5 Yrs Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %

Notes to the financial statements (continued)

Aviva Investors North American Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors North American Equity Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	22.00 %
Aviva Investors North American Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	94.00 %
Aviva Investors Pacific Equity Ex Japan Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	48.00 %
Aviva Investors Pacific Ex Japan Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
AVIVA INVESTORS POLISH RETAIL GP LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Aviva Investors Polish Retail S.à r.l.	46a Avenue John F Kennedy, L-1855, Luxembourg, Grand Duchy of Luxembourg	Luxembourg	€100.00 Ordinary shares	100.00 %
Aviva Investors Pre-Annuity Fixed Interest Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Private Equity Programme 2008 Partnership	Pitheavlis, Perth, PH2 OHN	United Kingdom	Limited Partnership	23.00 %
Aviva Investors Realm Social Housing Fund Open Ended	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Property Limited Partnership	92.00 %
Aviva Investors Sterling Corporate Bond Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	98.00 %
Aviva Investors Sterling Gilt Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	70.00 %
Aviva Investors Sterling Government Liquidity Fund	25 / 28 North Wall Quay, Dublin 1, Ireland	Ireland	Liquidity Fund	100.00 %
Aviva Investors Sterling Liquidity Fund	25 / 28 North Wall Quay, Dublin 1, Ireland	Ireland	Liquidity Fund	58.00 %
Aviva Investors Sterling Strategic Liquidity Fund	25 / 28 North Wall Quay, Dublin 1, Ireland	Ireland	Liquidity Fund	75.00 %
Aviva Investors Stewardship Fixed Interest Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Stewardship Fixedint Feeder Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	94.00 %
Aviva Investors Stewardship International Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Stewardship Int'L Eq Feeder Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	98.00 %
Aviva Investors Stewardship Uk Eq Feeder Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	98.00 %
Aviva Investors Stewardship Uk Eqinc Feeder Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	98.00 %
Aviva Investors Stewardship Uk Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Stewardship Uk Equity Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	96.00 %
Aviva Investors Strategic Bond Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	60.00 %
Aviva Investors Strategic Global Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Uk Eq Ex Aviva Inv Trusts Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Uk Equity Alpha Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	95.00 %
Aviva Investors Uk Equity Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	46.00 %
Aviva Investors Uk Equity Dividend Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors UK Equity Ex Tobacco	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Uk Equity Ex Tobacco Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Uk Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100.00 %
Aviva Investors UK Equity Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	50.00 %
Aviva Investors Uk Equity Income UK Corporate Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %

Notes to the financial statements (continued)

Aviva Investors Uk Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	78.00 %
Aviva Investors Uk Gilts All Stocks Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	75.00 %
Aviva Investors Uk Gilts Over 15 Years Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors UK Gilts Up to 5 Yrs Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100.00 %
Aviva Investors Uk Index Tracking Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	81.00 %
Aviva Investors Us Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	43.00 %
Aviva Investors USD Liquidity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Liquidity Fund	26.00 %
Aviva Life Investments International LP	Aviva, Wellington Row, York, YO90 1WR	United Kingdom	Limited Liability Partnership	100.00 %
Aviva Special PFI GP Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
AXA Ethical Distribution Fund	22 Bishopsgate, London EC2N 4BQ	United Kingdom	Open Ended Investment Company	35.00 %
Axa Lbo Fund Iv Feeder	20, Place Vendome, 75001 Paris	France	Private Equity Fund	39.00 %
AXA SUN LIFE PRIVATE EQUITY (NO1) LP	22 Grenville Street, St. Helier, Jersey, JE4 8PX Channel Islands	Jersey	Private Equity Fund	100.00 %
Baillie Gifford International Fund	Calton Square, 1 Greenside Row, Edinburgh EH1 3AN	United Kingdom	Open Ended Investment Company	26.00 %
Baillie Gifford Investment Funds II ICVC-Baillie Gifford UK Equity Core Fund	Calton Square, 1 Greenside Row, Edinburgh EH1 3AN	United Kingdom	Open Ended Investment Company	26.00 %
Barrat House LP Property Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
Barratt House Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Barratt House Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Bermondsey Yards Close Ended Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	100.00 %
Bermondsey Yards General Partner Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Bermondsey Yards Nominee 1 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Bermondsey Yards Nominee 2 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
BlackRock ACS World ESG Insights Equity Fund	12 Throgmorton Avenue, London EC2N 2DL	United Kingdom	Open Ended Investment Company	96.00 %
BlackRock Market Advantage Fund	12 Throgmorton Avenue, London EC2N 2DL	United Kingdom	Unit Trust	50.00 %
Blackrock Sterling Short Duration Credit Fund	12 Throgmorton Avenue, London EC2N 2DL	United Kingdom	Open Ended Investment Company	100.00 %
BMO Diversified Growth Fund	Exchange House, Primrose Street, London EC2A 2HS	United Kingdom	SICAV	96.00 %
BMO European Growth & Income Fund	Exchange House, Primrose Street, London EC2A 2HS	United Kingdom	SICAV	100.00 %
BMO Global Total Return Bond Fund	Exchange House, Primrose Street, London EC2A 2HS	United Kingdom	Open Ended Investment Company	32.00 %
BMO North American Equity Fund	Exchange House, Primrose Street, London EC2A 2HS	United Kingdom	Open Ended Investment Company	24.00 %
Cannock Designer Outlet (GP Holdings) Limited	Nations House 3rd Floor, 103 Wigmore Street, London, W1U 1WH, United Kingdom	United Kingdom	£0.01 A Ordinary shares	37.00 %
Cannock Designer Outlet (GP) Limited	Nations House 3rd Floor , 103 Wigmore Street, London, W1U 1WH, United Kingdom	United Kingdom	£0.01 Ordinary shares	37.00 %
Cannock Designer Outlet (Nominee 1) Limited	Nations House , 3rd Floor , 103 Wigmore Street, London, W1U 1WH, United Kingdom	United Kingdom	£0.01 Ordinary shares	37.00 %
Cannock Designer Outlet (Nominee 2) Limited	Nations House, 3rd Floor , 103 Wigmore Street, London, W2U 1WH, United Kingdom	United Kingdom	£0.01 Ordinary shares	37.00 %
Cgu Equilibre	47 rue du Faubourg Saint-Honoré,	France	FCP	99.00 %
Chesterford Park (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 A Ordinary shares	50.00 %
Chesterford Park (Nominee) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %

Notes to the financial statements (continued)

Crieff Road Limited	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey	Jersey	£1.00 Ordinary shares	100.00 %
Criterion Tec Ltd	9-10 St Andrew Square, Edinburgh, EH2 2AF. United Kingdom.	United Kingdom	£1.00 Ordinary shares	24.00 %
Eólica Almatret S.L.	1D, 13 Edificio América Av. de Bruselas, 28108, Alcobendas (Madrid), Spain	Spain	€1.00 Ordinary shares	50.00 %
Exeter Properties Inc.	Cogency Global Inc., 850 New Burton Road, *Suite 201, Dover Delaware Kent County* 19904, United States	United States	US$ COMMON STOCK WPV shares US$ SERIES A PREF WPV shares	95.00 %
FF UK Select Limited	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey	Jersey	£1.00 Ordinary shares	100.00 %
Fitzroy Place GP 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Fitzroy Place Management Co Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
FITZROY PLACE RESIDENTIAL LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Focus Mall Zielona Gora	Al. Jana Pawła II 25, 00-854 , Warszawa, Poland	Poland	PLN50.00 Ordinary shares	100.00 %
Focus Park Piotrków Trybunalski sp.z o.o.	A1., Jana Pawla II 25, Warsaw, Poland	Poland	PLZ500.00 Ordinary shares	100.00 %
Gbp Returnplus Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	98.00 %
Gobafoss General Partner Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Gobafoss Partnership Nominee No 1 Ltd	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Haspa Trendkonzept	3 rue des Labours, L-1912 Luxembourg, Luxembourg	Luxembourg	FCP	62.00 %
Houlton Commercial Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	50.00 %
Igloo Regeneration (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 A Ordinary shares	50.00 %
Igloo Regeneration (Nominee) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Igloo Regeneration Developments (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Invesco Summit Responsible 2 Fund (UK)	Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH.	United Kingdom	Collective Investment Scheme	30.00 %
Invesco Summit Responsible 5 Fund (UK)	Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH.	United Kingdom	Collective Investment Scheme	72.00 %
Invesco Sustainable Global Structured Equity Fund	L-2453 Luxembourg, 2-4, rue Eugene Ruppert R.C.S. Luxembourg section B numero 34457	Luxembourg	Collective Investment Scheme	52.00 %
Irongate House LP Property Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
Irongate House Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Irongate House Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Lazard Multicap UK Income R Acc	50 Stratton Street, London, W1J 8LL	United Kingdom	Open Ended Investment Company	49.00 %
Liontrust Sustainable Future Absolute Growth Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	25.00 %
Liontrust Sustainable Future Corporate Bond Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	27.00 %
Liontrust Sustainable Future European Growth Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	36.00 %
Liontrust Sustainable Future Global Growth Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	22.00 %
Liontrust Sustainable Future Managed Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	41.00 %
Liontrust Sustainable Future UK Growth Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	24.00 %
Liontrust UK Ethical Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	50.00 %
Lodz BC Sp. z o.o	A1., Jana Pawla II 25, Warsaw, Poland	Poland	PLZ50.00 Ordinary shares	100.00 %

Notes to the financial statements (continued)

Longcross General Partner Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Longcross Limited Partnership Npv Open Ended	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100.00 %
Longcross Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Longcross Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
Mercer Diversified Retirement Fund	Charlotte House, Charlemont St, Saint Kevin's, Dublin 2	Ireland	Open Ended Investment Company	27.00 %
Mercer Diversified Retirement Fund B5 Acc	Charlotte House, Charlemont St, Saint Kevin's, Dublin 2	Ireland	Open Ended Investment Company	27.00 %
Mercer Multi Asset Defensive Fund	Charlotte House, Charlemont St, Saint Kevin's, Dublin 2	Ireland	Open Ended Investment Company	21.00 %
Mercer Multi Asset Growth Fund	Charlotte House, Charlemont St, Saint Kevin's, Dublin 2	Ireland	Open Ended Investment Company	32.00 %
Mgi Uk Equity M-7 Gbp Acc	Charlotte House, Charlemont St, Saint Kevin's, Dublin 2	Ireland	Open Ended Investment Company	26.00 %
Mortimer Street Associated Co 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Mortimer Street Associated Co 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
MORTIMER STREET NOMINEE 1 LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
MORTIMER STREET NOMINEE 2 LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
MORTIMER STREET NOMINEE 3 LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Mountpark Logistics Eu 2017 23 Sarl	16, Avenue de la Gare, Luxembourg, Grand duchy of Luxembourg, L-1610, Luxembourg	Luxembourg	Unit Trust	100.00 %
New Broad Street House Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
New Broad Street House Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
New Broad Street House Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
Paragon Insurance Company Guernsey Limited	PO Box 155 Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey	Guernsey	£1.00 Ordinary shares	24.00 %
Patriarch Classic B&W Global Freestyle	1c, rue Gabriel Lippmann, L - 5365, Munsbach. LU	Luxembourg	FCP	45.00 %
Pegasus House and Nuffield House Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Pegasus House and Nuffield House Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Pegasus House and Nuffield House Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	50.00 %
Porth Teigr Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 B Ordinary shares	50.00 %
Quantum Property Partnership (General Partner) Limited	180 Great Portland Street , London, England, W1W 5QZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Quantum Property Partnership (Nominee) Limited	180 Great Portland Street, London, England, W1W 5QZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Reschop Carré Hattingen GmbH	c/o TMF Deutschland AG, Wiesenhüttenstrasse 11, 60329, Frankfurt am Main, Germany	Germany	€0.00 Ordinary shares	95.00 %
Reschop Carré Marketing GmbH	c/o TMF Deutschland AG, Wiesenhüttenstrasse 11, 60329, Frankfurt am Main, Germany	Germany	€1.00 Ordinary shares	100.00 %
Rugby Radio Station (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 'B' Ordinary shares	50.00 %
Rugby Radio Station (Nominee) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Schroder Dynamic Multi Asset Z Acc	1 London Wall Place, London, EC2Y 5AU	United Kingdom	Unit Trust	24.00 %
Schroder QEP US Core Fund	1 London Wall Place, London, UK	United Kingdom	Unit Trust	41.00 %
Slas Axa Private Equity	22 Grenville Street, St. Helier, Jersey, JE4 8PX Channel Islands	Jersey	Private Equity Fund	100.00 %

Notes to the financial statements (continued)

Southgate General Partner Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 A Ordinary shares	50.00 %
Southgate LP (Nominee 1) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Southgate LP (Nominee 2) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Southgate Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	£1.00 A Ordinary shares	50.00 %
Station Road General Partner LLP	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	Limited Liability Partnership	100.00 %
SUE GP LLP	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited Liability Partnership	50.00 %
SUE GP NOMINEE LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50.00 %
Tenet & You Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
Tenet Business Solutions Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
Tenet Client Services Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
Tenet Compliance Services Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
Tenet Financial Services Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 A Ordinary shares	24.00 %
Tenet Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
Tenet Mortgage Solutions Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
TenetConnect Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
TenetConnect Services Limited	5 Lister Hill, Horsforth, Leeds, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
TenetLime Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24.00 %
The Designer Retail Outlet Centres (Mansfield) General Partner Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
The Designer Retail Outlet Centres (York) General Partner Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100.00 %
The Designer Retail Outlet Centres Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Unit Trust	100.00 %
Warburg Global Fixed Income Fund	KAPITALANLAGEGESELLSCHAFT MBH, Ferdinandstrasse 75, Hamburg, DE-HH, 20095, DE	Germany	Unit Trust	24.00 %
Warburg Multi Smart Beta Aktien R Europa Inc	KAPITALANLAGEGESELLSCHAFT MBH, Ferdinandstrasse 75, Hamburg, DE-HH, 20095, DE	Germany	Unit Trust	40.00 %
Wells Fargo Global Small Cap Equity Fund	Allspring Asset Management Lux S.A.,19, rue de Bitbourg L-1273, Luxembourg	Luxembourg	SICAV	67.00 %
Wroclaw BC sp. z.o.o	Al Jana Pawla II 25, 00-854, Warsaw, Poland	Poland	PLZ50.00 Ordinary shares	100.00 %
Xtrackers II Eurozone Government Bond 15-30 UCITS ETF	2, boulevard Konrad Adenauer, 1115 Luxembourg,	Luxembourg	SICAV	24.00 %

The indirect related undertakings of the Company (managed, not owned) as at 31 December 2022 are listed below:

Notes to the financial statements (continued)

Company name	Address	Incorporated in
Equity Release Funding (No.1) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Funding (No.2) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Funding (No.3) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Funding (No.4) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Funding (No.5) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Holdings Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
ERF Trustee (No. 4) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
ERF Trustee (No. 5) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Holdings (Jersey) Limited	c/o Ocorian Secretaries (Jersey) Limited, 26 New Street, St Helier, Jersey, JE2 3RA	Jersey
Equity Release Holdings (No. 5) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales