Equity Release Holdings Limited

Registered in England and Wales No. 4056288

Annual Report and Financial Statements 2020

Contents

Directors and officer

Directors

D Wynne
I Kyriakopoulos
Wilmington Trust SP Services (London) Limited

Officer – Company Secretary

Wilmington Trust SP Services (London) Limited

Independent Auditors

PricewaterhouseCoopers LLP
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Registered office

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London
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Company number

Registered in England and Wales no. 4056288

Strategic report

The directors present their strategic report for the Equity Release Holdings Limited (the Company) and its subsidiary holdings (the Group) for the year ended 31 December 2020.

Review of the Company's business

Principal activities

The Company is an investment holding company, which invests in companies established for the purpose of acquiring lifetime mortgage loans funded by the issue of loan notes.

During the term of these transactions, any amounts realised from the mortgage portfolio in excess of that due to the providers of the funding, less any related administrative costs and the Group's entitlement to 0.01% of interest accruing on the mortgages, will be payable to the originator, Aviva Equity Release UK Limited (UKER), a wholly owned subsidiary of Aviva Life & Pensions UK Limited (ultimate controlling entity Aviva plc), in the form of deferred consideration. Any cash shortfalls will be met in the first instance out of this deferred consideration and ultimately, should shortfalls continue, will be borne by the noteholders.

Significant events

There were no significant events in the year.

Financial position and performance

The financial position of the Group at 31 December 2020 is shown in the consolidated statement of financial position on page 16, with the trading results shown in the consolidated income statement on page 15 and the consolidated statement of cash flows on page 19.

Income for the year is £66.3m (*2019: £72.2m*) and profit before tax is £6,000 (*2019: £7,000*).

Shareholders' equity has increased by £3,000 (*2019: increase of £4,000*), reflecting the profit for the year.

Section s.172(1) Statement

As an investment holding company the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

With reference to subsection (a) concerning the likely consequences of any decision in the long term: the Transaction Documents have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and in accordance with relevant securitisation legislation.

The Company is only permitted to retain minimal profit.

The matters set out in subsections (b)–(f) have limited or no relevance to the Company and therefore they are not strategically important.

Future outlook

The directors consider that the Group's principal activities will continue unchanged for the foreseeable future.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Group and the Group's risk management policies are set out in note 19 to the financial statements.

Risk factors beyond the Group'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, equity prices and property prices. Market risk arises within the Group due to fluctuations in the value of lifetime mortgage assets relative to the value of the property on which they are secured.
- 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.
- Liquidity risk, the risk that cashflows from mortgages differ from expected cash flows, due to changes in mortality and prepayment rates, liabilities cannot be met in a timely and cost-effective manner as they fall due.

Strategic report (continued)

- Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or from external events.

The Group uses a number of metrics to identify, measure, manage, monitor and report risks and a fuller explanation of these risks other than operational risk may be found in note 19 to the financial statements. .

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The prolonged spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Group operates and the global economy more widely, as well as causing increased volatility and declines in financial markets.

The Group continues to maintain healthy liquidity including the availability of liquidity facilities and expects to meet its cash requirements in the foreseeable future. Since the onset of the pandemic the Group has remained operational, with key activities provided by UKER such as cash payments and transaction processing being maintained and IT systems operational.

Key performance indicators

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

Measure	**2020** **£000**	2019 £000
Financial Performance Metrics		
Income for the year	**66,337**	72,236
Expense in the year	**(66,331)**	(72,229)
Profit after tax for the year	**3**	4
Net movement in deferred consideration for the year	**13,834**	12,998

By order of the Board on 20th September 2021.

Ioannis Kyriakopoulos
Director

Directors' report

The directors submit their annual report and the audited consolidated financial statements for Equity Release Holdings Limited (the Company) and its subsidiary holdings (the Group) for the year ended 31 December 2020.

Directors

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

Company Secretary

The Company Secretary is Wilmington Trust SP Services (London) Limited.

Dividends

The directors do not recommend the payment of a dividend for the year *(2019: £nil).*

Going concern

The Group'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 Group's borrowings (note 15); its capital structure (note 18); management of its risks including market, credit and liquidity risk (note 19); and derivative financial instruments (note 20).

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 Group are discussed in the strategic report on page 4.

Financial instruments

The Group uses financial instruments to manage certain types of risks, including to those relating to credit, cash flow, liquidity and interest rates. Details of the objectives and management of these instruments are contained in note 19 on risk management.

Employees

The Group has no employees. The majority of employees engaged in the activities of the Group are employed by a subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of Aviva Employment Services Limited. The Group 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, are unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PricewaterhouseCoopers LLP are aware of that information.

Independent auditors

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

Directors' indemnity arrangements

At no time during the year did any director hold a material interest in any contract of significance with the Group or any of its subsidiary undertakings other than a third-party indemnity provision between each director and the Company.

Corporate governance

The Company's ultimate controlling party is Aviva Plc. The directors of Aviva Group companies are committed to high standards of Corporate Governance and support, but do not fully implement, The UK Corporate Governance Code (September 2012) ('the Corporate Governance Code'). The Aviva Group's Corporate Governance manual is available on the Aviva Group website at www.aviva.com. Due to the nature of the securities which have been issued by the Group on the London Stock Exchange, the

Directors' report (continued)

Directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the disclosure requirements of the UK Corporate Governance Code.

A Group Reporting Manual, including International Financial Reporting Standards (IFRS), has been defined and rolled out across the Aviva Group. A Financial Reporting Control Framework (FRCF) is in place across the Aviva Group. FRCF relates to the preparation of reliable financial reporting and preparation of local financial statements in accordance with IFRS.

The FRCF process follows a risk-based approach, with management identification, assessment (documentation and testing), remediation as required, reporting and certification over key financial reporting related controls. Management quality assurance procedures over the application of the FRCF process are signed off by the business unit and regional Chief Executives and Chief Financial Officers.

Given the nature of the operations the board of directors has been designated as the appropriate body to meet the requirements as set out in the Disclosure Guidance and Transparency Rules (DTR 7.1.3) and has fulfilled its responsibilities during the year in all aspects.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates thar 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 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

Directors' confirmations

Each of the directors, whose names and functions are listed in the Directors and Officer report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board on 20th September 2021.

Ioannis Kyriakopoulos
Director

Independent auditors' report to the members of Equity Release Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Equity Release Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2020; the consolidated income statement, the consolidated and company statement of changes in equity and the consolidated and company statement of cash flows for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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 group's and the company's ability to continue as a going concern.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Equity Release Holdings Limited (continued)

In light of the knowledge and understanding of the group and company and their 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 in respect of the financial statements, 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 group's and 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 group or 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.

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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquired of management and those charged with governance around actual and potential litigation claims;
- Enquired of management and those charged with governance to identify any instances of non-compliance with laws and regulations;
- Reviewed minutes of those charged with governance;
- Reading key correspondence in relation to compliance with laws and regulations;
- Reviewed financial statement disclosures and testing to support documentation to assess compliance with applicable laws and regulations; and
- Performed testing over the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and testing accounting estimates (because of the risk of management bias).

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

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

Use of this report

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

Independent auditors' report to the members of Equity Release Holdings Limited (continued)

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 September 2021

Accounting policies (continued)

The Company, a limited company, which is incorporated and domiciled in the United Kingdom (UK), is an investment holding company, which invests in companies established for the purpose of acquiring mortgage portfolios funded by the issue of loan notes.

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

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the legal requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for mortgage loans and those financial instruments and financial liabilities (including derivative investments) at fair value through profit and loss.

The financial statements have been prepared on the going concern basis as explained in the Directors' report on page 6.

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

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The Company has elected not to present a Company Profit & Loss Account in accordance with the exemption under section 408 of the Companies Act 2006.

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

The following new standards, amendments to existing standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations have been issued and endorsed by the EU, are effective from 1 January 2020 or earlier, and do not have a significant impact on the Group's financial statements:

(i) *Amendments to Reference to the Conceptual Framework in IFRS Standards (published by the IASB in March 2018).*

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

(iii) *Amendments to IAS 1 and IAS 8: Definition of material (published by the IASB in October 2018).*

(iv) *Interest Rate Benchmark reform: Amendments to IFRS 9, IASB 39 and IFRS 7 (published by the IASB in October 2019).*

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

The following new standards and amendments to existing standards have been issued, are not yet effective for the Company and are not expected to have a significant impact on the Group's financial statements:

(i) IFRS 17, Insurance Contracts

In May 2017 the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 which was issued in 2005 and applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. 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. This has no impact on the Group as the amendments to IFRS 17 allow the Group to measure the equity release mortgages as financial instruments under IFRS 9.

On adoption IFRS 17 will significantly impact the measurement and presentation of the contracts in scope of the standard. Following amendments to the standard published in June 2020, it is now expected that the standard will apply to annual reporting periods beginning on or after 1 January 2023. The final standard remains subject to endorsement. Following departure from the EU and the end of the transition period in December 2020 the Company will be subject to IFRS as endorsed by the UK. The UK endorsement process has commenced and we expect it to complete in time for the 1 January 2023 effective date.

(ii) Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39 and IFRS 16

Published by the IASB in August 2020. The amendments are effective for annual reporting beginning on or after 1 January 2021 and have been endorsed by the EU.

Accounting policies (continued)

(iii) Definition of Accounting Estimates: Amendments to IAS 8

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have not yet been endorsed by the EU.

(B) Critical accounting estimates and judgements

The preparation of the Group's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. The only area of key judgement is recognition of the lifetime mortgages in the books of the Group. Major areas of estimation on policy application are summarised below:

(i) Fair value of loan assets (set out in policy I and note 9)
(ii) Fair value of borrowings (set out in policy N and note 15)
(iii) Fair value of derivative financial instruments (set out in policy H and note 20)

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 list below sets out those items we consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy:

(iv) Loans (set out in policy I and note 9)
(v) Deferred consideration (set out in policy L and note 16)
(vi) Borrowings (set out in policy N and note 15)

The sensitivity of fair value of these items to significant unobservable inputs is disclosed in note 8.

(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 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 not 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 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.

(D) Subsidiaries

Subsidiaries are stated at fair value, which is based on net asset value. Net asset value is estimated using applicable valuation models (set out in policy C and note 7).

(E) Interest and similar income

Interest and similar income consists of interest receivable for the year. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Interest on lifetime mortgages is accrued and payment of interest is not received until the mortgage is redeemed.

(F) Fee and commission expense

Fee and commission expense consists primarily of fees payable to the originator, UKER, for administration of the mortgage and loan note portfolios, which are recognised on an accruals basis.

(G) Financial instruments

The Group classifies the lifetime mortgages, the associated liabilities and derivative financial instruments at fair value, since they are managed as a portfolio on a fair value basis. Presentation at fair value provides more relevant information and ensures that any accounting mismatch is minimised.

Under IFRS 9, financial assets within this portfolio are classified as mandatorily held at fair value through profit or loss (FVTPL), based on a business model assessment. Derivative financial instruments and borrowings backed by mortgages are also classified as mandatorily held at FVTPL. Changes in the fair value of these instruments are included in the income statement in the period in which

Accounting policies (continued)

they arise. To avoid an accounting mismatch all gains or losses on financial liabilities designated at FVTPL are presented in profit or loss, including the amount of the change in fair value that is attributable to changes in the credit risk of that liability.

Instruments carried at fair value are measured using a fair value hierarchy, described in note 8.

(H) Derivative financial instruments

Derivative financial instruments include interest rate swaps, interest rate options and an inflation rate swap. All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost. They are subsequently re-measured at their fair value. The fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset in the statement of financial position at the date of purchase, representing their fair value at that date.

All of the Group's derivative contracts are over-the-counter (OTC). OTC derivative contracts are individually negotiated between contracting parties and include options, swaps, caps and floors. 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 (ISDA) master agreements or their equivalent, which are designed to provide legally enforceable set-off in the event of default, reducing the Group's exposure to credit risk.

The Group has collateral agreements in place between relevant counterparties. Accounting policy J below covers collateral, both received and pledged, in respect of these derivatives.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the statement of financial position as they do not represent the fair value of these transactions. These amounts are disclosed in note 20.

Swaps

Swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate or inflation basis on a specified notional amount. All swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments. Exposure to gain or loss on swap contracts will increase or decrease over their respective lives as a function of maturity dates, interest rates, and the timing of payments.

Options

Options, which consist primarily of caps and floors, are interest rate protection instruments that involve the 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 gain or loss on all interest rate options contracts will increase or decrease over their respective lives as a function of maturity dates, interest rates, and the timing of payments.

(I) Loans

Under IFRS 9, where a seller transfers substantially all the risks and rewards of ownership of the financial assets, the transaction is accounted for as a sale transaction with the assets recognised in the books of the Group. The Directors of the Group concluded that UKER transferred substantially all risks and rewards of the equity release mortgages at the point of sale and the Group recognised the equity release mortgages on its balance sheet.

Lifetime mortgages are designated at fair value through profit and loss, since they are managed as a portfolio on a fair value basis. Presentation at fair value provides more relevant information and ensures that any accounting mismatch is eliminated. The fair values are estimated using discounted cash flow models, as described in note 8. They are revalued at each period end, with movements in their fair values being taken to the income statement.

Certain loans include indemnified guarantees on losses that the Group may suffer due to negative equity shortfalls on the equity release mortgages.

(J) Collateral

The Group receives collateral in the form of cash or non-cash assets in respect of certain derivative contracts and loans, in order to reduce the credit risk of these transactions.

Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the statement of financial position with a corresponding liability for the repayment.

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.

Accounting policies (continued)

(K) Statement of cash flows

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held on 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.

(L) Deferred consideration

During the term of the securitisation transaction, any amounts realised from the mortgage portfolio in excess of that due to the providers of the funding, less any related administrative costs and the Group's entitlement to 0.01% of interest accruing on the mortgages, will be payable on the maturity of the fund to the originator, UKER in the form of deferred consideration. Any cash shortfalls will be met in the first instance out of this deferred consideration and ultimately, should shortfalls continue, will be borne by the noteholders.

Where the cumulative income of the Group exceeds the expenditure, the gains are recorded in the statement of financial position within liabilities as deferred consideration.

(M) Income taxes

Taxation comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or other comprehensive income.

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including 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.

(N) Borrowings

Borrowings backed by mortgages are designated at fair value through profit and loss as presentation at fair value provides more relevant information and ensures that any accounting mismatch is minimised. The fair values are estimated using discounted cash flow models, as described in note 8.

All borrowing costs are expensed as they are incurred.

(O) Share capital

Equity instruments

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

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

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

(P) Receivables, payables and other financial liabilities

All other receivables and financial liabilities are initially recognised at cost, being 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 to fair value.

Payables mainly comprise derivatives, for which the accounting policy is described in policy H.

(Q) Fee and commission income

Fee and commission income consists primarily of administration fees and early redemption fees. These fees are recognised as revenue in the period in which they are collected.

(R) Other operating income

Other operating income consists of reinsurance rebates which are recognised on an accruals basis.

Consolidated income statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Income			
Interest and similar income	E & 1	**67,367**	71,360
Unrealised losses on financial instruments	G & 1	**(3,631)**	(2,352)
Fee and commission income	Q & 1	**2,370**	2,930
Other operating income	R & 1	**231**	298
		66,337	72,236
Expenses			
Fee and commission expense	F & 2	**(3,577)**	(3,336)
Other operating expenses	2	**(15,587)**	(21,353)
Finance costs	2	**(47,167)**	(47,540)
		(66,331)	(72,229)
Profit before tax		**6**	7
Tax expense	M & 6	**(3)**	(3)
Profit for the year		**3**	4

The Group has no other comprehensive income.

The accounting policies (identified alphabetically) and notes (identified numerically) are an integral part of these financial statements.

Consolidated statement of financial position
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Loans	G, I & 9	**1,249,365**	1,287,935
Receivables	P & 10	**319**	134
Prepayments and accrued income		**2**	56
Cash at bank and in hand	K & 17(b)	**107,056**	98,020
Total assets		**1,356,742**	1,386,145
Equity			
Ordinary share capital	O & 11	**-**	-
Retained earnings	12	**97**	94
Total equity		**97**	94
Liabilities			
Deferred consideration	L & 16	**334,821**	320,987
Borrowings	N & 15	**982,968**	1,031,369
Payables and other financial liabilities	G, H, P & 14	**38,853**	33,692
Current tax liabilities	M & 13	**3**	3
Total liabilities		**1,356,645**	1,386,051
Total equity and liabilities		**1,356,742**	1,386,145

The accounting policies (identified alphabetically) and notes (identified numerically) are an integral part of these financial statements.

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

Ioannis Kyriakopoulos
Director

Company statement of financial position
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Investment in subsidiaries	D & 7	**136**	133
Total assets		**136**	133
Equity			
Ordinary share capital	O & 11	**-**	-
Retained earnings	12	**97**	94
Total equity		**97**	94
Liabilities			
Borrowings	N & 15	**39**	39
Total liabilities		**39**	39
Total equity and liabilities		**136**	133

Profit for the year for the Company is £3,000 (*2019: £4,000*).

The accounting policies (identified alphabetically) and notes (identified numerically) are an integral part of these financial statements.

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

Ioannis Kyriakopoulos
Director

Consolidated and company statement of changes in equity
For the year ended 31 December 2020

			2020
	Ordinary Share Capital £'000	**Retained earnings £'000**	**Total equity £'000**
Opening balance at 1 January 2020	-	94	94
Profit for the year	-	3	3
Balance at 31 December 2020	-	97	97

			2019
	Ordinary Share Capital £'000	Retained earnings £'000	Total equity £'000
Opening balance at 1 January 2019	-	90	90
Profit for the year	-	4	4
Balance at 31 December 2019	-	94	94

Profit for the Group is £3,000 (*2019: £4,000*). Profit for the Company is £3,000 (*2019: £4,000*).

The accounting policies (identified alphabetically) and notes (identified numerically) are an integral part of these financial statements.

Consolidated and company statement of cash flows
For the year ended 31 December 2020

The cash flows presented in this statement cover all the Group's activities.

	Note	2020	2019
		£'000	£'000
Cash flows from operating activities			
Cash generated from operating activities	17(a)	**33,878**	34,522
Tax paid		**(3)**	(3)
Total net cash generated from operating activities		**33,875**	34,519
Cash flows from financing activities			
Repayment of borrowings		**(24,839)**	(24,839)
Total net cash used in financing activities		**(24,839)**	(24,839)
Total net increase / (decrease) in cash and cash equivalents		**9,036**	9,680
Cash and cash equivalents at 1 January		**98,020**	88,340
Cash and cash equivalents at 31 December	17(b)	**107,056**	98,020

Cash flows for the Company are £nil for the year (*2019: £nil*).

The accounting policies (identified alphabetically) and notes (identified numerically) are an integral part of these financial statements.

Notes to the financial statements

1. Details of income

	2020 £'000	2019 £'000
The Group		
Interest and similar income	**67,367**	71,360
Financial instruments		
Unrealised losses on derivative contracts	**(5,713)**	(4,369)
Unrealised (losses) / gains on mortgage loans	**(9,011)**	11,407
Unrealised gains / (losses) on borrowings	**11,093**	(9,390)
	(3,631)	(2,352)
Fee and commission income	**2,370**	2,930
Other operating income		
Reinsurance rebates	**231**	298
Total income	**66,337**	72,236

All revenue from external customers is derived from interest income received on mortgage loans. All revenue and non-current assets are attributable to the United Kingdom and are attributable to one segment only. The Group has no reliance on major customers as all mortgages are granted on individual personal property.

2. Details of expenses

	2020 £'000	2019 £'000
The Group		
Fee and commission expense	**3,577**	3,336
Other operating expenses		
Increase / (decrease) in deferred consideration	**14,434**	20,598
Losses due to negative equity	**1,021**	639
Audit fees	**132**	116
	15,587	21,353
Finance costs		
Interest expense		
Securitised mortgage loan notes	**42,895**	44,012
Financial liabilities held at amortised cost	**1,636**	998
Liquidity facility	**815**	815
Other	**1,821**	1,715
	47,167	47,540
Total expenses	**66,331**	72,229

Notes to the financial statements (continued)

3. Employee information

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

4. Directors' remuneration

Wilmington Trust SP Services (London) Limited received fees of £44,955 *(2019: £44,761)* including VAT during the year to 31 December 2020, in respect of structuring and management services.

5. Auditors' remuneration

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

	2020 £'000	2019 £'000
Fees payable to PricewaterhouseCoopers LLP for the statutory audit of the Company and consolidated financial statements	**3**	-
Fees payable to PricewaterhouseCoopers LLP for the statutory audit of the financial statements of the Company's subsidiaries	**129**	116
	132	116

Fees paid to PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Group are not disclosed in these financial statements since the consolidated financial statements of the Group's ultimate controlling entity, Aviva plc (see note 22), are required to disclose other (non-audit) services on a consolidated basis.

Audit fees are payable by Aviva Central Services UK Limited, a fellow Aviva Group company, and recharged as appropriate to the Company and fellow Group companies. No non-audit services were provided during the year by PricewaterhouseCoopers LLP.

6. Tax expense

(a) Tax charge to the income statement

The total tax charge comprises:

	2020 £'000	2019 £'000
The Group		
Current tax		
For this year	**3**	3
Total tax charged to the income statement	**3**	3

Notes to the financial statements (continued)

(b) Tax reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the United Kingdom as follows:

	2020 £'000	2019 £'000
The Group		
Profit before tax	**6**	7
Tax calculated at standard UK corporation tax rate of 19% *(2019: 19%)*	**1**	1
Disallowable expenses	**2**	2
Tax charged for the year	**3**	3

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19%.

In the Budget of 3 March 2021, the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted.

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

7. Investment in subsidiaries

	2020 £'000	2019 £'000
The Company		
Opening balance at 1 January	**133**	129
Fair value gains	**3**	4
Balance at 31 December	**136**	133

The Company's subsidiaries, which are wholly owned and incorporated in England, are shown below:

Company	Principal Activity
Equity Release Funding (No.1) Plc (ERF1)	Investment in lifetime mortgages
Equity Release Funding (No.2) Plc (ERF2)	Investment in lifetime mortgages
Equity Release Funding (No.3) Plc (ERF3)	Investment in lifetime mortgages

The registered office of all subsidiary undertakings is: c/o Wilmington Trust Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

The investments represent 2 fully paid ordinary shares and 49,998 partly paid at 25p ordinary shares in ERF1, and 1 fully paid ordinary share and 49,998 partly paid at 25p ordinary shares in ERF2 and ERF3. These shares are held at their fair value which approximates to the net asset value in the financial statements.

8. 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 Group can access at the measurement date.

Notes to the financial statements (continued)

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

- where the counterparty 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 counterparty prices, or the observability of inputs used by counterparty 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 Group considers that market participants would use in pricing the asset or liability. Examples are lifetime mortgage loans and the associated borrowings backing these loans.

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

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

		2020		2019
	Fair value	**Carrying amount**	Fair value	Carrying amount
	£'000	**£'000**	£'000	£'000
The Group and the Company				
Financial liabilities				
Borrowings carried at amortised cost	**39**	**39**	39	39

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

- Receivables.
- Cash and cash equivalents.
- Payables and other financial liabilities (excluding derivative liabilities).
- Current tax liabilities.

Notes to the financial statements (continued)

(c) Fair value hierarchy

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

	Level 2	Level 3	2020 Total
	£'000	**£'000**	**£'000**
The Group			
Recurring fair value measurements			
Loans	**-**	**1,249,365**	**1,249,365**
Financial liabilities			
Borrowings	**-**	**(982,929)**	**(982,929)**
Derivative liabilities	**(31,189)**	**-**	**(31,189)**
Total	**(31,189)**	**(982,929)**	**(1,014,118)**

	Level 2	Level 3	2019 Total
	£'000	£'000	£'000
The Group			
Recurring fair value measurements			
Loans	-	1,287,935	1,287,935
Financial liabilities			
Borrowings	-	(1,031,330)	(1,031,330)
Derivative liabilities	(25,475)	-	(25,475)
Total	(25,475)	(1,031,330)	(1,056,805)

(d) Assets and liabilities for which fair value is disclosed

The table below shows the fair values and the level in which they are categorised in the fair value hierarchy of assets and liabilities that are not carried at fair value but for which fair value is disclosed in the notes.

	Level 3	
	2020	2019
	£'000	£'000
The Group		
Borrowings measured at amortised cost	**39**	39

(e) Transfers between levels of the fair value hierarchy

There were no transfers during 2020. For financial instruments that are recognised at fair value on a recurring basis, the Group 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.

Notes to the financial statements (continued)

(f) Further information on Level 3 financial instruments

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

	2020 Loans £'000	2020 Borrowings £'000	2019 Loans £'000	2019 Borrowings £'000
The Group				
Opening balance at 1 January	**1,287,935**	**(1,031,330)**	1,303,429	(1,055,263)
Accrued interest	**67,045**	**(42,895)**	70,757	(44,688)
(Redemptions) / Repayments	**(96,604)**	**80,203**	(97,658)	78,011
Total net (losses) / gains recognised in the income statement	**(9,011)**	**11,093**	11,407	(9,390)
Balance at 31 December	**1,249,365**	**(982,929)**	1,287,935	(1,031,330)

The Group assesses the fair value hierarchy of its financial investments annually at 31 December. Transfers between fair value hierarchy levels are deemed to have occurred at the assessment date.

The net result recognised in the income statement during the year for Level 3 assets and liabilities was a gain of £2.1m (*2019: gain of £2.0m*).

Lifetime mortgage loans amounting to £1,249.4m (*2019: £1,287.9m*), securitised mortgage loan notes amounting to £955.3m (*2019: £1,003.8m*) and subordinated debt amounting to £27.6m (*2019: £27.*5m) are classified as Level 3 and valued using a discounted cash flow model.

Cash flows are adjusted for credit risk and discounted using a yield curve and global assumptions for the liquidity premium. The model derives a best estimate view on property growth and explicitly calculates the additional return that would be demanded by investors due to uncertainties in the asset cash flows. The assets and liabilities have been classified as Level 3 as assumptions used to derive the property growth rates, mortality and morbidity assumptions, cost of capital, liquidity premium and credit risk are not deemed to be market observable. The primary inputs to the model are:

- A liquidity premium added to the risk-free discount rate to reflect the illiquidity of the equity release mortgage portfolio. The liquidity premium has ranged between 170bps to 195bps (*2019: 160bps to 210bps*).

- Property growth rates which are based on real world assumptions of the house price growth rate and which average RPI + 0.75% (*2019: RPI + 0.75%*). These equate to a long-term growth rate of 4.0% pa (*2019: 4.2%*). In addition, as 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, the model also makes allowances for a cost of capital charge to reflect the variability in future cash flows and a dilapidation charge to reflect potential index under performance of properties backing equity release mortgages when compared to the wider property market. After inclusion of these allowances, the net long-term growth rate equates to 0.6% pa (*2019: 0.6% pa*).

Mortgage loan assumptions for future property prices and rental income also include an allowance for the possible adverse impact of the decision for the UK to leave the European Union.

The table below shows the sensitivity of the fair value of Level 3 investments at 31 December 2020 to changes in unobservable inputs to a reasonable alternative:

Notes to the financial statements (continued)

	Fair value £m	Most significant unobservable inputs	2020 Change in fair value Positive impact £m	Negative impact £m
The Group				
Lifetime mortgage loans	1,249.4	Credit spreads – 50 bps	50.4	(47.4)
		Current property market values – 10%	12.6	(15.0)
		Base property growth rate – 10%	5.2	(5.9)
Securitised mortgage loan notes	955.3	Credit spreads – 50 bps	24.3	(25.4)
Subordinated debt	27.6	Credit spreads – 50 bps	1.7	(1.9)

An increase in credit spreads used in the discounted cash flow model for lifetime mortgage loans will decrease the fair value of the assets. An increase in credit spreads used in the discounted cash flow model for securitised mortgage loan notes will decrease the fair value of the liabilities. Fair value movements in assets and liabilities arising from change in credit spread will largely offset.

Changes in unobservable inputs to reasonable alternatives for other assumptions (e.g. mortality and morbidity) will produce smaller changes in fair value which will also largely offset.

9. Loans

(a) Carrying amounts

The carrying amounts of loans at 31 December 2020 and 2019 were as follows:

	At fair value through profit or loss other than trading 2020 £'000	2019 £'000
The Group		
Lifetime mortgage loans (gross of indemnified guarantees)	**1,189,603**	1,222,315
Fair value of indemnified guarantees	**59,762**	65,620
Lifetime mortgage loans	**1,249,365**	1,287,935

	2020 £'000	2019 £'000
The Group		
Expected to be recovered in less than one year	**64,901**	98,492
Expected to be recovered in more than one year	**1,184,464**	1,189,443
	1,249,365	1,287,935

The majority of the loans are lifetime mortgages which by their nature do not have any contractual maturity and significant levels of early redemption are not anticipated.

Loans at fair value

On 30 March 2001 and 11 June 2002, the Group purchased £214m and £276m respectively of mortgage assets at market value from UKER. These assets are a portfolio of UK lifetime fixed rate residential mortgages, wholly secured on properties in the UK. On 27 June 2003, the Group purchased £404m of mortgage assets at market value from UKER. These assets are a portfolio of UK lifetime fixed rate and index linked residential mortgages, wholly secured on properties in the UK. In order to fund the purchase of these mortgage assets, the Group issued a series of mortgage backed notes. Under the terms of this arrangement, the rights of the providers of the finance for this transaction are limited to the mortgage assets purchased and any related income generated by the portfolio, and are without recourse to UKER.

Notes to the financial statements (continued)

UKER is not obliged to support any losses which may arise in respect of the mortgage assets. During the term of this transaction, any amounts realised from the mortgage portfolio in excess of that due to the providers of the funding, less any related administrative costs, will be payable to UKER in the form of deferred consideration. UKER administers the mortgage portfolio.

The change in fair value of mortgage loans during the year attributable to a change in credit risk was a gain of £13.3m *(2019: loss of £5.4m)*. The cumulative change attributable to changes in credit risk to 31 December 2020 was a loss of £88.0m *(2019: loss of £101.4m)*. The amount has been determined as the amount that is not attributable to changes in market conditions that give rise to market risk. Further details of the fair value methodology are given in note 8.

(b) Collateral

The Group holds collateral in respect of all loans, in order to reduce the risk of non-recovery. This collateral generally takes the form of liens or charges over properties. As security for the lifetime mortgage and any other money owing from the customer, the property is charged to the Group by way of a legal mortgage with full title guarantee.

10. Receivables

	2020	2019
	£'000	£'000
The Group		
Amounts due from related parties	**-**	134
Other receivables	**319**	-
Total at 31 December	**319**	134

Of the above total £nil *(2019: £nil)* is expected to be recovered more than one year after the statement of financial position date.

11. Ordinary share capital

	2020	2019
	£	£
Allotted, called up and fully paid share capital of the Company		
2 *(2019: 2)* ordinary shares of £1 each	**2**	2

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.

12. Retained earnings

	2020	2019
	£'000	£'000
The Group and Company		
Balance at 1 January	**94**	90
Profit for the year	**3**	4
Balance at 31 December	**97**	94

13. Current tax liabilities

The Group's current tax liability is £3,000 (*2019: £3,000*). The Group has no tax liabilities payable in more than one year *(2019: £nil)*.

Notes to the financial statements (continued)

14. Payables and other financial liabilities

	Note	2020 £'000	2019 £'000
The Group			
Derivative financial liabilities	8(c) & 20	**31,189**	25,475
Amounts due to UKER		**6,618**	5,934
Other financial liabilities		**1,046**	2,283
Total at 31 December		**38,853**	33,692

Of the above total £25.8m (*2019: £22.1m*) is expected to be paid more than one year after the statement of financial position date.

15. Borrowings

(a) Carrying amount

	2020 £'000	2019 £'000
The Group		
Securitised mortgage loan notes	**955,322**	1,003,836
Subordinated debt	**27,607**	27,494
Other loans	**39**	39
Total at 31 December	**982,968**	1,031,369
Expected to be settled within one year	**95,286**	80,199
Expected to be settled in more than one year	**887,682**	951,170
	982,968	1,031,369

The carrying amount of the above borrowings that are stated at amortised cost is £0.04m (*2019: £0.04m*).

The change in fair value of mortgage loan notes during the year attributable to a change in credit risk was a gain of £1.5m (*2019 restated*[1]*: loss of £17.6m*). The cumulative change attributable to changes in credit risk to 31 December 2020 was a gain of £62.3m (*2019 restated*[1]*: gain of £60.8m*). The amount has been determined as the amount that is not attributable to changes in market conditions that give rise to market risk. The above liabilities stated at fair value have been calculated in a consistent manner with the assets stated at fair value. Further details of the fair value methodology are included in note 8.

[1] *2019 comparator figures have been restated from a gain of £9.9m and a loss of £38.3m respectively, following identification of an error in the consolidation process.*

The Group is required to make principal and interest payments to loan note holders in accordance with the waterfall prescribed in the transaction documents. Further, the transaction documents include triggers and trigger events, the breach or occurrence of which may affect the waterfall and therefore the financial statements. There were no triggers or breaches of triggers during the year.

	2020 £'000	2019 £'000
The Company		
Other loans	**39**	39

Of the above total £39,000 (*2019: £39,000*) is expected to be settled more than one year after the statement of financial position date.

(b) Loan notes and other borrowings

(i) Loan notes

On 30 March 2001, the Group issued £244.5m of mortgage backed loan notes (class A1, A2 and M notes) in order to fund the purchase of a mortgage portfolio from UKER. On 11 June 2002, the Group issued £300m of mortgage backed loan notes (class A1 and A2 notes) in order to fund the purchase of a mortgage portfolio from UKER. On 27 June 2003, the Group issued £462m of mortgage backed loan notes (class A1, A2, A3 and B) in order to fund the purchase of a mortgage portfolio from UKER. All the A1 notes (£135m), which were issued at par, were fully redeemed by 2006, 2011 and 2013 respectively. The balance of these notes at 31 December 2020 is shown at fair value.

Notes to the financial statements (continued)

The loan notes are secured over a portfolio of mortgage loans secured by first charges over residential properties in the UK. The mortgages were purchased from UKER. Class B and class M of loan note were issued at par. Classes A2 and A3 were issued at a discount.

Interest on the notes is payable quarterly (excluding the A3 notes which is payable semi-annually) in arrears. Interest payable on the notes, which are listed on the London Stock Exchange, is as follows:

£866.5m mortgage backed loan notes	£745.9m Capital balance outstanding at end of year	Credit rating (S&P, Moody's)	Interest rate from July 2012
ERF1:			
Class A2 (£197.0m)	143,412,000	A, Aaa	5.70%
Class M (£12.5m)	33,016,494	Not rated	9.00%
ERF2:			
Class A2 (£255m)	203,159,000	A, Aa1	5.88%
ERF3:			
Class A2 (£310.0m)	307,319,988	A, Aaa	LIBOR + 0.7%
Class A3 (£50.0m)	17,000,000	A, Aaa	LIBOR + 1.5%
Class B (£42.0m)	42,000,000	BBB, Aa3	LIBOR + 3.3%

For ERF1 the A2 notes rank in priority to the M notes in point of payment and security. A2 notes are to be redeemed according to a redemption schedule which commenced in May 2015, although the Group will be obliged to redeem (in full or in part) if certain early redemption conditions are satisfied. M notes are to be redeemed after the senior notes have been redeemed in full. The capital balance outstanding on the M notes includes £20.5m (*2019: £24.0m*) of capitalised interest.

For ERF2 the A2 notes rank pari passu in point of payment and security without preference or priority amongst themselves. The A2 notes are now being redeemed according to the redemption schedule that commenced in August 2016, although the Group will be obliged to further redeem (in full or in part) if certain early redemption conditions are satisfied.

For ERF3 the A2 and A3 notes rank pari passu in point of payment and security without preference or priority amongst themselves. The A2 and A3 notes rank in priority to the B notes in point of payment and security. The A2, A3 and B notes are to be redeemed according to a redemption schedule commencing in July 2020, October 2013 and July 2033 respectively, although the Group will be obliged to redeem (in full or in part) if certain early redemption conditions are satisfied.

Unless previously redeemed in full, each class of notes will mature on the interest payment date falling in:

ERF1: A2 notes	February 2031
ERF1: M notes	February 2031
ERF2: A2 notes	May-2032
ERF3: A2 notes	April-2033
ERF3: A3 notes	April-2023
ERF3: B notes	April-2038

The Group may, at its option, redeem all (but not some only) of the notes at their principal amounts outstanding in the event of certain tax changes affecting the notes.

(ii) Other borrowings

On 27 June 2003, the Group entered into a subordinated loan agreement with UKER for £14.0m at an interest rate of LIBOR + 1.75%. The subordinated loan (subordinated in point of payment and security to notes) is to be redeemed after the notes have been redeemed in full. The capital balance outstanding on the subordinated loan includes £13.2m (*2019: £12.6m*) of accumulated interest.

On 30 March 2001, 11 June 2002 and 27 June 2003, the Group entered into agreements with Barclays Bank plc to provide 364 day borrowing facilities of £70m, £70m and £140m respectively. On 27 June 2003 the Group also entered into an agreement with Citibank to provide a 364 day borrowing facility of £45m. The borrowing facilities are renewed annually and are available to draw upon when mortgage redemptions are insufficient to cover the expenses of the Group and the interest payable on the loan notes. At 31 December 2020, the available facilities, all undrawn were £279.5m (*2019: £280.5m*).

Notes to the financial statements (continued)

16. Deferred consideration

	2020 £'000	2019 £'000
The Group		
Balance at 1 January	**320,987**	307,989
Repayment of deferred consideration	**(600)**	(7,600)
Movement in the year	**14,434**	20,598
Balance at 31 December	**334,821**	320,987

All of the above consideration (*2019: All*) is expected to be paid more than one year after the statement of financial position date.

The Group has a contractual obligation to pay any surplus on the maturity of the fund to UKER. The deferred consideration balance represents management's best estimate at the year end of the amount that will be payable (accounting policy L).

The estimated value of deferred consideration will be impacted by the underlying credit quality of the mortgage book, model inputs into the various fair value models, and the inter-relationship between both the fair value accounting adjustments of the assets and liabilities held at fair value and those at amortised cost.

Further details of the accounting estimates are included in note 8.

17. Consolidated statement of cashflows disclosure

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

	2020 £'000	2019 £'000
Profit before tax	**6**	7
Adjustments for:		
Fair value (gains)/losses on:		
Mortgage loans	**9,011**	(11,407)
Borrowings	**(11,093)**	9,390
Derivatives	**5,713**	4,369
Interest receivable on mortgage loans	**(67,045)**	(70,756)
Interest expense	**45,346**	45,825
	(18,068)	(22,579)
Changes in working capital:		
Increase in receivables	**(185)**	(134)
Decrease / (increase) in prepayments and accrued income	**54**	(1)
Increase in deferred consideration	**13,834**	12,998
(Decrease) / increase in payables and other financial liabilities	**(552)**	883
	13,151	13,746
Repayment of borrowings capital balance	**(11,726)**	(8,024)
Proceeds from redemption of mortgages	**96,604**	97,657
Interest paid	**(46,089)**	(46,285)
Total cash generated from operating activities	**33,878**	34,522

Redemptions of mortgages are included within operating cash flows as they represent the operating activities of the Group.

Notes to the financial statements (continued)

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

	2020	2019
	£'000	£'000
Cash at bank and in hand	**107,056**	98,020

18. Capital structure

In managing its capital, the Group seeks to:

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

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

The Group is not subject to any externally imposed capital requirements. The Group manages shareholders' equity of £97,000 (*2019: £94,000*) as capital.

19. Risk management

(a) Risk management framework

The ultimate controlling party, Aviva plc, and its subsidiaries, joint ventures and associates (collectively known as "the Aviva Group") operates a risk management framework (RMF) that forms an integral part of the management and Board processes and decision-making framework, aligned to the Aviva Group 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 Aviva Group 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 Aviva Group'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 Group 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 Aviva Group has a set of risk policies and business standards which set out the risk strategy, appetite, framework and minimum requirements for the Aviva Group's operations.

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 Aviva Group 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.

Roles and responsibilities for risk management in the Aviva Group 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.

(b) Market risk

Market risk is the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices.

For each of the major components of market risk, described in more detail below, the Group has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite. The business monitors adherence to this market risk policy and regularly review how these risks are being managed.

Profit for the Group for the year is calculated as 0.01% of interest accruing on the mortgages with any excess or shortfall of income over expenditure reported in the statement of financial position. Accordingly, the impact on the Group of changes in economic factors and assumptions would be reflected in a change in the value of deferred consideration rather than profit. Consequently, the Group has not provided any detailed sensitivity analysis as required by IFRS 7 and the impact of the risks referred to below is restricted to the statement of financial position of the Group. Exposure to these risks is borne by the noteholders and other creditors of the Group.

Notes to the financial statements (continued)

(i) Property price risk

Property price risk arises from sustained underperformance in house price inflation with the resultant increase in the likelihood that the mortgage debt will exceed the proceeds of the property sale at the date of redemption. The level of house price inflation is monitored and the impact of exposure to adverse movements is regularly reviewed. To mitigate this risk the loan to value ratios on origination are at low levels and the performance of the mortgage portfolio is monitored through dilapidation reviews.

For the Group to make significant losses on negative equity there would need to be a decrease in property values leading to house price deflation, alongside an unexpected rise in short term mortality and morbidity rates.

Exposure to property price risk is borne by the note holders and other creditors of the Group.

The Group has granted a deed of charge to its creditors such that, in event of default by the Group, the mortgages are sold by the Trustee and the proceeds, together with any other cash available, is paid to the secured creditors according to a prescribed waterfall.

The house price inflation adjusted Loan to Value (LTV) percentage of the mortgage asset interest bearing balances are as follows:

Age	Under 75	75-79	80-84	85-89	90-94	95-99	100+	Total
LTV	£m	£m	£m	£m	£m	£m	£m	£m
Up to 40%	6.2	43.4	174.8	100.9	41.8	8.5	0.7	**376.3**
Up to 50%	4.0	28.1	128.5	193.3	63.5	8.3	0.5	**426.2**
Up to 60%	0.4	10.7	53.9	109.8	71.1	15.6	-	**261.5**
Up to 70%	-	2.8	23.3	43.7	34.3	15.9	-	**120.0**
Up to 80%	-	-	1.9	18.3	20.1	6.7	1.9	**48.9**
Up to 90%	-	-	0.5	1.5	7.3	2.5	1.8	**13.6**
Up to 100%	-	-	-	0.1	1.0	1.4	-	**2.5**
Over 100%	-	-	-	-	0.4	-	-	**0.4**
Total	**10.6**	**85.0**	**382.9**	**467.6**	**239.5**	**58.9**	**4.9**	**1,249.4**

The LTVs in the table above are as at 31 December 2020. LTVs are published quarterly, (January, April, July and October) in the Investor Report. Investor Reports are available at www.erfunding.co.uk, which are unaudited.

(ii) Interest rate risk

Interest rate risk arises primarily from fluctuations in the value of lifetime mortgage assets and their related funding and derivatives. Interest rate risk is controlled through the close matching of duration and value of mortgages and mortgage funding and the use of derivatives, in order to hedge against unfavourable or unmatched market movements in interest rates inherent in the underlying mortgages and funding. The impact of exposure to sustained adverse interest rates is regularly monitored.

(iii) Derivatives risk

Derivatives are used within policy guidelines agreed by the Board of Directors of Aviva plc. Derivatives are used for risk hedging purposes and speculative activity is prohibited. OTC derivative contracts are entered into only with approved counterparties, thereby reducing the risk of credit loss.

(iv) Prepayment risk

Prepayment risk is the risk that the equity release mortgages will be repaid in a materially different profile to the expected profile at securitisation. This could lead to changes in the expected repayment rate of loan note interest and principal. In the event that equity release mortgages are repaid sooner, the repayment proceeds are distributed in accordance with the transaction documents.

(c) Credit risk

Credit risk is the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The credit ratings of financial institutions to which the Group is exposed are monitored and if these fall below a certain threshold collateralisation or other risk mitigation techniques are implemented.

The carrying amount of assets included on the statement of financial position represents the maximum credit exposure of the Group at the statement of financial position date.

There are no financial assets which are either past due or impaired. The impact of change in fair value of financial instruments attributable to a change in credit risk is disclosed in note 9(a) and 15(a).

Notes to the financial statements (continued)

Concentrations of credit risk

Individual loans represent little credit risk as the debt is ultimately repayable from the proceeds of the sale of the property on death of the mortgagee or on their transfer to long-term care.

The impact of collateral held on the net credit exposure is shown below.

			2020
	Carrying value in the statement of financial position £'000	**Collateral held £'000**	**Net credit exposure £'000**
The Group			
Loans	**1,249,365**	**1,248,882**	**483**

			2019
	Carrying value in the statement of financial position £'000	Collateral held £'000	Net credit exposure £'000
The Group			
Loans	1,287,935	1,287,216	719

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.

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

Where external credit ratings are available for financial assets, a significant increase in the credit risk of a financial asset is identified where there has been a significant deterioration in the respective credit rating. In all circumstances, where contractual payments are more than 30 days past due, there is deemed to be a significant increase in the credit risk of the related financial asset.

A financial asset is considered to be in default where contractual payments are past due, and there is objective evidence that the counterparty will be unable to subsequently meet their payment obligations. A financial asset is written off only when all other available measures have been taken to recover amounts due. During the year, none of the cash flows associated with any of the Group's financial assets have been modified or renegotiated.

Calculation of expected credit losses

Expected credit losses on material trade receivables and other assets held at amortised cost are calculated with reference to the Group's historical experience of losses, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise.

The Group has not recognised a loss allowance at an amount equal to lifetime expected credit losses.

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

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

The Group has not purchased or originated any credit-impaired financial assets as at the reporting date.

Modification of contractual cash flows that have not resulted in derecognition

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

Notes to the financial statements (continued)

Derivative credit exposures

The Group is exposed to counterparty credit risk through derivative trades, although the Group does not currently have an exposed net asset position with either of its external derivative counterparties. The Group operates strict standards around collateral management and controls including the requirement that all "over the counter" derivatives are supported by credit support annexes and ISDAs. There are no derivatives that are either past due or impaired.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments, if the cash flows from the mortgages differ from those expected. Such differences would arise from mortality, morbidity and voluntary prepayment risks. ERF1, ERF2 and ERF3 have available credit facilities of £24.5m, £70.0m and £185.0m (*2019: £25.5m, £70.0m and £185.0m*) respectively which have been sized to cover significant stresses on mortgage cash flows.

The contractual undiscounted cash flows in relation to liabilities have the following maturities:

				2020
	Within 1 year £m	**1-5 years £m**	**Over 5 years £m**	**No contractual maturity £m**
The Group				
Liabilities				
Borrowings	**95.2**	**391.2**	**600.7**	**-**
Deferred consideration	**-**	**-**	**-**	**334.8**
Derivative financial liabilities	**2.0**	**7.9**	**17.7**	**-**
Payables and other financial liabilities	**7.7**	**-**	**-**	**-**

				2019
	Within 1 year £m	1-5 years £m	Over 5 years £m	No contractual maturity £m
The Group				
Liabilities				
Borrowings	80.2	395.4	701.8	-
Deferred consideration	-	-	-	321.0
Derivative financial liabilities	1.7	6.7	16.8	-
Payables and other financial liabilities	8.2	-	-	-

The carrying value of the borrowings is £208.3m higher (*2019: £220.2m higher*) than the anticipated payment at maturity. The borrowings payment profit mirrors the repayment of the equity release mortgages and based on current modelling assumptions.

20. Derivative financial instruments

In June 2003, the Group entered into an interest rate swap agreement, the purpose of which is to protect the Group from interest rate risk in respect of the B floating rate notes. The notional amount outstanding as at 31 December 2020 was £42.0m (*2019: £42.0m*) and the swap had an expiry date of April 2038. Under the terms of the swap, the Group receives interest of three month LIBOR and pays interest of 4.78% of the notional amount quarterly.

The fair value liability is disclosed under "Derivative financial liabilities" in note 14.

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 Group.

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

(i) The Group's derivatives at 31 December 2020 and 2019 were as follows

Notes to the financial statements (continued)

	2020 Contract/ notional amount £'000	**2020** Fair value liability £'000	2019 Contract/ notional amount £'000	2019 Fair value liability £'000
Interest rate contracts				
Interest rate swap	**42,000**	**31,189**	42,000	25,475

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

Financial assets and liabilities are offset in the statement of financial position when the Group 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 Group mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in International Swaps and Derivatives Association (ISDA) master netting agreements to facilitate the Group'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 Group or its counterparty.

Derivative transactions requiring the Group 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.

Further information in relation to lifetime mortgage collateral is set out in note 19(c).

The effects of offsetting on the balance sheet are as follows:

					2020
		Effects of offsetting on the balance sheet		**Related amounts not offset**	
Financial Liabilities	**Gross amounts £'000**	**Gross amounts offset in the balance sheet £'000**	**Net amounts presented in the balance sheet £'000**	**Cash collateral £'000**	**Net amount £'000**
The Group					
Derivative liabilities	**31,189**	**-**	**31,189**	**-**	**31,189**

					2019
Financial Liabilities	Gross amounts £'000	Gross amounts offset in the balance sheet £'000	Net amounts presented in the balance sheet £'000	Cash collateral £'000	Net amount £'000
The Group					
Derivative liabilities	25,475	-	25,475	-	25,475

Notes to the financial statements (continued)

22. Related party transactions

(a) Loan notes due to related parties

Included within the loan notes issued by the three special purpose securitisation companies, Equity Release Funding (No.1) plc, Equity Release Funding (No.2) plc and Equity Release Funding (No.3) plc, are £212.6m (*2019: £214.0m*) of loan notes which are held by related parties. Interest settled during the year in respect of these loan notes amounted to £13.4m (*2019: £12.5m*).

(b) Expenses payable to related parties

	2020 Expense incurred in year £'000	2019 Expense incurred in year £'000
The Group		
UKER – portfolio administration and cash handling fees	**3,330**	3,441
UKER – interest payable	**3,819**	4,162
UKER – *deferred consideration*	**14,434**	20,598
	21,583	28,201

(c) Payable at year end

	2020 £'000	2019 £'000
The Group		
UKER – subordinated debt	**27,607**	27,494
UKER – deferred consideration	**334,821**	320,987
UKER – M note	**58,038**	60,544
UKER – other	**6,618**	5,934
	427,084	414,959

(d) Receivable at year end

	2020 £'000	2019 £'000
The Group		
Other related parties	**-**	134

(e) Key management compensation

Wilmington Trust SP Services (London) Limited received fees of £44,955 (2019: £44,761) including VAT during the year to 31 December 2020, in respect of structuring and management services.

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

Details of directors' emoluments are given in note 4.

(f) Parent entity

The shares in the Company are held by Wilmington Trust SP Services (London) Limited, Director of the Company, and its nominee A Icolaro, under a declaration of trust for charitable purposes. The registered office of Wilmington Trust SP Services (London) Limited is Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

Notes to the financial statements (continued)

(g) Ultimate controlling entity

The immediate and ultimate parent undertaking is Wilmington Trust SP Services (London) Limited, a company incorporated in England who hold the shares in the Company under a declaration of trust for charitable purposes.

However, under the principles of IFRS 10 Consolidated Financial Statements, the Company is deemed to be a subsidiary of Aviva plc, a company incorporated in England. The directors regard Aviva plc as the ultimate controlling party.

Aviva plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2020. 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.