Aviva UKLAP De-risking Limited

Registered in England and Wales No. 3491273

Annual Report and Financial Statements 2018

Contents

Directors and officer

Directors

P A Biscay
A Dafria

Officer - Company Secretary

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Registered Office

Aviva
St Helens
1 Undershaft
London
EC3P 3DQ

Company Number

Registered in England and Wales no. 3491273

Other Information

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 2018.

Review of the Company's business

Principal activities

The principal strategy and objective for the Company is the investment in tax transparent managed funds.

Financial position and performance

The financial position of the Company at 31 December 2018 is shown in the statement of financial position on page 15, with the trading results shown in the income statement on page 13 and the statement of cash flows on page 16.

The loss after tax for the year was £380,000 *(2017 profit: £35,000)*.

Total equity increased by £2,620,000 *(2017: £5,035,000)*, reflecting the issue of share capital during the year, coupled with the loss for the year.

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2018 Annual Report and Accounts. The Company will work with the Group to support the implementation of these strategies.

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

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 14 to the financial statements.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated includes, but is 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.

Key performance indicators (KPIs)

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

Measure	**2018** **£'000**	2017 £'000
Financial performance metrics		
Revenue for the year	**(385)**	42
(Loss) / Profit for the year after tax	**(380)**	35
Equity at year end	**7,655**	5,035

By order of the Board on 5 September 2019

A. H. ALEXANDER HAYNES
For and on behalf of Aviva Company Secretarial Services Limited

Company Secretary

Directors' report

The directors submit their annual report and the audited financial statements for the Company for the year ended 31 December 2018.

Directors

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

There have been no changes to the board of Directors during the year or since the year end.

Company Secretary

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

Dividend

The Company did not pay a dividend for 2018 *(2017: £nil)*.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report, which includes a section describing the principal risks and uncertainties. In addition, the financial statements include notes on: the Company's capital structure (note 13) and management of its risks including market, credit and liquidity risk (note 14).

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

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

Future outlook

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

Employees

The Company has no employees. The majority of employees engaged in the activities of the Company are employed by subsidiary undertakings of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of these companies. The Company is recharged with the costs of the staff provided by these companies.

Disclosure of information to the auditors

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

Independent auditors

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

Qualifying indemnity provisions

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

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

Directors' report (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board on 5 September 2019

ALEXANDER HAYNES

For and on behalf of Aviva Company Secretarial Services Limited

Company Secretary

Independent auditors' report to the members of Aviva UKLAP De-risking Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aviva UKLAP De-risking Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 2018 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

Independent auditors' report to the members of Aviva UKLAP De-risking Limited (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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 set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept 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.

Martin Cross (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
5 September 2019

Accounting policies

The Company, a limited company incorporated and domiciled in the United Kingdom (UK), is engaged in investment in managed funds.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for financial investments which are measured at fair value where there is an active market.

The financial statements have been prepared on the going concern basis as explained in the Directors' report on page 5.

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 thousands of pounds sterling (£'000).

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

The Company has adopted the following standards, amendments to existing standards which became effective for the annual reporting period beginning on 1 January 2018:

(i) IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model with replaces the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets are measured at either amortised cost or fair value. The basis of classification depends 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 fair value changes attributable to own credit are recognised in other comprehensive income instead of the income statement.

IFRS 9 was effective for the Company from 1 January 2018 as it is not eligible to apply the deferral option available to insurers. The adoption of IFRS 9 has not had a significant impact on the Company's statement of financial position.

(ii) IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. This standard applies to annual reporting periods beginning on or after 1 January 2018 and has been endorsed by the EU. The standard replaces IAS 18 *Revenue*.
The scope of IFRS 15 includes all contracts where the Company has agreed to provide goods or services to a customer, except for the following:

- Insurance contracts (IFRS 4)
- Financial instruments (IAS 39 / IFRS 9)
- Leases (IAS 17)

The Company provides services that are within the scope of IFRS 15, as described in accounting policy (E). The adoption of IFRS 15 results in no change to the recognition of revenue in relation to these services.
The adoption of IFRS 15 has not had a significant impact on the Company's statement of financial position.

The Following amendments to existing standards and IFRIC interpretations have been issues, and are effective from 1 January 2018 or earlier, and do not have an impact on the Company's financial statements:

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions Amendments to IAS 40 Transfers of Investment Property
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Annual Improvements to IFRSs 2014-2016 including IFRS 1 *First-time Adoption of International Financial Reporting Standards,* IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates.*

Accounting policies (continued)

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, amendments to existing standards have been issued, are not yet effective and have not been adopted early by the Company:

(iii) IFRS 16 Leases

In January 2016, the IASB published IFRS 16 *Leases* which will replace IAS 17 *Leases*. IFRS 16 introduces a definition of a lease with a single lessee accounting model eliminating the classification of either operating or finance leases. Lessees will be required to account for all leases in a similar manner to the current finance lease accounting recognising lease assets and liabilities on the statement of financial position. Lessor accounting remains similar to current practice. The impact of adoption of IFRS 16 will be immaterial to the Company's financial statements. This standard applies to annual reporting periods beginning on or after 1 January 2019 and has been endorsed by the EU.

(iv) IFRS 17, Insurance Contracts

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

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

The impact of the adoption of IFRS 17 has yet to be fully assessed by the Company. It is expected that the standard will apply to annual reporting periods beginning on or after 1 January 2022 and this standard has not yet been endorsed by the EU.

The following new standards, 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:

- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- Amendments to IAS 29 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRS Standards 2015-2017 cycle, including IFRS 3 *Business Combinations,* IFRS 11 *Joint Arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing Costs*
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 *Business Combinations,* IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of material*

IFRIC 23 has been endorsed by the EU. The amendments to IAS 19, IAS 28, IFRS 3, IAS 1 and IAS 8, annual improvements to IFRS Standards 2015-2017 cycle and amendments to References to the Conceptual Framework have not yet been endorsed by the EU. The amendments are not expected to have a material impact on the financial statements.

(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, consolidated statement of financial position, other primary statements and notes to the financial statements.

Critical accounting policies

There are no critical accounting policies which are considered to have the significant impact on the amounts recognised in the financial statements.

Accounting policies (continued)

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.

There are no items considered particularly susceptible to changes in estimates and assumptions.

(C) Fair value measurement

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

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

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

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

(D) Financial investments

The classification of the Company's financial investments is driven by an assessment of the business model used to manage the instruments, and an assessment of the extent to which the contractual cash flows associated with the instrument are solely payment of principal and interest. The Company's financial investments are measured and evaluated on a fair value basis and are therefore measured at fair value through profit and loss ("FVTPL").

Financial investments are initially recognised at their fair value at the point at which the Company becomes party to the contractual provisions of the instrument. Subsequent to initial recognition the fair value of an instrument is determined using the methodology outlined in Note 5, with any gains and losses being recognised in profit or loss as Net Investment (expense)/income. Net Investment (expense)/income consists of interest income, dividend income and gains and losses.

(E) Receivables

Receivables and other financial assets are recognised initially at their fair value. Subsequent to initial measurement receivables are measured at amortised cost using the effective interest rate method, less expected credit losses.

(F) Statement of cash flows

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

(G) Income taxes

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

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

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

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

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

Accounting policies (continued)

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. 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.

(H) 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.

Income statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Income			
Net investment (expense)/income	D	**(385)**	42
		(385)	42
Expenses			
Operating expenses	1	**-**	-
		-	-
(Loss)/profit before tax		**(385)**	42
Tax credit/(charge)	G & 4a	**5**	(7)
(Loss)/profit for the year		**(380)**	35

The Company has no other comprehensive income.

The accounting policies (identified alphabetically) on pages 9 to 12 and notes (identified numerically) on pages 17 to 24 are an integral part of the financial statements.

Statement of changes in equity

For the year ended December 2018

	Note	Ordinary share capital	Retained earnings	Total equity
				2018
		£'000	**£'000**	**£'000**
Balance at 1 January		**5,000**	**35**	**5,035**
Addition to share capital	7	**3,000**	**-**	**3,000**
Loss for the year	8	**-**	**(380)**	**(380)**
Balance at 31 December		**8,000**	**(345)**	**7,655**

	Note	Ordinary share capital	Retained eamings	Total equity
				2017
		£'000	£'000	£'000
Balance at 1 January		-	-	-
Addition to share capital	7	5,000	-	5,000
Profit for the year	8	-	35	35
Balance at 31 December		5,000	35	5,035

The accounting policies (identified alphabetically) on pages 9 to 12 and notes (identified numerically) on pages 17 to 24 are an integral part of the financial statements.

Statement of financial position

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Financial investments	D & 6	**5,002**	3,618
Receivables	E & 10	**2,724**	1,424
Total assets		**7,726**	5,042
Equity			
Ordinary share capital	H & 7	**8,000**	5,000
Retained earnings	8	**(345)**	35
Total equity		**7,655**	5,035
Liabilities			
Deferred tax liabilities	G & 9(b)	**-**	7
Payables and other financial liabilities	11	**71**	-
Total liabilities		**71**	7
Total equity and liabilities		**7,726**	5,042

The accounting policies (identified alphabetically) on pages 9 to 12 and notes (identified numerically) on pages 17 to 24 are an integral part of the financial statements.

The financial statements were approved by the Board of directors on 5 September 2019 and were signed on its behalf by

Ashish Dafria

Ashish Dafria *Director*

5 September 2019

Statement of cash flows

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated used in/from operating activities	12	**(3,000)**	(5,000)
Total net cash generated from / used in operating activities		**(3,000)**	(5,000)
Net cash from financing activities			
Proceeds from the issue of ordinary shares	7	**3,000**	5,000
Total net cash generated from / used in financing activities		**3,000**	5,000
Total net increase/(decrease) in cash and cash equivalents		**-**	-
Cash and cash equivalents at 1 January		**-**	-
Cash and cash equivalents at 31 December	12	**-**	-

The accounting policies (identified alphabetically) on pages 9 to 12 and notes (identified numerically) on pages 17 to 24 are an integral part of the financial statements.

Notes to the financial statements

1. Operating expenses

Under a management agreement Aviva Life Services UK Limited (UKLS), a fellow group undertaking, supplies and makes charges for the provision of operational assets and staff to the Company. Operating expenses have been borne by a fellow group undertaking.

2. Directors' remuneration

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

3. Auditor's remuneration

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

	2018 £'000	2017 £'000
Fees payable to PwC LLP for the statutory audit of the Company's financial statements	**4**	4
	4	4

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

4. Taxation

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

The total tax (credit)/charge comprises:

		2018 £'000	2017 £'000
Current tax			
For this year	9a	**-**	-
Prior year adjustments		**2**	-
Total current tax		**2**	-
Deferred tax			
Origination and reversal of temporary differences	9b	**(7)**	8
Changes in tax rates or tax laws		**-**	(1)
Total deferred tax		**(7)**	7
Total tax (credited)/charged to income statement		**(5)**	7

Notes to financial statements (continued)

(b) Tax reconciliation

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

		2018 **£'000**	2017 £'000
Total profit/(loss) before tax		**(385)**	42
Tax calculated at standard UK corporation tax rate of 19.00% *(2017: 19.25%)*		**(73)**	8
Adjustment to tax charge / (credit) in respect of prior years		**2**	-
Non-taxable income		**(9)**	-
Impact of change in rate of tax		**-**	(1)
Movement in unrecognised deferred tax		**75**	-
Total tax (credited)/charged for the year	4a	**(5)**	7

Finance Act 2016, which received Royal Assent on 15 September 2016, will reduce the corporation tax rate further to 17% from 1 April 2020. The reduction in rate has had no impact on the Company's deferred tax assets or liabilities (2017: £1,000 decrease in the current year tax charge).

5. Fair value methodology

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

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 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.

Notes to financial statements (continued)

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 certain 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 2018 annual report and financial statements.

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

All financial instruments are carried at fair value with the exception of the following assets and liabilities approximate to their carrying amounts:

- Receivables and payables

(d) Fair value hierarchy

An analysis of financial assets and liabilities according to fair value hierarchy is given below:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2018 Total £'000
Financial assets				
Investments	5,002	-	-	5,002
Total	5,002	-	-	5,002

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2017 Total £'000
Financial assets				
Investments	3,618	-	-	3,618
Total	3,618	-	-	3,618

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during 2018 or 2017.

Notes to financial statements (continued)

6. Financial investments

	2018 £'000	2017 £'000
Carrying amount at 1 January	**3,618**	-
Additions	**1,816**	3,589
Sold/matured	**(47)**	(13)
Fair value movements	**(385)**	42
Carrying amount at 31 December	**5,002**	3,618

7. Ordinary share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**8,000**	5,000
	8,000	5,000

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.

8. Retained earnings

	2018 £'000	2017 £'000
Balance at 1 January	**35**	-
(Loss)/profit for the year	**(380)**	35
Balance at 31 December	**(345)**	35

9. Tax assets and liabilities

(a) Deferred tax

(i) The balance at 31 December comprises:

	2018 £'000	2017 £'000
Unrealised gains on investments	**-**	7
Net deferred tax (asset)/liability	**-**	7

Notes to financial statements (continued)

(ii) The movement in the net deferred tax liability was as follows:

		2018 £'000	2017 £'000
Net liability at 1 January		**7**	-
Amounts (credited)/charged to profit	4a	**(7)**	7
Net (asset)/liability at 31 December		**-**	7

No deferred tax asset has been recognised in respect of losses on revaluation of investments of £388,000 *(2017: £nil)*, which will crystallise capital losses on realisation, due to uncertainty over the timing of the realisation, and the availability of taxable capital gains to offset the capital losses against.

10. Receivables

	2018 £'000	2017 £'000
Amounts owed by group undertakings	**2,724**	1,424

Of the above total, £nil *(2017: £nil)* is expected to be received more than one year after the statement of financial position date.

11. Payables and other financial liabilities

	2018 £'000	2017 £'000
Payables to intergroup		
Payables arising out of investment operations	**71**	-

Of the above total, £nil *(2017: £nil)* is expected to be paid more than one year after the statement of financial position date.
All payables and other financial liabilities are carried at cost, which approximates to fair value.

12. Notes to statement of cash flow

The reconciliation of profit before tax to the net cash inflow from operating activities is:

	Note	2018 £'000	2017 £'000
(Loss)/profit before tax		**(385)**	42
Adjustments for:			
Fair value movement		**385**	(42)
		385	(42)
Changes in working capital:			
(Increase)/decrease in receivables		**(1,302)**	(1,424)
Increase/(decrease) in payables		**71**	-
Investments purchased		**(1,816)**	(3,589)
Investments sold/matured		**47**	13
		(3,000)	(5,000)
Total cash generated from/used in operating activities		**(3,000)**	(5,000)

There were no cash and cash equivalents held at 31 December 2018 *(2017: £nil)*.

Notes to financial statements (continued)

13. Capital

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 manages total equity of £7,655,000 *(2017: £5,035,000)* as capital.

The Company is not subject to any externally imposed capital requirements.

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

14. Risk management

The Company operates within the UK Life 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 UK Life 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 UK Life's risk policies, risks are usually grouped by risk type: credit, market, liquidity, life insurance (including long-term health), 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.

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

A regular top-down key risk identification and assessment process is carried out by the risk function. This includes the consideration of emerging risks and is supported by deeper thematic reviews. The risk assessment processes are used to generate risk reports which are shared with the relevant 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. UK Life carries out a range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged.

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

UK Life's position against risk appetite is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise value. The oversight of risk and risk management is supported by the Asset Liability Committee ("ALCO"), which focuses on insurance and financial risks, and the Operational Risk Committee ("ORC"), which focuses on operational and reputational risks.

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

Notes to financial statements (continued)

(a) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, inflation, 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.

(b) Credit risk

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

The nature of the Company's business means that it is not exposed to significant credit risk. This is because its receivables are entirely intercompany balances. A significant amount of business relates to the Aviva Group of companies and exposure is managed through regular and timely payments. At the balance sheet date there are no material financial assets subject to credit risk that are past due or impaired.

As at the reporting date, no lifetime expected credit losses have been recognised in relation to receivables.

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.

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, for financial investments of the company at 31 December 2018 and 2017. Financial investments held are not rated.

		2018
	Not rated	**Total**
	£'000	**£'000**
Unit trusts	**5,002**	**5,002**

		2017
	Not rated	Total
	£'000	£'000
Unit trusts	3,618	3,618

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure.

(c) Liquidity risk

The nature of the business means that the Company is not exposed to significant liquidity risk. ALCO seeks to determine that the Company has sufficient financial resources to meet its obligations as they fall due.

The Company has no liabilities with a contractual maturity date and as such no analysis of liabilities based on the remaining period at the statement of financial position date to their contractual maturity is supplied.

(d) Sensitivity analysis and capital management

No profit sensitivity analysis has been provided as there is a negligible impact on profit and shareholders' equity of reasonably possible changes in market risk variables.

Notes to financial statements (continued)

15. Related party transactions

The Company has the following transactions with related parties which include parent companies and subsidiaries, in the normal course of business.
The members of the Board of Directors are listed on page 3 of these financial statements. There are no amounts receivable from or payments due to members of the Board of Directors.

(a) Amounts receivable from related parties

	2018 £'000	2017 £'000
Fellow subsidiaries	**2,724**	1,424

The related party receivables are not secured, and no guarantees were received in respect thereof. No provision or expense has been recognised during the year in respect of bad and doubtful debts *(2017: £nil)*.

(b) Key management compensation

There are no amounts receivable from or payments due to members of the Board of Directors.

(c) Parent entity

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

(d) Ultimate controlling entity

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