# Aviva Investment Solutions UK Limited

Registered in England and Wales: No. 6389025

# Annual Report and Financial Statements 2020

## Contents

## Directors and Officers

### Directors

C A Dibbs
M R McGill
S E Robinson

### Officer - Company Secretary

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

### Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

### Registered Office

Wellington Row
York
YO90 1WR

### Company Number

Registered in England and Wales: No. 6389025

### Other Information

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

The Company is a member of the Aviva plc group of companies ("the Group")

The directors present their strategic report for Aviva Investment Solutions UK Limited (the Company) for the year ended 31 December 2020.

**Review of the Company's business**

**Principal activities**

The principal activity of the Company is to support the Aviva Group Corporate Platform which went live on 31 January 2012. The Corporate Platform allows the Aviva Group to provide a solution for workplace benefits and it enables trustees of pension schemes to increase their choice of funds and fund managers. It uses a single administrative platform to access a comprehensive range of investment managers, funds and fund ranges.

The platform supports the following products:

- A general investment account (Investment Account)
- A corporate cash individual savings account (Cash ISA)
- A corporate stocks and shares savings account (Stocks & Shares ISA)

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

**Significant events**

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The prolonged spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely, as well as causing increased volatility and declines in financial markets. The Company continues to maintain a strong capital position and since the onset of the pandemic the Company and all its subsidiary undertakings have remained fully operational.

**Events since the statement of financial position**

On 15 January 2021, the registered office of the Company changed from Pixham End, Dorking, Surrey, RH4 1QA to Wellington Row, York, YO90 1WR.

**Financial position and performance**

Fee income for the year has increased to £143,000 *(2019: £90,000)*. Fee income is made up of management charges and set up fees relating to platform activity. The increase in year reflects the growing volumes of business on the platform and the introduction of fees charged to a fellow Group undertaking for collection services provided by the Company. Assets under administration (AUA) increased from £26.3 million to £33.8 million during the year. Interest income on deposit accounts has decreased to £23,000 *(2019: £64,000)*. The movement is due to interest rate cuts during the year.

Operating and administrative expenses have decreased to £122,000 *(2019: £137,000)*. The decrease is due primarily to the one-off nature of the expense for expected credit losses and a larger increase in the bad debt provision in the prior year. This has been partially offset by increased ex-gratia expenses.

Profit after tax for the year is £44,000 *(2019: £19,000 profit)*.

Total equity has increased by £44,000 *(2019: increased by £20,019,000)*, reflecting the profit for the year *(2019: increase in share capital and profit)* for the year.

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

The Directors report here on how they have discharged their duties under Section 172 (s.172) of the Companies Act 2006 which the Directors must have regard to in their duty to promote the success of the Company for the benefit of its shareholders which includes having regard to other stakeholders.

The Board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the Company to ensure that the Directors' obligations to its shareholders and to its stakeholders are met. The Board monitors adherence to the Aviva Group business standards and compliance with local corporate governance requirements and is committed to acting if our businesses should fail to act in the manner the Board expects of them.

The Board will sometimes engage directly with certain stakeholders on certain issues, however due to the size and distribution of our stakeholders and of the Company, stakeholder engagement often takes place at an operational level. The Board considers and discusses information from the Company's management team to help it understand the stakeholder interests and to ensure they are carefully considered as part of the Board's decision-making process.

Through review of reports relating to strategy, financial and operational performance, key risk and legal and regulatory compliance, the Board is able to maintain an overview of engagement with stakeholders and other relevant factors which enables the Directors to comply with their legal duty under S172.

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

*The Company's culture*

As the provider of financial services to many customers, Aviva seeks to earn its customers' trust by acting with integrity and a deep sense of responsibility at all times. The Company looks to build relationships with all our stakeholders based on openness and continuing dialogue.

The Company's culture is shaped, in conjunction with its parent company, Aviva Life Holdings UK Limited, and its ultimate shareholder Aviva plc by jointly held and clearly defined values to help ensure it does the right thing. The Company values diversity and inclusivity in its workforce and beyond. The commitment the Company makes to each customer extends to all the Company's stakeholders; that is 'with you today, for a better tomorrow.' Throughout the Company's business, the Board is proud that our people live the Aviva values; Care, Community, Commitment and Confidence, by caring for our customers, for each other and for the communities they serve.

*Key strategic decisions in 2020*

In the first quarter of 2020 the decision was made to allow AISL to conduct Designated Investment Business. In the fourth quarter agreement was reached to begin the investigative phase of a Platform Entity Rationalisation Programme.

*Stakeholder Engagement*

(i) Employees

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

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

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

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

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

(ii) Customers

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

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

(iii) Suppliers

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

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

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

In the UK, the Company's ultimate parent, Aviva plc, is a signatory of the Prompt Payment Code which sets standards for high payment practices. The Group is a Living Wage employer in the UK, and the Company's supplier contracts include a commitment by the supplier to pay their eligible employees not less than the Living Wage in respect of work provided to the Company at its premises in the UK.

The Company continued to maintain regular engagement with its suppliers during the Covid-19 pandemic.

(iv) Communities

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

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

(v) Shareholders

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

(vi) Regulators

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

### Future outlook

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

The Company is expected to continue with its existing activities for the foreseeable future.

### Principal risks and uncertainties

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

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

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

A description of the risks and uncertainties facing the Company and its risk management policies are set out in note 13 to the financial statements.

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The prolonged spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely, as well as causing increased volatility and declines in financial markets. The Company continues to maintain a strong capital position and since the onset of the pandemic the Company has remained fully operational.

### Key performance indicators (KPIs)

Revenue represents annual management charges on all contributions into the investor accounts, fees charged on collection services and interest income. Income for the year has increased to £166,000 *(2019: £154,000)*.

Under a management agreement, Aviva Life Services UK Limited (UKLS) supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which are included within operating expenses. The amount of this recharge is £30,000 *(2019: £30,000)*.

Profit after tax for the year is £44,000 *(2019: profit of £19,000)*. Return on assets is 0.14% *(2019: 0.06%)*. Average Assets under administration for the year is £31.1 million *(2019: £23.6 million)*.

By order of the Board on 22 April 2021

**Aviva Company Secretarial Services Limited**
*Company Secretary*

The directors present their annual report and audited financial statements for Aviva Investment Solutions UK Limited (the Company) for the year ended 31 December 2020.

### Directors

The names of the present directors of the Company appear on page 2.

M L F Golunska resigned as a director of the Company on 25 February 2020.

C A Dibbs was appointed as a director of the Company on 29 July 2020.

C A Williams resigned as a director of the Company on 4 December 2020.

P C P Tiernan resigned as a director of the Company on 26 February 2021.

### Dividend

The directors do not recommend the payment of a dividend for the financial year ended 31 December 2020 *(2019: £nil)*.

### Going concern

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

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

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

### Future outlook

Likely future developments in the business of the Company are discussed in the Strategic Report.

### Employees

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

### Stakeholder Engagement

Our statements summarising our employee engagement, and our engagement with suppliers, customers and our other stakeholders are included in our Strategic report on pages 3-6.

### Disclosure of information to the auditors

Each person who was a director of the Company on the date that this report was approved, confirms that:

- so far as the director is aware, there is no relevant audit information of which the auditors are unaware; and
- each director has 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 auditors 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.

### Qualifying indemnity provisions

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

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

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the legal requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board on 22 April 2021

**Aviva Company Secretarial Services Limited**
*Company Secretary*

## Independent auditors report to the members of Aviva Investment Solutions UK Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion, Aviva Investment Solutions UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

#### Basis for opinion

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

*Independence*

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

#### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

#### Reporting on other information

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

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

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

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

*Strategic Report and Directors' Report*

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

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

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to journal entries and accounting estimates. Audit procedures performed included:

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

## Independent auditors report to the members of Aviva Investment Solutions UK Limited (continued)

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

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

*Use of this report*

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

### Other required reporting

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

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

The Company, a private limited company incorporated and domiciled in the United Kingdom (UK), was established to support the Aviva Group Corporate Platform. 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 presentation

The financial statements of the Company have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the legal requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on the going concern basis.

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

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

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

*(i) Amendments to References to the Conceptual Framework in IFRS Standards, (published by the IASB in October 2018)*
*(ii) Amendments to IFRS 3 Business Combinations, (published by the IASB in October 2018)*
*(iii) Amendments to IAS 1 and IAS 8: Definition of material (published by the IASB in October 2018)*
*(iv) Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 (published by the IASB in October 2019)*

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

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

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

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

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

*(ii) Amendments to IFRS 16 Leases: Covid-19 related rent concessions.*

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 June 2020 and have not yet been endorsed by the EU.

*(iii) Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

Published by the IASB in August 2020. The amendments are effective for annual reporting beginning on or after 1 January 2021 and have not yet been endorsed by the EU.

### (B) Critical accounting estimates and judgements

The preparation of the Company'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. There are no major areas of judgement on policy application for the Company.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. The table below sets out those items considered particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy and note disclosures.

| Item | Accounting policy |
|---|---|
| Expected credit losses | D |

### (C) Revenue and interest receivable

Revenue represents annual management charges on all contributions into the investor accounts, set up fees relating to platform activities and collection services. Revenue is recognised over time as the services are provided. Interest receivable on deposit accounts is accounted for on an accruals basis.

### (D) Receivables, payables and other financial liabilities

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

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

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

### (E) Cash and cash equivalents

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

### (F) Income taxes

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

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

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

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

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

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

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

### (G) 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.

# Aviva Investment Solutions UK Limited
## Income statement
## For the year ended 31 December 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Income** | | | |
| Revenue | C | **143** | 90 |
| Interest receivable and similar income | C | **23** | 64 |
| | | **166** | 154 |
| **Expenses** | | | |
| Operating expenses | 1 | **(122)** | (137) |
| | | **(122)** | (137) |
| **Profit before tax** | | **44** | 17 |
| Tax credit | F & 4 | - | 2 |
| **Profit for the year** | | **44** | 19 |

The Company has no other comprehensive income.

The accounting policies (identified alphabetically) on pages 12 to 14 and the notes (identified numerically) on pages 19 to 25 are an integral part of these financial statements.

# Aviva Investment Solutions UK Limited
## Statement of financial position
## As at 31 December 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Receivables | D & 5 | **3,787** | 4,121 |
| Prepayments and accrued income | D & 6 | **4** | - |
| Cash and cash equivalents | E & 11(b) | **27,733** | 27,358 |
| **Total assets** | | **31,524** | 31,479 |
| **Equity** | | | |
| Ordinary share capital | G & 7 | **31,500** | 31,500 |
| Retained earnings/(accumulated losses) | 8 | **18** | (26) |
| **Total equity** | | **31,518** | 31,474 |
| **Liabilities** | | | |
| Payables and other financial liabilities | D & 10 | **6** | 5 |
| **Total liabilities** | | **6** | 5 |
| **Total equity and liabilities** | | **31,524** | 31,479 |

The financial statements were authorised for issue by the Board of directors on 22 April 2021 and were signed on its behalf.

**S E Robinson** *Director*

The accounting policies (identified alphabetically) on pages 12 to 14 and the notes (identified numerically) on pages 19 to 25 are an integral part of these financial statements.

# Aviva Investment Solutions UK Limited
## Statement of changes in equity
## For the year ended 31 December 2020

| | Note | Ordinary share capital £'000 | (Accumulated losses)/ retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|
| Balance at 1 January 2019 | | 11,500 | (45) | 11,455 |
| Addition to share capital | | 20,000 | - | 20,000 |
| Profit for the year | 8 | - | 19 | 19 |
| **Balance at 31 December 2019** | | 31,500 | (26) | 31,474 |
| Profit for the year | 8 | - | **44** | **44** |
| **Balance at 31 December 2020** | | **31,500** | **18** | **31,518** |

The accounting policies (identified alphabetically) on pages 12 to 14 and the notes (identified numerically) on pages 19 to 25 are an integral part of these financial statements.

# Aviva Investment Solutions UK Limited
## Statement of cash flows
## For the year ended 31 December 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Cash flows generated from/(used in) operating activities** | | | |
| Cash generated from/(used in) operations | 11(a) | 375 | (947) |
| **Net cash generated from/(used in) operating activities** | | 375 | (947) |
| **Net cash from financing activities** | | | |
| Proceeds from the issue of ordinary shares | | - | 20,000 |
| **Net cash generated from financing activities** | | - | 20,000 |
| **Net increase in cash and cash equivalents** | | 375 | 19,053 |
| Cash and cash equivalents at 1 January | | 27,358 | 8,305 |
| **Cash and cash equivalents at 31 December** | 11(b) | 27,733 | 27,358 |

The accounting policies (identified alphabetically) on pages 12 to 14 and the notes (identified numerically) on pages 19 to 25 are an integral part of these financial statements

## 1. Operating expenses

Under a management agreement, Aviva Life Services UK Limited (UKLS) supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which are included in operating expenses.

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| UKLS recharges (operating) | **30** | 30 |
| Other operating expenses | **92** | 107 |
| **Total operating expenses** | **122** | 137 |

## 2. Directors' emoluments

All directors were remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate parent company, Aviva plc. The emoluments are recharged, as part of a head office management charge under management service agreements, to all operating divisions of the Aviva Group. No direct recharge has been made to the Company in respect of these emoluments as these directors were not primarily remunerated for their services to the Company. Accordingly, no emoluments are disclosed in respect of these directors.

## 3. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, PricewaterhouseCoopers LLP and its associates, in respect of the audit of these financial statements, is shown below:

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Fees payable for the audit of the Company's financial statements | **14** | 12 |

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

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

## 4. Tax credit

### (a) Tax credited to the income statement

| | **2020** | 2019 |
|---|---|---|
| **Current tax** | **£'000** | £'000 |
| For this year | **-** | - |
| Prior period adjustments | **-** | 2 |
| Total current tax | **-** | 2 |
| | | |
| **Total tax credited to the income statement** | **-** | 2 |

### (b) Tax reconciliation

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

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Net profit before tax** | **44** | 17 |
| Tax calculated at standard UK corporation tax rate of 19% *(2019: 19%)* | **(8)** | (3) |
| Adjustment to tax credit in respect of prior years | - | 2 |
| Surrender of losses from group undertakings for no charge | **8** | 3 |
| **Total tax credited to the income statement** | - | 2 |

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

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

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

## 5. Receivables

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Amounts due from group undertakings | **30** | 2,400 |
| Trade debtors | **3,798** | 1,755 |
| Lifetime expected credit losses | **(41)** | (34) |
| | **3,787** | 4,121 |

None of the above total *(2019: £nil)* is expected to be recovered more than one year after the statement of financial position date. The carrying amount in the financial statements is deemed to be a reasonable approximation of the fair value. Further details relating to lifetime expected credit losses can be found in note 13c.

## 6. Prepayments and accrued income

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Prepayments and accrued income | **4** | - |

None of the above total *(2019: £nil)* is expected to be recovered more than one year after the statement of financial position date.

## 7. Ordinary share capital

(a) Details of the Company's ordinary share capital at 31 December are as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| The allotted, called up and fully paid share capital of the Company was: | | |
| 31,500,001 *(2019: 31,500,001)* ordinary shares of £1 each | **31,500** | 31,500 |

On 11 October 2019, the Company allotted 20,000,000 ordinary shares of £1 each to UKLH, the parent entity, for a consideration of £20,000,000.

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

## 8. Retained earnings/(accumulated losses)

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| At 1 January | **(26)** | (45) |
| Profit for the year | **44** | 19 |
| **At 31 December** | **18** | (26) |

The Company is required to hold sufficient capital to meet acceptable solvency levels applicable to IFPRU Investment Firms imposed by the Financial Conduct Authority (FCA). Its ability to transfer retained earnings to the UK parent company is therefore restricted to the extent these earnings form part of local regulatory capital.

## 9. Tax assets and liabilities

### (a) Current tax

Tax assets and liabilities receivable and payable in more than one year are £nil *(2019: £nil)*.

### (b) Deferred taxes

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

## 10. Payables and other financial liabilities

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Amounts due to group undertakings | **1** | - |
| Other creditors including taxation and social security | **5** | 5 |
| | **6** | 5 |

None of the above total is expected to be paid more than one year after the statement of financial position date *(2019: £nil)*.

## 11. Statement of cash flows

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

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **Profit before tax** | **44** | 17 |
| **Changes in working capital** | | |
| Decrease/(increase) in receivables | **334** | (884) |
| (Increase)/decrease in prepayments and accrued income | **(4)** | 22 |
| Increase/(decrease) in payables and other financial liabilities | **1** | (102) |
| **Total cash generated from/(used in) operating activities** | **375** | (947) |

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

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Cash at bank and in hand | **27,733** | 27,358 |

## 12. Capital

In managing its capital, the Company seeks to:

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

The Company is authorised and regulated by the Financial Conduct Authority (FCA) as an IFPRU (Prudential Sourcebook for Investment Firms) limited license firm and is required to comply with the Capital Requirements Directive (CRD) as set out in GENPRU and IFPRU. The Company has fully complied with these regulatory requirements during the year. The analysis below sets out the Company's capital resources available to meet its regulatory capital requirements.

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **Total equity and available capital resources** | **31,518** | 31,474 |

The upward movement in the available capital is due to profit in year.

Capital is managed within the regulatory framework in which the Company operates. This makes use of the Internal Capital Adequacy Assessment Process ('ICAAP') to identify the risks to which the business is exposed and to quantify their impact on economic capital and changes thereto by way of stress and scenario tests. The ICAAP estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk. The Company maintains an efficient capital structure, which is consistent with its risk profile and the regulatory and market requirements of its business. The Company's capital is managed in accordance with its Capital and Solvency Policy to maintain sufficient regulatory capital. The solvency position of the company is formally monitored on a monthly basis.

The Company uses sensitivity test-based analysis, including ICAAP, to understand the impact of volatile markets on expected earnings for decision-making and planning purposes. The impact of a fall in securities or property values at a point in time is limited to the impact on revenue, which is accrued based on those values.

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

## 13. Risk and capital management

### (a) Risk management framework

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

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

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

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

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

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

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

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

### (b) Market risk

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

### (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 Company's management of credit risk under the oversight of the Asset Liability Committee (ALCO), includes the articulation of risk appetite, exposure limit frameworks and investment and lending criteria within credit risk policies and management agreements.

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

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

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

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

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

| | **Expected credit losses relating to trade receivables recognised in year £'000** |
|---|---|
| Opening expected credit losses | 34 |
| Recognised on instruments acquired during the reporting period | 7 |
| **Closing expected credit losses** | **41** |

### (d) Liquidity risk

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

### 14. Related party transactions

(a) The members of the Board of Directors are listed on page 1 of these financial statements. There are no amounts receivable from or payments due to members of the Board of Directors.

**(b) Services provided to related parties**

| | **2020** | | | 2019 |
|---|---|---|---|---|
| | **Income earned in year** | **Receivable at year end** | Income earned in year | Receivable at year end |
| | **£'000** | **£'000** | £'000 | £'000 |
| Fellow subsidiaries | **31** | **30** | - | 2,400 |

The related party receivables are not secured and no guarantees were received in respect thereof. No provision or expense has been recognised during the year in respect of bad and doubtful debts *(2019: £nil)*.

**(c) Services provided by related parties**

| | **2020** | | | 2019 |
|---|---|---|---|---|
| | **Expense incurred in year** | **Payable at year end** | Expense incurred in year | Payable at year end |
| | **£'000** | **£'000** | £'000 | £'000 |
| Fellow group undertakings | **30** | **1** | 30 | - |

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

**(d) Key management compensation**

No charge is disclosed by the Company for key management personnel as they are key management of a number of fellow subsidiary undertakings and it is not possible to make an accurate apportionment of their compensation in respect or each of the individual subsidiary undertakings.

**(e) Ultimate parent undertaking and controlling party**

The immediate parent undertaking is Aviva Life Holdings UK Limited, a company incorporated in England.

The ultimate parent undertaking and controlling party is Aviva plc, a company incorporated in England.

Aviva plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of Aviva plc are available on www.aviva.com or by application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.

### 15. Events since the statement of financial position

On 15 January 2021, the registered office of the Company changed from Pixham End, Dorking, Surrey, RH4 1QA to Wellington Row, York, YO90 1WR.