

**AVIVA INVESTORS PENSIONS LIMITED**

**Registered in England and Wales No. 1059606**

**Annual report and financial statements 2021**



**Aviva Investors Pensions Limited**

**Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## Contents

|                                   |    |
|-----------------------------------|----|
| Directors and officers            | 3  |
| Strategic report                  | 4  |
| Directors' report                 | 8  |
| Independent auditors' report      | 11 |
| Statement of comprehensive income | 18 |
| Statement of changes in equity    | 18 |
| Statement of financial position   | 19 |
| Statement of cash flows           | 20 |
| Notes to the financial statements | 21 |

**Aviva Investors Pensions Limited**

**Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

**Directors and Officers**

**Directors**

N R Cosgrove

M D T Craston (Non-Executive Director)

T P Howard

**Officer - Company secretary**

Aviva Company Secretarial Services Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

**Independent Auditors**

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

**Registered office**

St Helen's

1 Undershaft

London

EC3P 3DQ

**Company number**

Registered in England and Wales no. 1059606

**Other information**

Aviva Investors Pensions Limited (the 'Company') is a member of the Association of British Insurers and its activities are covered by the Financial Ombudsman Service. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The Company is a wholly owned subsidiary of Aviva Investors Holdings Limited ('the Group' or 'Aviva Investors') and is a member of the Aviva plc group of companies ('the Aviva Group').

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **Strategic Report**

The directors present their strategic report for the Company for the year ended 31 December 2021.

### **Review of the Company's business**

#### **Principal activities**

The principal activity of the Company is the provision and administration of unit-linked pension business in the United Kingdom.

#### **Significant events**

The Company is expected to commence a voluntary liquidation following the decision to close all its funds. An application to cancel the Company's regulatory permissions will be made before the Company is placed into voluntary liquidation.

#### **Financial position and performance**

The financial position of the Company at 31 December 2021 is shown in the Statement of Financial Position on page 19, with the trading results shown in the Statement of Comprehensive Income on page 18 and the Statement of Cash Flows on page 20.

Policyholders' assets and liabilities decreased by £246.6 million primarily due to the closure of the liquid funds, and the sales of investment properties during the year. See notes 12 and 14 for Policyholders' assets and liabilities and movements during the year.

Due to the reduction in Policyholder assets in the unit linked funds, the Company's revenue fell by £0.8 million to £3.2 million (2020: £4.0 million), this was offset by lower investment management fees and cost recharge expenses charged by Aviva Investors Global Services Limited ('AIGSL'), a fellow Aviva Investors company.

Net investment income increased significantly from the prior year driven by realised and unrealised gains on investment properties compared to losses in 2020. The closure of the liquid funds during the year resulted in the realisation of gains on the investments held by the funds, this was largely offset by the reversal of unrealised gains recognised in prior periods.

The cash and cash equivalents balance was significantly higher than the prior year due to receipt of proceeds from a number of investment property sales towards the end of 2021. The majority of this Policyholder cash was distributed in January 2022.

#### **Section 172 Statement**

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

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

The Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our shareholders, customers and other stakeholders are met and management drives the embedding of the desired culture throughout the organisation. The Board monitors adherence to our policies and compliance with local corporate governance requirements and is committed to acting where our businesses fall short of the standards we expect.

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

#### **Our culture**

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

#### **Key strategic decisions in 2021**

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

Due to ongoing redemptions a strategic review was undertaken to ensure Policyholders' long-term interests could continue to be served. This review, combined with forecast redemption levels, concluded that the Funds' ability to fully benefit from the economies of scale and the diversification of investments that unit linked funds normally bring would be limited. As such the Board concluded that it would be in Policyholders' interests to wind-up the Funds and return cash in a fair and orderly manner.

## Aviva Investors Pensions Limited

### Report and financial statements for the year ended 31 December 2021

Registered in England and Wales: No.1059606

## Strategic Report (continued)

### Stakeholder Engagement

The table below sets out our approach to stakeholder engagement during 2021.

| Stakeholders | Why are they important to Aviva?   | What is our approach to engaging with them and how does this support the decision-making process?   |
|--------------|--|---|
| Employees    | The well-being of our people and our commitment to serving our customers is essential for our long-term success.   | <ul style="list-style-type: none"> <li>• The Company has no direct 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.</li> <li>• 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.</li> <li>• The Aviva Group are committed to recruiting, training and retaining the best talent we can find. We are proud to have been a pioneer in some areas of employee benefits, including providing six months paid parental leave for all UK employees.</li> <li>• Our people share in the businesses' success as shareholders through membership of the Aviva Group's global share plans.</li> <li>• 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 as well as transitioning to a hybrid way of working in mid-2021.</li> <li>• Aviva Investors recognised the benefits of a diverse workforce and an inclusive culture and as a result there has been significant activity and investment in Diversity and Inclusion initiatives, with a priority on gender, ethnicity and social mobility.</li> </ul> |
| Customers    | Understanding what's important to our customers is key to our long-term success.   | <ul style="list-style-type: none"> <li>• The Board reviews a dashboard at each quarterly meeting which includes metric commentary on areas such as Customer Flows and Customer Conduct Considerations. In addition, and as part of the Company's liquidation activities, the Board also receives updates on the status of fund closures and monitors progress against the property sales plan.</li> <li>• As part of our ongoing COVID-19 response the Board continued to discuss and support activities to support customers.</li> </ul>   |
| Suppliers    | We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries. | <ul style="list-style-type: none"> <li>• The Company, through the Aviva Investors Holdings Limited ('AIHL') Risk Committee, maintains oversight of the management of its most important suppliers and reviews reports on their performance.</li> <li>• All suppliers related activity is managed in line with the Aviva Group Procurement &amp; Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure.</li> </ul>   |

## Aviva Investors Pensions Limited

### Report and financial statements for the year ended 31 December 2021

Registered in England and Wales: No.1059606

## Strategic Report (continued)

### Stakeholder Engagement (continued)

**Stakeholders** Why are they important to Aviva?

What is our approach to engaging with them and how does this support the decision-making process?

- An important part of our culture is the promotion of high legal, ethical, environmental and employee related standards within our business and also among our suppliers. Before working with any new suppliers we provide them with the Aviva Supplier Code of Behaviour, and our interaction with them is guided by Aviva's Business Code of Ethics.
- In the UK, Aviva is a signatory of the Prompt Payment Code which sets standards for high payment practices. We are a Living Wage employer in the UK, and our supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided at our premises in the UK.
- During the year, the Aviva Group successfully progressed its UK migration to a new data centre infrastructure provider, including partial migration to the Cloud.

**Communities** We recognise the importance of contributing to our communities through volunteering, community investment, and long-term partnerships. We are fully engaged in building resilience against the global impact of climate change.

- The Board supports the community activities of the Aviva Group including the wellbeing proposition for UK employees, and Aviva Communities to help drive greater diversity and inclusivity throughout the organisation and to support colleagues to volunteer in their communities.
- Recognising that climate change presents risk and opportunities for customers, communities and business, Aviva is a signatory to the United Nations Net-Zero Asset Owner Alliance commitment.
- Aviva Investors is committed to systematically embedding Environmental, Social and Governance considerations across the Aviva Investors business. This includes the development of asset class specific ESG policies; the build out of enhanced ESG research capabilities, including new proprietary ESG data tools; and extensive ESG training for global investment desks.

**Shareholders** Our retail and institutional shareholders are the ultimate owners of the Company.

- 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, AIHL and where required to the Aviva plc Board.
- The Chairman of AIHL, the parent of the Company, is a standing attendee at all Aviva plc Board meetings.

**Regulators** As an insurance entity, we are subject to regulations and approvals in all the markets we operate in.

- As the subject of close and continuous supervision by both the FCA and PRA, we maintain constructive and open relationships with the regulators, facilitated by a programme of regular meetings between them and the directors.
- The Company routinely provides copies of the Board papers to the FCA and responds to requests for information when required.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****Strategic Report (continued)****Future Outlook**

As explained above, the Company is expected to cease operating and commence a voluntary liquidation. Despite the changes to the business, the directors expect that the Company has sufficient resources to continue to meet its liabilities as they fall due.

**Principal Risks and Uncertainties**

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

On 24 February 2022, Russia invaded Ukraine resulting in a variety of Government and corporate actions (including economic sanctions and withdrawals from Russian markets) impacting the global economy, as well as causing increased volatility and declines in financial markets. The directors have considered the effects of this evolving situation on the Company's risks and uncertainties and determined that due to the closure of the funds it is unlikely to have a significant impact on the Company or its Policyholders.

**Key performance indicators**

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

|   | 2021  | 2020  | Change  |
|---|-------|-------|---------|
| Policyholders' assets and liabilities (£'m) | 476.3 | 722.9 | (246.6) |
| Profit before tax (£'m)                     | 0.4   | 0.3   | 0.1     |
| Shareholders' assets (£'m)                  | 9.8   | 9.4   | 0.4     |

The decrease in Policyholders' assets and liabilities profit before tax, and the drivers of the trading results generating the profit before tax are explained in the Financial Position and Performance section above.

The increase in shareholders' assets is the profit for the year as shown in the Statement of Changes in Equity.

On behalf of the Board, 7 April 2022

DocuSigned by:

Tom Howard

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T P Howard  
Director

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

#### **Directors' Report**

The directors submit their annual report and the audited financial statements for the Company for the year ended 31 December 2021.

##### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

|               |                             |
|---------------|-----------------------------|
| M A Atkinson  | (resigned on 30 June 2021)  |
| N R Cosgrove  |                             |
| M D T Craston |                             |
| T P Howard    | (appointed 25 January 2021) |
| C A Jones     | (resigned on 17 June 2021)  |

##### **Company Secretary**

Aviva Company Secretarial Services Limited is appointed as the Company Secretary.

##### **Dividend**

No interim dividend was paid during the year (2020: £nil). The directors do not recommend the payment of a final dividend for the financial year ending 31 December 2021.

##### **Going concern**

As discussed in the Strategic Report, following the expected closure of all funds within 24 months of the final notice being served, the Company will be placed into a voluntary liquidation. As such, the directors have adopted a basis of preparation other than that of a going concern in the annual financial statements.

##### **Events after the reporting period**

There have been no events after the reporting period.

##### **Future outlook**

Likely future developments in the business of the Company are discussed in the Strategic Report on page 7.

##### **Overseas branches**

During the year, the Company had no branch offices outside the UK.

##### **Accounting records**

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons by the Company's outsourced services provider, AIGSL a fellow Aviva Investors company. The accounting records are kept at the Company's registered office.

##### **Political donations**

The Company did not make any political donations during the year (2020: £nil).

##### **Supplier payment policy**

The directors are responsible for ensuring that the Company is compliant with the Prompt Payment of Accounts Act 1997, as amended by the European Communities (Late Payment in Commercial Transactions) Regulations 2002. It is the policy of the Company to pay for goods and services on presentation of an invoice by the supplier. Statements from suppliers showing amounts outstanding in excess of 30 days are immediately investigated and resolved as soon as possible.

##### **Financial instruments**

The Company uses financial instruments to manage certain types of risks, including to those relating to credit, cashflow, liquidity, interest rates, and property prices. Details of the objectives and management of these instruments are contained in note 20 on risk management.



## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **Directors' Report (continued)**

### **Employees**

The Company has no employees (2020: None).

### **Disclosure of information to the auditors**

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

### **Independent auditors**

Under the Competition and Markets Authority Regulations, the Company's ultimate parent Company, Aviva plc is required to tender for the provision of the external audit every 10 Years. PricewaterhouseCoopers LLP was appointed for the first time for the 31 December 2012 financial year end and therefore a mandatory re-tender was required for the year ending 31 December 2022. Following a full and rigorous competitive tender process, which was overseen by Aviva Group's Audit Committee, the selection of EY was approved by the Aviva plc Board. PricewaterhouseCoopers LLP will continue in its role and, subject to reappointment will undertake the audit for the financial years ending 31 December 2022 and 2023.

### **Qualifying indemnity provisions**

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 Company's Act 2006. This is a 'qualifying third party indemnity' provision as defined by s234 of the Companies Act 2006.

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

### **Stakeholder Engagement**

We report on our stakeholder engagement and Section 172 (1) matters in the 'Stakeholder Engagement' section of the Strategic report. This outlines how the Board has engaged with our principal stakeholder groups. The Board considers stakeholder engagement to be a matter of strategic importance.

### **Statement of directors' responsibilities**

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

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

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

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

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

**Aviva Investors Pensions Limited**

**Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

**Directors' Report (continued)**

**Statement of directors' responsibilities (continued)**

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

On behalf of the Board, 7 April 2022

DocuSigned by:

*Tom Howard*

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T P Howard  
Director

**Aviva Investors Pensions Limited**

**Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

# **Independent auditors' report to the members of Aviva Investors Pensions Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Aviva Investors Pensions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2021; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

### **Basis for opinion**

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

### **Independence**

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

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

We have provided no non-audit services to the company in the period under audit.

### **Emphasis of matter - financial statements prepared on a basis other than going concern**

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1(A) to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

### **Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)**

## **Our audit approach**

### **Context**

Aviva Investors Pensions Limited is a unit linked pension provider which is part of the Aviva plc group. Aviva Investors Pensions Limited is being voluntarily wound up by the directors given the significant redemptions seen over the past few years. The directors have noted that the company will remain solvent during the closure period based upon assessments that were performed by management.

### **Overview**

#### **Audit scope**

- We have performed a full scope audit of Aviva Investors Pensions Limited in accordance with our materiality and risk assessment.
- In accordance with guidance on the audit of insurers in the United Kingdom issued by the Financial Reporting Council we have applied a higher materiality (as outlined below) solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.

#### **Key audit matters**

- Risk of material misstatement Valuation of Investment Property

#### **Materiality**

- Overall materiality: £32,199 (2020: £40,938) based on 1% of total revenue for all shareholder balances. With respect to policyholder assets, liabilities and associated income statement line items we utilised 1% of assets held to cover linked liabilities in 2021 and 1% of total assets in 2020 (£4,763,252 and £7,457,687 for 2020). This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items, in accordance with FRC Practice Note 20 The audit of Insurers in the United Kingdom. There was a change in the measure used to assess materiality for the policyholder balances from total assets to assets held to cover linked liabilities. This was done to better align the measure with the asset and liability balances that would be impacted by a misclassification.
- Performance materiality: £24,149 (for all balances other than policyholder assets and liabilities and associated income statement line items, for which £3,572,439 was utilised) (2020: £30,703 (£ 5,593,265)).

### **The scope of our audit**

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

### **Key audit matters**

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

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

Impact of Covid-19, which was a key audit matter last year, is no longer included because of reduced uncertainty of the impact of Covid-19 in the current year as markets and economies continue to recover. Otherwise, the key audit matters below are consistent with last year.

# Aviva Investors Pensions Limited

## Report and financial statements for the year ended 31 December 2021

Registered in England and Wales: No.1059606

### Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <p><b>Risk of material misstatement Valuation of Investment Property</b></p> <p>Risk of material misstatement in the Valuation of Investment Property Refer to Note 1G Accounting Policy Investment property and Note 8 Investment Property. Investment properties are held at a value of £198.2 million as at 31 December 2021 in the Statement of Financial Position.</p> <p>The valuation of the Company's investment property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. The significance of the estimates involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area.</p> <p>In arriving at the property valuations, management engage an independent expert, CB Richard Ellis ('CBRE' the 'Valuer' or 'management's expert'). To perform valuations in accordance with the Royal Institute of Chartered Surveyors ('RICS') RICS Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. The valuations take into account the property-specific information including the current tenancy agreements and rental income, condition and location of the property, and future rental prospects, as well as prevailing market yields and market transactions.</p> <p>As the Company financial statements are prepared on a basis other than going concern, in accordance with accounting standards, the investment property is carried at net realisable value, which is the investment property's fair value less expected disposal costs.</p> | <p>Given the nature of the estimates inherent in the valuation of the property portfolio, and the technicalities of the valuation methodology we engaged our internal valuation experts (qualified chartered surveyors) as auditors' experts to assist us in our audit of this matter.</p> <p><b>Assessing the valuers' expertise and objectivity</b></p> <p>We read the Valuer's report and confirmed that the approach used was consistent with the RICS guidelines. We assessed the Valuer's qualifications and expertise and read their terms of engagement with the Company, determining that there were no matters that affected their independence and objectivity or any imposed scope limitations on their work. We also considered fees and other contractual arrangements that might exist between the Company and the Valuer. We found no evidence to suggest that the objectivity of the Valuer was compromised.</p> <p><b>Assumptions and estimates used by the Valuer</b></p> <p>We considered the key assumptions, being equivalent yield and capital growth, used in the valuation and benchmarked these to market evidence. We spoke with the Valuers and, with the support of our internal valuations experts, challenged their approach to the valuations, the key assumptions and their rationale behind the equivalent yields and capital value movements that sat outside our expected range. Where assumptions were outside the expected range, we undertook further investigations and obtained evidence to support explanations received including recent comparable transactions where appropriate. With the support of our internal valuation experts, we also questioned the external valuers as to the extent to which recent market transactions and expected rental values which they made use of in deriving their valuations took into account the impact of climate change and related ESG considerations. We agreed the amounts per the valuation reports to the accounting records and from there we agreed the related balances through to the Financial Statements.</p> <p><b>Expected disposal costs</b></p> <p>Through discussion with management, we understood the basis on which they estimated disposal costs. We performed a lookback test to confirm the reasonableness of the sales costs estimate by comparing this to actual sales costs. We have also independently compared the percentage of disposal costs applied to industry standards.</p> <p><b>Overall outcome</b></p> <p>We determined that the assumptions used were supportable in light of the evidence obtained.</p> |

## Aviva Investors Pensions Limited

### Report and financial statements for the year ended 31 December 2021

Registered in England and Wales: No.1059606

### Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)

#### How we tailored the audit scope

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

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

#### Materiality

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

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

|  |  |
|--|--|
| <i>Overall company materiality</i>     | £32,199 (2020: £40,938).   |
| <i>How we determined it</i>            | 1% of total revenue for all shareholder balances. With respect to policyholder assets, liabilities and associated income statement line items we utilised 1% of assets held to cover linked liabilities in 2021 and 1% of total assets in 2020 (£4,763,252 and £7,457,687 for 2020). This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items, in accordance with FRC Practice Note 20 The audit of Insurers in the United Kingdom. There was a change in the measure used to assess materiality for the policyholder balances from total assets to assets held to cover linked liabilities. This was done to better align the measure with the assets and liability balances that would be impacted by a misclassification.   |
| <i>Rationale for benchmark applied</i> | The company's primary objective is the provision and administration of the unit-linked pension business, as such, the fees received from investment management services are low and the entity operates at near breakeven. As such we deem that total revenues is the most appropriate benchmark in determining materiality. The company manages pension assets on behalf of its clients in a series of unit linked pooled and segregated funds. As a result, any liability owed to its clients is covered by the assets held by the entity and the investment return derived on the associated assets is offset by the change in provisions for investment contract liabilities. In accordance with guidance on the audit of insurers in the United Kingdom issued by the Financial Reporting Council, we have applied a higher materiality based on 1% of assets held to cover linked liabilities solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead a reclassification between line items within assets and liabilities. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £24,149 (for all balances other than policyholder assets and liabilities and associated income statement line items, for which performance materiality was £ 3,572,439) (2020: £30,703 (£ 5,593,265)) for the company financial statements.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,610 shareholder balances and £238,163 on policyholder balances (2020: £2,047 for shareholder balances and £372,884 on policyholder balances) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

### **Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)**

#### **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 2021 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.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

#### **Independent auditors' report to the members of Aviva Investors Pensions Limited (continued)**

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 UK tax legislation and breaches of UK regulatory principles, such as those governed by the Prudential Regulatory Authority and Financial Conduct Authority, 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 posting inappropriate journal entries to increase revenue of the company, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of underlying assets.. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, internal audit, senior management involved in Risk and Compliance functions and the company's legal advisors/function, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee, Risk Committee, and Board of Directors;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing over areas such as cash reconciliations;and
- Obtaining management information and external market data to validate the inputs into the calculation of the valuation of investment property, as well as challenging assumptions made, where appropriate.

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

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

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

#### **Use of this report**

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



## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

**Independent auditors' report to the members of Aviva Investors Pensions 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### **Appointment**

We were appointed by the directors on 3 March 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2012 to 31 December 2021.



Sally Cosgrove (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
7 April 2022

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****Statement of Comprehensive Income****For the year ended 31 December 2021**

|  | Note | 2021              | 2020              |
|--|------|-------------------|-------------------|
|  |      | £'m               | £'m               |
| <b>Income</b>  |      |                   |                   |
| Revenue  |      | 3.2               | 4.0               |
| Net investment income  | 3    | 123.9             | 17.1              |
|  |      | <u>127.1</u>      | <u>21.1</u>       |
| <b>Expenses</b>  |      |                   |                   |
| Change in investment contract provisions                               | 14   | (123.7)           | (16.8)            |
| Administrative expenses  | 4    | (2.8)             | (3.8)             |
| Other operating expenses   | 5    | (0.2)             | (0.2)             |
|  |      | <u>(126.7)</u>    | <u>(20.8)</u>     |
| <b>Profit before tax</b>   |      | <u>0.4</u>        | <u>0.3</u>        |
| Tax credit   | 8    | -                 | -                 |
| <b>Profit for the year and total comprehensive income for the year</b> |      | <u><u>0.4</u></u> | <u><u>0.3</u></u> |

All amounts reported in the Statement of Comprehensive Income relate to discontinued operations (2020 continuing). There were no other recognised gains or losses in the year.

**Statement of Changes in Equity****For the year ended 31 December 2021**

|   | Ordinary share capital | Retained earnings | Total equity      |
|---|------------------------|-------------------|-------------------|
|   | £'m                    | £'m               | £'m               |
| <b>Balance at 1 January 2020</b>                                | 8.0                    | 1.1               | 9.1               |
| Profit for the year and total comprehensive income for the year | -                      | 0.3               | 0.3               |
| <b>Balance at 31 December 2020</b>                              | <u>8.0</u>             | <u>1.4</u>        | <u>9.4</u>        |
| Profit for the year and total comprehensive income for the year | -                      | 0.4               | 0.4               |
| <b>Balance at 31 December 2021</b>                              | <u><u>8.0</u></u>      | <u><u>1.8</u></u> | <u><u>9.8</u></u> |

The accounting policies on pages 21 to 27 and notes on pages 27 to 45 are an integral part of these financial statements.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****Statement of Financial Position****As at 31 December 2021**

|   | Note | 2021         | 2020         |
|---|------|--------------|--------------|
|   |      | £'m          | £'m          |
| <b>ASSETS</b>                           |      |              |              |
| Investment property                     | 9    | -            | 436.4        |
| Financial investments                   | 10   | 0.1          | 250.1        |
| Trade and other receivables             | 11   | 7.9          | 22.5         |
| Cash and cash equivalents               | 19   | 292.9        | 36.8         |
| Assets classified as held for sale      |      |              |              |
| Investment property                     | 2,9  | 198.2        | -            |
| <b>Total assets</b>                     |      | <b>499.1</b> | <b>745.8</b> |
| <b>EQUITY AND LIABILITIES</b>           |      |              |              |
| <b>Equity</b>                           |      |              |              |
| Ordinary share capital                  | 13   | 8.0          | 8.0          |
| Retained earnings                       |      | 1.8          | 1.4          |
| <b>Total equity</b>                     |      | <b>9.8</b>   | <b>9.4</b>   |
| <b>Liabilities</b>                      |      |              |              |
| Liability for investment contracts      | 14   | 476.3        | 722.9        |
| Finance lease liabilities               | 15   | -            | 2.6          |
| Trade and other payables                | 16   | 10.4         | 10.9         |
| Liabilities classified as held for sale |      |              |              |
| Finance lease liabilities               | 15   | 2.6          | -            |
| <b>Total liabilities</b>                |      | <b>489.3</b> | <b>736.4</b> |
| <b>Total equity and liabilities</b>     |      | <b>499.1</b> | <b>745.8</b> |

The financial statements on pages 18 to 45 were approved by the Board of directors on 5 April 2022 and were signed on its behalf by

DocuSigned by:

Tom Howard

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T P Howard

Director

7 April 2022

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****Statement of Cash Flows****For the year ended 31 December 2021**

|   | Note  | 2021         | 2020        |
|---|-------|--------------|-------------|
|   |       | £'m          | £'m         |
| <b>Cash flows generated from/(used in) operating activities</b> |       |              |             |
| Cash generated from/(used in) operations                        | 19(a) | 256.1        | (44.0)      |
| <i>Net cash generated from/(used in) operating activities</i>   |       | 256.1        | (44.0)      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     |       | 256.1        | (44.0)      |
| Cash and cash equivalents at 1 January                          |       | 36.8         | 80.8        |
| <b>Cash and cash equivalents at 31 December</b>                 | 19(b) | <b>292.9</b> | <b>36.8</b> |

All amounts reported in the Statement of Cash Flows relate to discontinued operations (2020: continuing).

The accounting policies on pages 21 to 27 and notes on pages 27 to 45 are an integral part of these financial statements.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **Notes to the financial statements**

### **1. Accounting policies**

The Company is a limited liability company incorporated and domiciled in the United Kingdom.

The principal accounting policies adopted in the preparation of the Company's financial statements are set out below and have been applied consistently throughout the financial statements.

#### **(A) Basis of presentation**

As discussed in the Strategic Report, the Company is expected to cease operating and commence a voluntary liquidation. An application to cancel the Company's regulatory permissions will be made before the Company is placed into a members' voluntary liquidation. As required by IAS 1 *Presentation of Financial Statements*, the financial statements are prepared on a basis other than going concern with assets and liabilities recognised at their net realisable value. For the held for sale Investment properties a £3.0 million (2020: £6.6 million) adjustment has been made to recognise the expected disposal transactions costs of selling the properties and reduce the fair value to net realisable value (see note 9), and the corresponding adjustment has been made to reduce the Liability for investment contracts (see note 12). For all other assets and liabilities fair value approximates net realisable value.

Items included in the financial statements are measured in the currency of the primary economic environment in which the Company operates ('the functional currency'). The Company's presentational currency is pounds sterling. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling (£'m).

The financial statements are prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

#### ***Statement of compliance***

The Company's financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006. The Company's financial statements have been prepared on a basis other than going concern.

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

The Company has adopted the following amendments to standards which became effective for annual reporting periods beginning on or after 1 January 2021. The amendments have been issued and endorsed by the EU and do not have an impact on the Company's financial statements.

- (i) *Amendments to IFRS 16 Leases: COVID-19 related rent concessions (published by the IASB in May 2020)***
- (ii) *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)***

#### ***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 and are not yet effective and are not expected to have an impact on the company'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 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain 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.

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 in the UK by the UK Endorsement Board. The UK endorsement process has commenced and we expect it to complete in time for the 1 January 2023 effective date.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **1. Accounting policies (continued)**

### **(A) Basis of presentation (continued)**

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

**(ii) Amendment to IFRS 16 Leases: COVID-19 Related Rent Concessions beyond 30 June 2021**

Published by IASB in March 2021. The amendments are effective for annual reporting beginning on or after 1 April 2021 and have been endorsed by the UK.

**(iii) Amendment to IFRS 3 Business Combinations: Reference to the Conceptual Framework**

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have been endorsed by the UK.

**(iv) Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use**

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have been endorsed by the UK.

**(v) Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract**

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have been endorsed by the UK.

**(vi) Annual Improvements to IFRSs 2018-2020 Cycle**

Published by the IASB in May 2020, these improvements consist of amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture. These amendments are effective for annual reporting beginning on or after 1 January 2022 and have been endorsed by the UK.

**(vii) Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies**

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

**(viii) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

**(ix) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

Published by the IASB in May 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

**(x) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent**

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****1. Accounting policies (continued)****(B) Critical accounting policies and use of estimates**

The preparation of the Company's financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the statement of financial position and statement of comprehensive income, other primary statements and notes to the financial statements.

These major areas of judgement on policy application are summarised below:

| Item                | Critical accounting judgement  | Accounting policy |
|---------------------|--|-------------------|
| Investment property | Classification of investments including the application of the fair value option | G                 |

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 we consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

| Item                             | Accounting policy |
|----------------------------------|-------------------|
| Valuation of investment property | G                 |

**(C) Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised within net investment income in the statement of comprehensive income. Translation differences on all monetary and non-monetary financial assets and liabilities that are measured at fair value are reported as part of the fair value gain or loss and included in net investment income in the statement of comprehensive income.

**(D) Non-participating investment contract liabilities**

Non-participating investment contracts are unit-linked contracts that are held at fair value. The fair value of the unit-linked liability is determined in accordance with IFRS 13 *Fair Value Measurement*, based on a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date.

The Company's business consists of investment contracts without a discretionary participating feature (non-participating investment contracts). Deposits collected under such contracts are accounted for directly through the statement of financial position as an adjustment to the investment contract liability. Non-participating investment contracts have no associated premium income.

**(E) Revenue**

Fees related to policy administration, investment advisory for a range of pooled investment funds, and other contract services are recognised as revenue over time, as performance obligations are satisfied.

Fees that are related to services to be provided in future periods are deferred and recognised when the performance obligation is fulfilled. All revenue is net of any value added tax, rebates and distribution allowances.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **1. Accounting policies (continued)**

### **(F) Net investment income**

Investment income arises from the financial assets held by the Company on behalf of policyholders and consists of dividends, rental income, service charge income, interest receivable for the year, and realised and unrealised gains and losses on investment property and investments held at fair value through profit or loss.

Dividends on equity securities are recorded as revenue on an ex-dividend basis. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

Rental income which represents rent from investment properties leased out under operating lease agreements, is measured at the fair value of the consideration received or receivable and is recognised in the Net investment income within Statement of Comprehensive Income on a straight line basis over the lease term. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option. Incentives for entering lease arrangements are spread evenly over the non-cancellable period of the lease, even if payments are not made on that basis.

Service charge income is recognised in the accounting period in which control of the services are passed to the tenant, which is when the service is rendered. Service charge income is charged in advance on a quarterly basis based on an annual budget. Any income in excess of annual expenditure, or expenditure in excess of annual income, is held as a payable or a receivable and contributed towards the subsequent year's service charge expenditure or income respectively.

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

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

Deposit interest on cash held at bank is recognised on an accrual basis.

### **(G) Investment property**

Investment property is held for long-term rental yields and capital appreciation and is not occupied by the Company. The Company's portfolio of investment property is attributable to policyholders upon redemption of their investment contracts. Investment property is recognised at the point that the risks and rewards of ownership are deemed to pass to the Company and is measured initially at cost, including transaction costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, investment property is measured at its fair value, which is supported by market evidence, as assessed by qualified external valuers. Changes in fair values are recorded in the statement of comprehensive income within net investment income. Investment properties carried at fair value are classified using a fair value hierarchy table, described in note 20(j).

An investment property is derecognised upon disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the year in which the property is derecognised.

### **(H) Financial investments**

The Company designates its investments upon initial recognition as financial assets held at fair value through the profit or loss. The Company's portfolio of financial investments is attributable to policyholders upon redemption of their investment contracts. The assets held by the Company are monitored internally and reported to policyholders on a fair value basis therefore the directors consider the designation of these investments as 'held at fair value through the profit or loss' to be appropriate.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets and are valued initially at their fair values less transaction costs. Transaction costs are recognised immediately in the statement of comprehensive income. Debt securities are recorded at fair value. Changes in the fair value are included in the statement of comprehensive income in the year in which they arise.



**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****1. Accounting policies (continued)****(H) Financial investments (continued)**

Investments carried at fair value are classified using a fair value hierarchy table, described in note 20(j). The fair values of listed investments are based on the quoted price within the bid-ask spread that is most representative of fair value, or amounts derived from independent pricing services or quotes sourced from brokers. Fair values for unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

**(I) Leases**

Policyholder investment properties held under finance leases are initially recognised as assets at their fair value at the inception of the lease, or lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Rental income from policyholder investment property operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**(J) Trade and other receivables**

Trade and other receivables are measured at amortised cost, less an allowance for expected credit loss. The Company has adopted the Simplified approach specified in IFRS 9 Financial Instruments and measures the loss allowance at an amount equal to lifetime expected credit losses.

When the Company has no reasonable expectations of recovering an amount due in its entirety or portion thereof the gross carrying amount is reduced. A write-off constitutes a derecognition event under IFRS 9 *Financial Instruments*.

**(K) Derivative financial instruments**

Derivative financial instruments include foreign exchange contracts, interest rate futures and other derivative contracts that derive their value mainly from underlying financial and equity instruments. All derivatives are classified as held for trading and are recognised as financial instruments held at fair value through profit or loss. Derivatives are recognised when the risks and rewards of ownership are deemed to transfer to the Company and 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 with all movements in fair value being recognised within net investment income in the statement of comprehensive income. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models. 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 on the statement of financial position at the date of purchase, representing their fair value at that date. A derivative financial instrument is derecognised when the contractual rights to the cash flow expire or when it is transferred and subsequently all the risks and rewards of the ownership to another entity.

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 potential gain or loss associated with such transactions.

Derivative financial instruments carried at fair value are classified using a fair value hierarchy table, described in note 19(j).

**(L) Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and on hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments, all of which have less than 90 days maturity from the date of acquisition that are readily convertible to known amounts of cash, and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, if applicable, which are included within payables and other financial liabilities in the statement of financial position. Cash on deposit with a longer maturity is included in other financial investments.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **1. Accounting policies (continued)**

### **(M) Provisions and contingent liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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

### **(N) Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **(O) Income tax**

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.

### **(P) Assets held for sale**

Assets held for disposal as part of the closure of the remaining unit linked funds are shown separately in the Statement of financial position. Assets held for sale are recorded at the lower of their carrying amount and their fair value less the estimated selling costs.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****1. Accounting policies (continued)****(Q) Share Capital**

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 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. The Company's share capital is considered to be an equity instrument.

**(R) Dividends**

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised in equity in the year in which they are declared.

**2. Assets and liabilities held for sale**

As a result of the decision to close the Property Fund in April 2021, all remaining investment properties (see note 9) and the associated lease liabilities (see note 15) have been classified as held for sale as at 31 December 2021. The remaining investment properties are expected to be sold no later than July 2023.

**3. Net investment income**

|  | 2021         | 2020        |
|--|--------------|-------------|
|  | £'m          | £'m         |
| Rental income from investment properties   | 13.2         | 20.8        |
| Service charge income from investment properties   | 2.1          | 3.8         |
| Investment property expenses   | (7.0)        | (6.6)       |
| Investment property service charge expenses  | (2.1)        | (3.8)       |
| Interest receivable and similar income   | 1.4          | 3.0         |
| Dividend income receivable   | 0.8          | 2.1         |
| Realised gains on investments held at fair value through profit or loss                          | 56.1         | 22.7        |
| Realised gains/(losses) in investment property held at fair value                                | 26.0         | (1.0)       |
| Movement in unrealised gains and losses on investments held at fair value through profit or loss | (53.0)       | (6.8)       |
| Movement in unrealised gains and losses on investment property held at fair value                | 82.8         | (10.5)      |
| Movement in expected investment property disposal costs  | 3.6          | (6.6)       |
|  | <u>123.9</u> | <u>17.1</u> |

The movement in unrealised gains and losses on investments held at fair value through profit and loss contains £51.6 million of reversal in unrealised gains and losses now realised (2020: £19.6 million).

The movement in unrealised gains and losses on investment property held at fair value includes £76.4 million of unrealised gains (2021: £5.1 million of unrealised losses) on investment properties sold during the year which was recognised prior to the date of disposal which are also now realised.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****4. Administrative expenses**

|   | 2021       | 2020       |
|---|------------|------------|
|   | £'m        | £'m        |
| <b>Administrative expenses include the following:</b> |            |            |
| Investment management fees                            | 2.2        | 2.9        |
| Costs recharged from fellow subsidiaries              | 0.6        | 0.9        |
|   | <u>2.8</u> | <u>3.8</u> |

These expenses are payable to AIGSL. Further details are shown in note 22 on Related Parties transactions.

Auditors' remuneration is charged in the financial statements of AIGSL and is not recharged to the Company.

Auditors' remuneration in relation to the Company for 2021 was £71,000 (2020: £68,505).

No non-audit services were provided to the Company in 2021 (2020: none).

**5. Other operating expenses**

|   | 2021 | 2020 |
|---|------|------|
|   | £'m  | £'m  |
| Policyholder fund administrative expenses | 0.2  | 0.2  |

The expenses recognised above represent costs payable on behalf of policyholders by the underlying funds in which the policyholder assets are held, such as transaction charges, safe custody fees and bank charges. Associated wind up costs will be borne by the Group.

**6. Employee information**

The Company has no employees (2020: nil). Certain costs associated with the activities of the Company by the employees of the Group were recharged to the Company and are included in administrative expenses.

**7. Directors' emoluments**

Mr M Craston was a non-executive director and his fees were paid for and borne by AIHL, the immediate parent undertaking. The other directors are remunerated in respect of their services in connection with the management of the affairs of the Aviva Investors' business as a whole. There has been no re-charge to the Company.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****8. Tax****(a) Tax charged to the statement of comprehensive income***(i)* The total tax charge/ (credit) comprises:

|   | 2021     | 2020     |
|---|----------|----------|
|   | £'m      | £'m      |
| <b>Current tax:</b>   |          |          |
| For this year   | -        | 0.1      |
| Total current tax   | -        | 0.1      |
| <b>Deferred tax:</b>  |          |          |
| Origination and reversal of temporary differences                 | -        | (0.1)    |
| Total deferred tax  | -        | (0.1)    |
| <b>Total tax charged to the statement of comprehensive income</b> | <b>-</b> | <b>-</b> |

**(b) Tax reconciliation**

The tax on the Company's profit before tax differs from (2020: differs from) the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

|   | 2021  | 2020  |
|---|-------|-------|
|   | £'m   | £'m   |
| Profit before tax   | 0.4   | 0.3   |
| Tax calculated at standard UK corporation tax rate of 19% (2020: 19%) | 0.1   | 0.1   |
| Surrender of losses from group undertakings for no charge             | (0.1) | (0.1) |
| Tax charge for the year (note 8(a))                                   | -     | -     |

During 2021 the UK Government enacted an increase in the UK corporation tax rate to 25%, from 1 April 2023. During 2020 the reduction in the UK corporation tax rate that was due to take effect was cancelled, and as a result, the rate remained at 19%.

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.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****8. Tax (continued)****(c) Tax assets and liabilities****(i) General**

The Company has no current tax assets receivable or liabilities payable at the year end (2020: £nil).

**(ii) Deferred taxes**

(i) The Company has no provided or unprovided deferred tax assets or liabilities at the year end (2020: £nil).

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

|   | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
|   | <b>£'m</b>  | <b>£'m</b>  |
| Net deferred tax liability at 1 January   | -           | 0.1         |
| Amounts credited to the income statement  | -           | (0.1)       |
| Net deferred tax liability at 31 December | -           | -           |

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****9. Investment property**

|  | <b><u>Freehold</u></b><br><b><u>£'m</u></b> | <b><u>Leasehold</u></b><br><b><u>£'m</u></b> | <b><u>Total</u></b><br><b><u>£'m</u></b> |
|--|---|--|--|
| <b>Fair value</b>                              |   |  |  |
| <b>At 1 January 2020</b>                       | 487.8                                       | 31.6   | 519.4                                    |
| Capitalised expenditure on existing properties | 1.9   | 1.2  | 3.1                                      |
| Proceeds on disposal                           | (44.9)                                      | (23.1)                                       | (68.0)                                   |
| Realised losses on disposal                    | (0.4)                                       | (0.6)  | (1.0)                                    |
| Unrealised fair value losses                   | (8.6)                                       | (1.9)  | (10.5)                                   |
| Expected disposal costs                        | (6.5)                                       | (0.1)  | (6.6)                                    |
| <b>At 31 December 2020</b>                     | 429.3                                       | 7.1  | 436.4                                    |
| Capitalised expenditure on existing properties | 1.6   | -  | 1.6                                      |
| Proceeds on disposal                           | (352.2)                                     | -  | (352.2)                                  |
| Realised gains on disposal                     | 26.0  | -  | 26.0                                     |
| Unrealised fair value gains                    | 83.0  | (0.2)  | 82.8                                     |
| Movement in expected disposal costs            | 3.6   | -  | 3.6                                      |
| <b>At 31 December 2021</b>                     | 191.3                                       | 6.9  | 198.2                                    |

Investment properties are stated at their fair values as assessed by qualified external valuers as at 31 December 2021 less the anticipated costs of selling the properties as a result of the decision to close the Property Fund. CB Richard Ellis is the principal valuer of all of the individual property assets.

All valuers are Chartered Surveyors, being Members of the Royal Institution of Chartered Surveyors ('RICS'). Each property was valued on the basis of open market value and valuations were carried out in accordance with the RICS Appraisal and Valuation Manual.

Properties in the development programme are typically valued using a residual valuation method. Under this methodology, the valuer assesses the completed development value using income and yield assumptions. Deductions are then made for estimated costs to complete, including finance and developer's profit, to arrive at the valuation. As the development approaches completion, the valuer may consider the income capitalisation approach to be more appropriate.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****9. Investment property (continued)**

The following table reconciles the net book value of the investment properties to the market value.

|                                    | <b>Freehold</b> | <b>Leasehold</b> | <b>Total</b> |
|------------------------------------|-----------------|------------------|--------------|
|                                    | <b>£m</b>       | <b>£m</b>        | <b>£m</b>    |
| Net book value at 31 December 2020 | 429.3           | 7.1              | 436.4        |
| Less: head leases capitalised      | -               | (2.6)            | (2.6)        |
| Plus: expected disposal costs      | 6.5             | 0.1              | 6.6          |
| Plus: lease incentives             | 3.4             | 0.2              | 3.6          |
|                                    | <b>439.2</b>    | <b>4.8</b>       | <b>444.0</b> |
| Market value at 31 December 2020   |                 |                  |              |
| Net book value at 31 December 2021 | 191.3           | 6.9              | 198.2        |
| Less: head leases capitalised      | -               | (2.6)            | (2.6)        |
| Plus: expected disposal costs      | 2.9             | 0.1              | 3.0          |
| Plus: lease incentives             | 0.5             | 0.2              | 0.7          |
|                                    | <b>194.7</b>    | <b>4.6</b>       | <b>199.3</b> |
| Market value at 31 December 2021   |                 |                  |              |

**Information about fair value measurements using significant unobservable inputs (Level 3)**

| Segment | Segment Valuation<br>£m | Valuation Technique   | Estimated Rental Value<br>£ per square foot (average) | Equivalent Yield<br>% (average %) |
|---------|-------------------------|-----------------------|---|-----------------------------------|
| Retail  | 86.9                    | Income capitalisation | 13.67-36.07<br>(24.78)                                | 5.00-8.37<br>(6.40)               |
| Offices | 78.7                    | Income capitalisation | 29.34-78.68<br>(35.86)                                | 4.35-6.14<br>(5.49)               |
| Other   | 33.9                    | Income capitalisation | 12.00-16.00<br>(13.88)                                | 5.12-6.44<br>(5.80)               |

The capital value of investment property is sensitive to changes in the estimated rental value and the equivalent yield. An increase in the equivalent yield will lead to a decrease in the capital value and an increase in the estimated rental value ('ERV') will lead to an increase in the capital value. There are inter-relationships between unobservable inputs. In an oversupplied market, in which supply of properties exceeds demand, the vacancy rate is increasing and rents are declining so the ERV may be lower than the passing rent, thus increasing the equivalent yield. For investment property under construction (including refurbishments), increases in construction costs that add to the property's features may lead to an increase in the future rental potential of the property, leading to a decrease in the equivalent yield. The equivalent yield may also fall as the term to lease expiry increases, demonstrating that investors are willing to pay more for a sustained income stream.

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

|                            | <b>2021</b>         |                           | <b>Change in fair value</b> |               |
|----------------------------|---------------------|---------------------------|-----------------------------|---------------|
|                            | <b>Market value</b> | <b>Unobservable input</b> | <b>+25bps</b>               | <b>+50bps</b> |
|                            | <b>£'m</b>          |                           | <b>£m</b>                   | <b>£m</b>     |
| <b>Investment property</b> | 199.3               | Equivalent yield          | (8.5)                       | (16.2)        |



**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****10. Financial investments****(a) Analysis of financial investments:**

|  | 2021 | 2020  |
|--|------|-------|
|  | £'m  | £'m   |
| <b><u>Assets held at fair value through profit or loss</u></b> |      |       |
| <b><u>Debt securities</u></b>                                  |      |       |
| UK government  | -    | 42.1  |
| Non-UK government  | -    | 5.9   |
| Listed corporate - UK  | -    | 42.2  |
| Listed corporate - Non-UK                                      | -    | 37.4  |
| Unlisted corporate   | -    | 10.8  |
|  | -    | 138.4 |
| <b><u>Equity securities</u></b>                                |      |       |
| UK equities  | -    | 29.0  |
| Overseas equities  | -    | 47.2  |
|  | -    | 76.2  |
| <b><u>Other investments</u></b>                                |      |       |
| Specialised investment companies                               | 0.1  | 35.3  |
| Derivative financial assets                                    | -    | 0.2   |
|  | 0.1  | 35.5  |
| <b>Total financial investments assets</b>                      | 0.1  | 250.1 |

All amounts above are classified as current as they are fair value to profit and loss. We are required to disclose our interests in consolidated and unconsolidated structured entities as per IFRS 12. The standard is defined as follows; IFRS 12 *Disclosure of Interests in Other Entities* is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Several of the investments held within the specialised investment companies business meet the definition of an interest in a structured entity per IFRS 12, these are classified as 'other investments' in the above table.

The investments held are specialised investment companies of £0.1 million (2020: £35.3 million).

- In 2021 £0.1 million (2020: £1.3 million) is invested in open-ended investment company ('OEIC') funds, which are managed by a fellow subsidiary of the Company Aviva Investors UK Fund Services Limited. Total assets under management in the OEIC's is £13.6 million (2020: £3,410.8 million).
- In 2020 £22.3 million were invested into externally managed UK based equity tracker funds.
- In 2020 £11.7 million were invested in overseas Sociétés d'Investissement à Capital Variables ('SICAVs'), which were internally managed by a fellow subsidiary of the Company (Aviva Investors Luxembourg S.A.). Total assets under management in these SICAVs were £8,828.9 million.

The Company does not control any of the aforementioned vehicles into which policyholder funds are invested. The policyholders of the Company have exposure to fair value movements on the underlying investments for their internal holding only. The Company's exposure to variable returns is limited to management fee income in the investing fund. The Company does not sponsor or provide support to any unstructured entities.

Please note that the full IFRS 12 disclosures for the investments managed by AIGSL noted above are included in the financial statements for AIGSL. For information regarding the derivative financial instruments see note 21.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****11. Trade and other receivables**

|  | 2021 | 2020 |
|--|------|------|
|  | £'m  | £'m  |
| Accrued investment income                      | -    | 1.4  |
| Other policyholder fund receivables            | 7.7  | 20.8 |
| Trade receivables                              | 0.2  | 0.3  |
|  | 7.9  | 22.5 |
| Expected to be recovered in less than one year | 7.9  | 22.5 |

Trade receivables are non-interest bearing and are generally on 30 day payment terms. All other receivables relate to policyholder assets and are due within one year.

To determine the amount of lifetime expected credit loss under the IFRS 9 simplified approach the Company has used its historical observed default rates adjusted for forward-looking estimates. The amount of the lifetime expected credit losses based on past due Other policyholder fund receivables was £6.5 million (2020 £3.4 million). The nature of the Company's unit-linked insurance product results in the credit risk on these assets held to cover linked liabilities being borne by the policyholders. No other Trade and other receivables balances were classified as past due or impaired (2020: £nil), and consequently no lifetime expected credit loss has been recognised. The carrying value of all the receivables and other financial assets approximates fair value.

The nature of the Company's unit-linked insurance product results in the credit risk on these assets held to cover linked liabilities being borne by the policyholders. No other Trade and other receivables balances were classified as past due or impaired (2020: £nil). The carrying value of all the receivables and other financial assets approximates fair value. Trade and other receivables are categorised as amortised cost under IFRS 9, *Financial Instruments*.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****12. Assets held to cover linked liabilities**

The Company's unit-linked insurance products have been classified as investment contracts. The assets backing these unit-linked liabilities are included within the statement of financial position and correspond to the liability for investment contracts disclosed in note 14.

The carrying values of the assets backing these unit-linked liabilities are as follows:

|  | 2021           | 2020           |
|--|----------------|----------------|
|  | £'m            | £'m            |
| Investment properties                                    | 198.2          | 436.4          |
| Debt securities  | -              | 138.4          |
| Equity securities  | -              | 76.2           |
| Other investments  | 0.1            | 35.5           |
| Receivables  | 7.7            | 22.5           |
| Payables   | (10.0)         | (10.9)         |
| Finance lease liabilities                                | (2.6)          | (2.6)          |
| Cash and cash equivalents                                | 282.9          | 27.4           |
|  | <u>476.3</u>   | <u>722.9</u>   |
| The associated liabilities are:                          |                |                |
| Unit-linked contracts classified as investment contracts | <u>(476.3)</u> | <u>(722.9)</u> |

In the normal course of business certain policyholders have registered floating charges amounting to £40.0 million (2020: £44.9 million) over the whole of the unit linked insurance assets of the Company to secure amounts due from the Company. The Company does not anticipate that any of the charges will crystallise.

**13. Ordinary share capital**

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

|   | 2021       | 2020       |
|---|------------|------------|
|   | £'m        | £'m        |
| The allotted, called up and fully paid share capital of the Company at 31 December was: |            |            |
| 8,000,000 (2020: 8,000,000) ordinary shares of £1 each                                  | <u>8.0</u> | <u>8.0</u> |

All ordinary shares rank equally with regards to voting rights and dividend entitlements declared, made or paid by the Company. All shares will also be entitled to a proportional share of the residual net assets of the Company upon winding up.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****14. Liability for investment contracts**

The liability for investment contracts, all of which are unit-linked, comprised:

|                                       | 2021    | 2020    |
|---------------------------------------|---------|---------|
|                                       | £'m     | £m      |
| <i>Carrying amount at 1 January</i>   | 722.9   | 899.3   |
| Inflows                               | 1.9     | 3.3     |
| Redemptions                           | (369.6) | (193.0) |
| Investment and other income           | 123.9   | 17.1    |
| Charges                               | (2.8)   | (3.8)   |
| <i>Carrying amount at 31 December</i> | 476.3   | 722.9   |

The liability is categorised as a financial liability at fair value through profit or loss. The liability is classified as non-current as the Company has an unconditional right to defer settlement of the investment contract liability for at least twelve months after the reporting period. However as a result of notices of closure being served on the investment contract funds, all policyholders are in a redemption queue and partial settlements are made as assets are sold.

**(a) Methodology**

The liability for investment contracts represents the bid value of units, held on behalf of the policyholders, which is equal to the surrender value of the units.

**(b) Assumptions**

No actuarial valuation assumptions are required to assess the carrying value of the provision held for the unit-linked business, which is based only on the bid value of units at the valuation date.

**15. Finance lease liabilities**

Certain of the policyholder investment properties are leased under finance leases. The average lease term is 99 years (2020: 99 years). The interest rate underlying obligations under finance leases is 1.505% (2020: 1.505%) per annum.

|   | Minimum lease payments |       | Present value of minimum lease payments |      |
|---|------------------------|-------|---|------|
|   | 2021                   | 2020  | 2021                                    | 2020 |
|   | £'m                    | £'m   | £'m                                     | £'m  |
| Not later than one year                           | 0.1                    | 0.1   | 0.1                                     | 0.1  |
| Later than one year and not later than five years | 0.5                    | 0.5   | 0.4                                     | 0.4  |
| Later than five years                             | 7.0                    | 7.1   | 2.1                                     | 2.1  |
|   | 7.6                    | 7.7   | 2.6                                     | 2.6  |
| Less: future finance charges                      | (5.0)                  | (5.1) | -                                       | -    |
| Present value of minimum lease payments           | 2.6                    | 2.6   | 2.6                                     | 2.6  |

The table above represents the Company's future lease obligations at 31 December 2021. All investment properties are expected to be sold. As a result, the finance lease liabilities will also be transferred subsequently.

Finance lease liabilities are classified as Level 3 under the fair value hierarchy.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****16. Trade and other payables**

|                            | 2021 | 2020 |
|----------------------------|------|------|
|                            | £'m  | £'m  |
| Derivative liabilities     | -    | 0.3  |
| Policyholder fund payables | 10.4 | 10.6 |
|                            | 10.4 | 10.9 |

As at 31 December 2021, all payable amounts are attributable to policyholders and are classified as current, because they are payable on demand. All trade and other payables are carried at amortised cost, which approximates to fair value.

**17. Provisions**

|                        | 2021 | 2020  |
|------------------------|------|-------|
|                        | £'m  | £'m   |
| At 1 January           | -    | 1.0   |
| Unutilised in the year | -    | (0.1) |
| Utilised in the year   | -    | (0.9) |
| At 31 December         | -    | -     |

**Provision**

The Company previously made a provision for liabilities expected to be settled during the prior year. The actual amount of the liability in the prior year was dependent upon a number of factors and represented management's best estimate of the liability at 31 December 2019. The liability crystallised in 2020 and the investment manager, AIGSL reimbursed the Company for these costs.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****18. Lease assets and commitments**

The Company has no capital commitments (2020: £1.1 million) in respect of capital expenditures contracted for at the date of the statement of financial position.

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

|  | 2021        | 2020        |
|--|-------------|-------------|
|  | £'m         | £'m         |
| Within 1 year                                | 6.5         | 3.0         |
| Later than 1 year and not later than 5 years | 19.1        | 12.8        |
| Later than 5 years                           | 31.0        | 4.1         |
|  | <u>56.6</u> | <u>19.9</u> |

The table above represents the Company's future contractual aggregate minimum lease rentals receivable at 31 December 2021. As a result of serving notice on the Property Fund all investment properties are being sold. As a result, the operating lease assets will also be transferred.

**19. Additional cash flow information**

(a) The reconciliation of profit before tax to the net cash inflow/(outflow) from operating activities is:

|  | 2021         | 2020          |
|--|--------------|---------------|
|  | £'m          | £'m           |
| Profit before tax  | 0.4          | 0.3           |
| Amortisation of premium/discount on debt securities  | 0.3          | 0.7           |
| Net realised gains on financial investments  | (56.1)       | (22.7)        |
| Net realised (gains)/losses on investment properties   | (26.0)       | 1.0           |
| Movement in unrealised gains and losses on investments held at fair value through profit or loss | 53.0         | 6.8           |
| Movement in unrealised gains and losses on investment properties held at fair value              | (82.8)       | 10.5          |
| Movement in expected investment property disposal costs  | (3.6)        | 6.6           |
| Change in liability for investment contracts   | (246.6)      | (176.4)       |
| <b>Changes in working capital:</b>   |              |               |
| Change in receivables and other financial assets   | 14.6         | (2.7)         |
| Change in payables and other financial liabilities   | (0.2)        | (0.3)         |
| <b>(Purchases)/sales of operating assets:</b>  |              |               |
| Additions of investment property   | (1.6)        | (3.1)         |
| Disposals of investment property   | 352.2        | 68.0          |
| Additions of financial investments   | (379.1)      | (259.2)       |
| Disposals of financial investments   | 631.6        | 326.5         |
| <b>Cash used in operations</b>   | <u>256.1</u> | <u>(44.0)</u> |

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

All amounts reported in the the reconciliation of profit before tax to the net cash inflow/(outflow) from operating activities relate to discontinued operations (2020: continuing).

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****19. Additional cash flow information (continued)****(b) Cash and cash equivalents in the statement of cash flows as at 31 December comprised:**

|                          | 2021  | 2020 |
|--------------------------|-------|------|
|                          | £'m   | £'m  |
| Cash at bank and in hand | 1.8   | 1.1  |
| Cash equivalents         | 291.1 | 35.7 |
|                          | 292.9 | 36.8 |

As at 31 December 2021, cash and cash equivalent attributable to shareholders was £10.0 million (2020: £9.4 million), the remaining balance of £282.9 million (2020: £27.4 million) was held by policyholders. This cash is attributable to the policyholders only and not available for the Company to use.

Cash and cash equivalents are categorised as amortised cost under IFRS 9, *Financial Instruments*.

**20. Risk and capital management policies****(a) Overview**

The Company is expected to cease operating and commence a voluntary liquidation, subject to remaining within risk appetite and meeting stakeholders' expectations. This is achieved by following rigorous and consistent risk and oversight management within the business. The Company's Risk and Oversight Management Framework (ROMF) includes the strategies, policies, processes, culture, governance arrangements, tools, and reporting procedures necessary to support this. The ROMF adopts the AIHL Risk Management Framework (RMF) risk principles, which have been adapted to the needs and requirements of the Company.

A description of the Company's system of governance is documented in Section B of the Company's Solvency and Financial Conditions Report (SFCR), available at <https://www.avivainvestors.com/en-gb/capabilities/regulatory>.

Further information on the types and management of specific risk types is provided below:

**(b) Operational risk**

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people and systems, or external events, including changes in the regulatory environment. The definition includes legal risk but excludes business, strategic and reputational risk. The Company has a low appetite for operational risk and aims to reduce this risk as far as it is commercially sensible.

Conduct risk is assessed as part of operational risk and is the risk that appropriate customer outcomes are not achieved while ceasing operating and commencing a voluntary liquidation.

Operational risk arises mainly through the investment process, distribution channels, product development, information technology and operations, including the transfer agency activities, the majority of which have been outsourced to AIGSL who in turn, has outsourced back-office activities to JP Morgan, and transfer agency services to RBC and HSBC. Due to the decision to cease operating and commence a voluntary liquidation, many of these activities have reduced or stopped.

The Board has delegated oversight of the activities undertaken by AIGSL on behalf of the Company to the Global Funds Services ('GFS') function, which is an internal process that oversees the activities undertaken by AIGSL on behalf of the funds businesses, including the Company. The GFS committees have a reporting and escalation relationship with the Board, as well as to the AIHL Board via personal committees of the Aviva Investors Executive team. Matters reported to the Board would detail any significant operational breach of regulation, or any of the operational risk policies, and key operational risks outside of tolerance standards, and key operational risks outside of tolerance.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **20. Risk and capital management policies (continued)**

### **(b) Operational risk (continued)**

Following the decision to close down the Company and its funds, any risks arising from the process, are monitored through regular dedicated internal meetings which provides regular progress reports to the Board. These meetings are attended by key business representatives including the Aviva Investors Chief Risk Officer, client relationship managers, Property Fund managers, Director of Global Funds Services, and Legal, Compliance and Risk representation.

No material operational issues have been reported, however, the timing of the voluntary liquidation of the Company is dependent on the settlement of policyholder liabilities. Refer to Policyholder liquidity risk in (f) Liquidity risk for the status of the fund closures.

The GFS committees that continue to oversee the activities of the Company and relevant outsource providers are the GFS UK Management Committee and the GFS Supplier Oversight Committee.

The Board also reviews and updates the risk appetite statements at least annually and sets its tolerances for operational risk. The Company's exposure against risk appetites is reported and monitored at the board meetings.

### **(c) Regulatory compliance**

The Company's insurance business is subject to dual regulation in the UK, directly authorised by both the PRA (for prudential regulation) and the FCA (for conduct regulation). Between them, the PRA and the FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources.

The Company has compliance resources to respond to regulatory enquiries in a constructive way and take corrective action when warranted. However, all regulated financial services companies face the risk that their regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required. The impact of any such finding could have a negative impact on the Company's reported results.

### **(d) Market Risk**

Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations in interest rates, foreign currency exchange rates, equity and property prices. Market risk arises in the business due to fluctuations in the value of investments held, which has an impact on the management charges earned by the Company.

The nature of the Company's unit-linked insurance business results in the value of the Company's investment contract liability being directly linked to the value of the related investment assets and therefore the Company's exposure relates solely to the management fees earned on the assets. As of 31 December 2021, not all the Company's funds have been liquidated. Refer to Policyholder liquidity risk in (f) Liquidity risk for the status of the fund closures.

The exposure to market risk has decreased as a result of the liquidation of the Company's funds. As of 31 December 2021, the Property Fund had unsold properties that are projected to be sold by Q4 2022. As the properties are sold, the exposure to property price risk will continue to reduce.

The liquidation of the Company's funds is monitored at regular dedicated internal meetings which provide regular reports on progress and any associated risks to the Board.

### **(e) Credit / Counterparty risk**

Credit / Counterparty risk is the current or prospective risk of loss arising from adverse financial impacts due to fluctuations in credit quality of third parties including default.

The nature of the Company's unit-linked insurance product results in the credit risk on the assets held to cover linked liabilities being borne by the policyholders.

The Company's exposure to credit risk from trade and other receivables is mainly influenced by the default risk of its client base.

Exposure to credit risk relating to cash and cash equivalents is managed conservatively in accordance with the Aviva Investors Investment Policy Statement. This document establishes the governance, principals, and parameters for the management of credit risk, including the minimum requirements that counterparties must adhere to for the Company to invest cash with those counterparties.



## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **20. Risk and capital management policies (continued)**

### **(e) Credit / Counterparty risk (continued)**

The Aviva Investors Investment Policy Statement applies the principles of the Aviva Group Credit Risk policy and Aviva Group Credit and Collateral Management Business Standard in managing the credit risk associated with cash and cash equivalents, notably through placement of funds with counterparties with high credit ratings assigned by international credit agencies. Credit exposures are identified, evaluated and managed in accordance with the Company's risk appetite, and, where appropriate, the Aviva Group Credit Risk Director. Expected loss associated with credit risk on cash and cash equivalents is considered low and within risk appetite.

### **(f) Liquidity risk**

Liquidity risk is defined as the current or prospective risk of loss that liabilities cannot be met in a timely and cost-effective manner as they fall due. Liquidity issues may arise from uncertainty in the value and timing of liabilities as well as uncertainty in the ability to realise assets into cash to meet its obligations. Liquidity risk is categorised into shareholder and a policyholder liquidity risk.

#### Shareholder liquidity risk

The Company's exposure to shareholder liquidity risk is predominantly through its exposure to credit and counterparty risk, exceptional fines, or crystallisation of operational risk events.

The Company complies with the Aviva Group Liquidity Business Standard and Financial Risk Policy that requires management to consider a range of approaches to determine the appropriate minimum liquidity appetite.

The Board set a liquidity appetite for the Company to ensure that financial obligations can be met when due. The Company evaluates its liquidity requirements against the Company's appetite on a regular basis.

The Company's financial liabilities are all payable within 1 year. It is anticipated that the Company is able to settle any financial liabilities when required.

The Company's finance lease liabilities are analysed separately in note 14.

#### Policyholder liquidity risk

Policyholders who are currently invested in the Property Fund and the Balanced Managed Fund are exposed to liquidity risk because they are invested in direct real estate assets or funds that are invested in direct real estate that are illiquid in nature.

As of December 2021, the majority of the Balanced Managed Fund had been liquidated, except for a small holding in the Aviva Investors European Property Fund. The European Property Fund is not part of the Company's fund range but is also being wound down by Aviva Investors. To provide sufficient time for the remaining holding to be liquidated and Policyholder liabilities to be settled, investors in the Balanced Managed Fund were provided three months' notice of a change to the Company's Policy document allowing the Company to extend the deferral period from twelve months to indefinitely. This was necessary because the final liquidation of the remaining special purpose vehicle structures within the European Property Fund is not expected to be completed before the end of 2022.

As part of the wind-down process, the Property Fund managers maintain a property sales tracker that is used to monitor the progress being made on the sale of the direct properties and is updated regularly for the regular dedicated internal meetings, and for the Board.

## **Aviva Investors Pensions Limited**

### **Report and financial statements for the year ended 31 December 2021**

**Registered in England and Wales: No.1059606**

## **20. Risk and capital management policies (continued)**

### **(g) Life underwriting risk**

Life underwriting risk is the risk of loss on underwriting activity caused by an adverse change in the value of liabilities arising from inappropriate insurance pricing, inadequate claims reserving assumptions as well as unforeseen fluctuations in the timing, frequency and severity of insured events relative to the expectations at the time of underwriting. The risk excludes operational risk arising from internal processes in the writing of insurance business or settling of claims.

The Company's life insurance risk arises through its exposure to worse than anticipated operating experience on factors such as persistency levels (customers lapsing or surrendering their policies) and expense risk (the amount it costs to administer policies). The Company is exposed to persistency (lapse) and expense risk in the unit-linked pensions business.

The Company's exposure to life underwriting risk has decreased as a result of the Board's decision in 2021 to close the business and return policyholder funds to policyholders.

### **(h) Climate change financial risks**

The PRA issued its Supervisory Statement SS3/19 in April 2019, titled "Enhancing banks' and insurers' approaches to managing the financial risks from climate change", that sets out its expectations regarding firms' responsibility to manage financial risks from climate change. On 1 July 2020, the PRA sent a 'Dear CEO' letter to PRA-regulated firms, building on the expectations set out in the Supervisory Statement, providing observations on good practice, and setting out next steps for implementation.

The PRA asked firms to have an implementation plan in place by October 2019 and have clarified that firms should have fully embedded their approaches to managing climate-related financial risks by end of 2021.

Due to the decision to cease operating and commencing a voluntary liquidation, the climate-related financial risks are being reduced and relate to the remaining properties in the Property Fund that are being sold.

### **(i) Capital management**

Capital is managed within the regulatory framework in which the Company operates with the purpose of maintaining a strong capital base to uphold investor, creditor and policyholder confidence and sustain the future development of the business. Quantitative risk appetites for regulatory capital have been approved by the Board and are monitored by Aviva Investors Finance Committee and the Board on a regular basis.

#### **(i) Regulatory capital**

The Company's regulatory capital is calculated in accordance with Solvency II regulatory rules. A net adjustment of £0.2 million (2020: £0.1 million) is made to IFRS equity of £9.8 million (2020: £9.4 million) resulting in regulatory capital on a Solvency II basis of £9.6 million (2020: £9.5 million).

The Company uses the standard formula methodology to calculate their solvency capital requirement under Solvency II.

The Company has complied with its regulatory capital requirements throughout the financial year.

#### **(ii) Own risk and solvency assessment**

The Company's capital management framework uses the Own Risk and Solvency Assessment ('ORSA') process of the PRA. The ORSA includes a detailed assessment of the risks to which the business is exposed and an estimate of the amount of capital required to mitigate those risks to a selected remote level of risk.

The Board chooses to assess capital under the ORSA basis as it believes that it is a more realistic quantification of the risk to which the Company is exposed.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****20. Risk and capital management policies (continued)****(j) Fair value methodology**

For investments carried at fair value, we have categorised the investments into a 'fair value hierarchy' (FVH) based on the degree of subjectivity associated with the data used to value each asset.

**(i) Quoted market prices in active markets - ('Level 1')**

Assets classified as Level 1 in the hierarchy are valued based on unadjusted quoted prices in active markets for identical assets. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**(ii) Internal models with significant observable market parameters - ('Level 2')**

Assets classified as Level 2 in the hierarchy are valued based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset. Level 2 inputs include the following:

- Quoted prices for similar (i.e. not identical) assets in active markets;
- Quoted prices for identical or similar assets 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 (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment spreads, loss severities, credit risks, and default rates);
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market - corroborated inputs).

**(iii) Internal models with significant unobservable market parameters - ('Level 3')**

Assets classified as Level 3 in the hierarchy are valued based on unobservable inputs for the asset. 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 at the measurement date (or market information for inputs to any valuation models). As such, unobservable inputs reflect the assumptions that the Company considers that market participants would use in pricing the asset.

The table below illustrates the Company's fair value hierarchy classification:

|   | 2021          |               |               |             | 2020          |               |               |             |
|---|---------------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|
|   | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m | Total<br>£m | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m | Total<br>£m |
| <b>Financial Investments</b>              |               |               |               |             |               |               |               |             |
| Debt securities                           | -             | -             | -             | -           | 41.3          | 97.1          | -             | 138.4       |
| Equity securities                         | -             | -             | -             | -           | 76.2          | -             | -             | 76.2        |
| Specialised investment companies          | 0.1           | -             | -             | 0.1         | 35.3          | -             | -             | 35.3        |
| Derivative assets                         | -             | -             | -             | -           | 0.2           | -             | -             | 0.2         |
|   | 0.1           | -             | -             | 0.1         | 153.0         | 97.1          | -             | 250.1       |
| <b>Investment property</b>                | -             | -             | 198.2         | 198.2       | -             | -             | 436.4         | 436.4       |
| <b>Liability for investment contracts</b> | (476.3)       | -             | -             | (476.3)     | (722.9)       | -             | -             | (722.9)     |
| <b>Derivative liabilities</b>             | -             | -             | -             | -           | (0.3)         | -             | -             | (0.3)       |

Investment properties are unique assets within markets which are widely considered illiquid. Due to the irregularity of similar transactions, management has deemed significant inputs into the valuation methodology as non-market observable and classified as FVH Level 3. The associated Finance lease liabilities are also classified as Level 3 under the fair value hierarchy.

There were no transfers of assets or liabilities between Level 2 and Level 3 classifications during the year. Movements in the Level 3 Investment Property assets measured at fair value and Finance lease liabilities are included in notes 9 and 15.

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****21. Derivative financial instruments and hedging**

This note gives details of the various instruments used by the Company to mitigate risk. The instruments are policyholder assets.

Prior to closing the unit-linked funds the Company used a variety of derivative financial instruments, including both exchange traded and over-the-counter instruments, in line with our overall risk management strategy. In the table below, figures are given for both the notional amounts and fair values of these instruments at 31 December 2020. The Company held no derivative financial instruments at 31 December 2021 as the unit linked funds that used these instruments to mitigate risk were closed during the year. 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 previous year-end for each class of derivative contract held by the Company.

|   | Contract/<br>notional amount<br>£m | 2020<br>Fair value<br>asset<br>£m | Fair value<br>liability<br>£m |
|---|------------------------------------|-----------------------------------|-------------------------------|
| Over the counter foreign exchange forward contracts | 6.5                                | 0.1                               | -                             |
| Exchange-traded interest rate futures contracts     | 9.8                                | -                                 | (0.1)                         |
| Exchange-traded equity/index futures contracts      | 16.1                               | 0.1                               | (0.2)                         |
|   | <u>32.4</u>                        | <u>0.2</u>                        | <u>(0.3)</u>                  |

**22. Related party transactions**

(a) AIGSL, a fellow Aviva Investors company, invests on behalf of certain of its segregated clients in unit-linked pension products issued by the Company. AIGSL collects fees directly from the clients, with the Company receiving an agreed fee rate from AIGSL for services provided.

AIGSL provides investment management services to the Company in respect of all unit-linked assets.

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

|  | 2021                           |                                 | 2020                           |                                 |
|--|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
|  | Income earned<br>in year<br>£m | Receivable at<br>year end<br>£m | Income earned<br>in year<br>£m | Receivable at<br>year end<br>£m |
| Segregated fee income for assets managed on behalf of a fellow Aviva Investors company | 0.4                            | -                               | 0.8                            | 0.1                             |
|  | <u>0.4</u>                     | <u>-</u>                        | <u>0.8</u>                     | <u>0.1</u>                      |

**Aviva Investors Pensions Limited****Report and financial statements for the year ended 31 December 2021****Registered in England and Wales: No.1059606****22. Related party transactions (continued)**

The related parties' receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

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

|  | <b>2021</b>                         |                                | <b>2020</b>                             |                                |
|--|-------------------------------------|--------------------------------|---|--------------------------------|
|  | <b>Expense<br/>incurred in year</b> | <b>Payable at<br/>year end</b> | <b>Expense<br/>incurred in<br/>year</b> | <b>Payable at<br/>year end</b> |
|  | <b>£m</b>                           | <b>£m</b>                      | <b>£m</b>                               | <b>£m</b>                      |
| Investment management fee charged by fellow subsidiary           | 2.2                                 | 0.3                            | 2.9                                     | 0.3                            |
| Costs incurred by fellow subsidiary and recharged to the Company | 0.7                                 | 0.1                            | 0.9                                     | 0.1                            |
|  | <b>2.9</b>                          | <b>0.4</b>                     | <b>3.8</b>                              | <b>0.4</b>                     |

**(d) Key management compensation**

Members of the Board of directors are listed on page 3 of these financial statements. There are no amounts receivable from or payments due to members of the Board. The directors are considered to be the only key management personnel of the Company. Details of their remuneration arrangements are contained in note 7.

**(e) Ultimate controlling party**

The immediate parent undertaking of the Company is AIHL.

The ultimate parent undertaking and controlling party is Aviva plc, a company incorporated and domiciled in the United Kingdom.

Aviva plc is the parent undertaking of both the largest and the smallest group of undertakings to consolidate these financial statements at 31 December 2021. The consolidated financial statements of Aviva plc are available on application to the:

Group Company Secretary  
Aviva plc  
St Helen's  
1 Undershaft  
London, EC3P 3DQ

**23. Events after the reporting period**

There have been no events after the reporting period.