

Aviva Life Services UK Limited

Directors and Officers

Directors

A J Darlington
R J Priestley

Officer- Company Secretary

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

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered Office

Aviva
Wellington Row
York
YO90 1WR

Company Number

Registered in England and Wales: No. 2403746

Other Information

Aviva Life Services UK Limited ("the Company") is authorised and regulated by the Financial Conduct Authority ("FCA")

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



Aviva Life Services UK Limited

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Aviva Life Services UK Limited

Strategic report

The directors present their strategic report for the Company for the year ended 31 December 2019.

Principal activities

The principal activity of the Company continued to be the provision of sales and corporate administrative services and the provision of operational assets to the Aviva UK Life group, being Aviva Life Holdings UK Limited (UKLH) and its subsidiaries.

Total operating expenses have increased from £885.4 million in 2018 to £1,230.3 million in 2019.

Financial position and performance

The Company has generated a post-tax loss of £13.9 million in 2019 (2018: £17.8 million profit). The key service agreements, that set out the administration fees payable by UKLH and its subsidiaries, expired at the end of 2018 and agreements have now been renegotiated, with the revised terms coming into effect during 2019.

Total equity and profit for the year are detailed in the key performance indicators section set out below.

Section 172 (1) statement

The Directors report here how they have discharged their duties under Section 172 (1) of the Companies Act 2006 and during 2019.

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

For each matter which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board's decision-making process.

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

The Company's culture

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

The Company's culture is shaped in conjunction with our parent entity, Aviva Life Holdings UK Limited, and ultimate shareholder, Aviva plc (Aviva Group), by our clearly defined values to help ensure we do the right thing. We value diversity and inclusivity in our workforce and beyond. The commitment we make to each customer extends to all our stakeholders; that we are 'with you today, for a better tomorrow.' Throughout the Company's business, we are proud that the Company's people live by our core value of Caring More for our customers, for each other and for the communities they serve.

Key strategic decisions in 2019

Following the split of the UKI business into separate UK Life and Pensions and General Insurance businesses, and the appointment of Angela Darlington as the UK Life CEO, and the appointment of Lindsey Rix as the UK Savings and Retirement CEO, the Board has aligned its strategic focus with that of Aviva Group, to develop Savings and Retirement as a core growth opportunity for the Life business, supporting customers to save for the future, navigate their retirement and to protect what's most important to them. The Aviva Life Services Board further decided to transfer the Aviva Financial Advice business over to another entity within the Aviva Group, Aviva Administration Limited. This transfer is expected to happen during 2020.

Aviva Life Services UK Limited

Strategic report (continued)

Stakeholder Engagement

(i) Employees

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

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

A comprehensive global employee engagement survey is carried out each year, and the results are considered by the Board in the context of culture, values and behaviours and actions to continually improve the scores are discussed and agreed.

Aviva employees share in the business' success as shareholders through membership of the Group's global share plans.

(ii) Customers

During 2019, the Board, in conjunction with Aviva plc, has renewed its focus on Aviva as a trusted long-term partner for our customers helping them to save for the future, navigate retirement and protect where it matters most.

The Board closely monitors customer metrics and engages with the leadership team to understand the issues if business performance does not meet customers' expectations.

The Board continues to monitor and review developments concerning changes to our IT platforms which will allow us to simplify and support service delivery to our customers.

The Board receives reporting on strategic initiatives throughout the year, undertaking deep dives into areas that impact the customer in order to re-align strategy where applicable.

- Aviva Life Services' parent entity, Aviva Life Holdings Limited, regularly receives input which enables it to monitor customer metrics, and subsequently engage with the senior leaders to address any issues that may arise from customer complaints, feedback and our approach to good customer outcomes. The Aviva Life Services Board can escalate any matters it feels necessary to the Conduct Committee for further scrutiny.
- The Board works to ensure we deliver fair value to our customers.

(iii) Suppliers

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

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

In the UK, the ultimate parent Aviva plc is a signatory of the Prompt Payment Code which sets standards for high payment practices. Aviva is a Living Wage employer in the UK, and supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided to Aviva at our premises in the UK.

The Company's directors are closely involved in the management of the most critical or important suppliers and the Board regularly reviews reports on their performance. During the year, Aviva successfully progressed a UK migration to a new data centre infrastructure provider, including partial migration to the Cloud.

Aviva Life Services UK Limited

Strategic report (continued)

(iv) Communities

Aviva runs a health and wellbeing proposition for UK employees, Wellbeing@Aviva, providing products, improved policies and better support to enhance employees mental, physical, community & financial wellbeing. This has led to Aviva's people creating of a number of internal communities to enable colleagues connect over activities they are passionate about.

The UK Life business supports a number of local issues, including the charity 'York Cares' which pursues any charitable purpose for the benefit of the people for the City of York. Aviva received an award recently from York Cares at the annual recognition event for the social connection work by Aviva staff with the dementia ward at York hospital.

Aviva Group actively encourages and supports colleagues to volunteer in their communities, to make a positive impact and help build stronger communities.

(v) Shareholders

The Company's ultimate shareholder is Aviva plc and its immediate shareholder is Aviva Life Holdings UK Limited. Any matters requiring escalation are escalated by the Board through the Chairman to its parent. Additionally, members of the Aviva plc Board can attend Aviva Life Services Board meetings by invitation.

(vi) Regulators

During 2019, a review of the Aviva UK Operating Model concluded that the most effective structure was to split the UK Insurance business to a UK Life and Pensions business, and a General Insurance business. The Financial Conduct Authority (the 'FCA') was engaged throughout the decision-making process and as the organisation design was implemented.

The Aviva Life Services Board engages with the Regulators on a regular basis.

Future outlook

The business will continue to provide corporate administration services to UKLH and its subsidiaries under the terms of revised management service agreements. The renegotiation of these agreements has provided an opportunity to harmonise the service agreement model across UK Life and during 2019 all expenses incurred in providing services to UKLH and its subsidiaries are recharged by the Company at cost, with no profit or loss being made on the services supplied.

The Board has approved the transfer from the Company of Aviva Financial Adviser (AFA) business into Aviva Administration Limited. This is waiting for regulatory approvals in order for the transfer to take place. Given that AFA was expected to make losses until 2021 the Company will financial benefit from this transaction.

Principal risks and uncertainties

The Company is exposed to financial risk through its financial assets and liabilities in the ordinary course of its business. It is also exposed to operational risk resulting from inadequate or failed internal processes, personnel or systems, or from external events, including regulatory risk.

The Company uses a number of metrics to identify, measure, manage, monitor and report risks and a fuller explanation of these risks, other than operational risk, may be found in note 20 to the financial statements.

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the UK economy could be deepened and result in further declines in financial markets.

Aviva Life Services UK Limited

Strategic report (continued)

Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees being supported to ensure that that we were there to support our customers when they need us most. As the situation is rapidly evolving it is not practicable to quantify the potential impact of volatile financial markets on expected earnings or the Company at this stage. The Company continues to maintain strong solvency levels and expects to continue to meet its capital requirements.

Key performance indicators (KPIs)

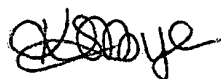
Revenue represents fees charged by the Company for the provision of operational assets and services during the year. Revenue for the year has increased by £306.0 million to £1,211.4 million (2018: £905.4 million).

Total expenses for the year increased by £284.9 million to £1,230.3 million (2018: £945.4 million).

Profit for the year reduced from £17.8 million in 2018 to a loss of £13.9 million in 2019.

Total equity has decreased by £164.6 million (2018: increased by £116.4 million), reflecting a dividend payment of £150.7 million to UKLH and the loss for the year of £13.9 million (2018: profit of £17.8 million).

By order of the Board



Aviva Company Secretarial Services Limited
Company Secretary

15 May 2020

Aviva Life Services UK Limited

Directors' report

The directors present their annual report and financial statements for Aviva Life Services UK Limited (the Company) for the year ended 31 December 2019.

Directors

The names of the present directors of the Company appear on page 1.

A J Barton and N Hankin were appointed as directors of the company on 25 March 2019.

A D Briggs resigned as a director of the Company on 24 April 2019.

H W Hessing was appointed as a director of the Company on 3 June 2019.

J M Windsor resigned as a director of the Company on 17 June 2019. R J Priestley was appointed as a director of the Company on the same date.

A J Barton resigned as a director of the Company on 12 July 2019.

A J Darlington was appointed as a Director of the Company on 7 August 2019.

H W Hessing resigned as a director of the Company on 1 February 2020.

N Hankin resigned as a director of the Company on 5 March 2020.

Dividends

A final dividend of £150.7 million was paid for the financial year ending 31 December 2019 (2018 £nil).

Major events

The Board has approved the transfer of the Aviva Financial Adviser business from the Company to Aviva Administration Limited. This is waiting for regulatory approvals in order for the transfer to take place.

Future developments

Likely future developments in the business of the Company are discussed in the Strategic Report on page 5.

Financial risk management

Details of financial risk management are discussed in the principal risks and uncertainties section of the Strategic Report on page 5 and note 20 to the financial statements.

Employees

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

Disclosure of information to the auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Aviva Life Services UK Limited

Directors' report (continued)

Independent auditors

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

Qualifying indemnity provisions

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

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

Statement of directors' responsibilities in respect of the financial statements

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

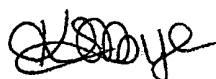
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must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

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

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

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

By order of the Board



Aviva Company Secretarial Services Limited
Company Secretary

15 May 2020

Aviva Life Services UK Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Life Services UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

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

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 on, 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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Aviva Life Services UK Limited

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

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 2019 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 in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

15 May 2020

Aviva Life Services UK Limited

Accounting policies

The Company, a private company limited by shares, incorporated and domiciled in the United Kingdom (UK), provides sales and corporate administrative services and operational assets to the Aviva Life sub-group. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The financial statements have been prepared under the historical cost convention.

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

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

As permitted under IAS 27 and under Section 400 of the Companies Act 2006, the Company has elected not to present consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. Information on the ultimate controlling parent and immediate parent can be found in note 21.

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

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2019:

(i) IFRS 16 Leases

In January 2016, the IASB published IFRS 16 Leases. This standard replaces IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019. The standard has been endorsed by the EU. IFRS 16 has introduced a definition of a lease with a single lessee accounting model, eliminating the previous classification of either operating or finance leases. Lessees are required to recognise lease assets and liabilities on the statement of financial position for all leases, with the exception of short-term and low-value leases. Lessor accounting remains similar to the previous approach set out in IAS 17.

The adoption of IFRS 16 is not expected to have a significant impact on the Company.

The following amendments to existing standards and IFRIC interpretations have been issued and endorsed by the EU, are effective from 1 January 2019 or earlier, and do not have a significant impact on the Company's financial statements.

(i) IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. The standard is effective for annual reporting beginning on or after 1 January 2019.

(ii) Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

In February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments are effective for annual reporting beginning on or after 1 January 2019.

(iii) Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB published Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments are effective for annual reporting beginning on or after 1 January 2019.

(iv) Annual Improvements to IFRS Standards 2015-2017 Cycle

These improvements consist of amendments to three IFRSs including IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes and IAS 23 Borrowing Costs. The amendments are effective for annual reporting beginning on or after 1 January 2019.

Aviva Life Services UK Limited

Accounting policies (continued)

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

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

(i) IFRS 17, Insurance Contracts

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

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

It is expected that the standard will apply to annual reporting periods beginning on or after 1 January 2022 and this standard has not yet been endorsed by the EU. It is not expected to have a significant impact on the Company's financial statements.

(ii) Amendments to References to the Conceptual Framework in IFRS Standards

Published by the IASB in March 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

(iii) Amendment to IFRS 3 Business Combinations

Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

(iv) Amendment to IAS 1 and IAS 8: Definition of material

Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

(v) Interest Rate Benchmark Reform

Published by the IASB in October 2019. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

(vi) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non current

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have not yet been endorsed by the EU.

Aviva Life Services UK Limited

Accounting policies (continued)

(B) Critical accounting estimates and judgements

The preparation of the Company's financial statements, in accordance with IFRS, requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. There are no items considered to be particularly susceptible to changes in estimates and assumptions for the Company.

(C) Revenue

Revenue represents fees charged by the Company for the provision of operational assets and services during the year. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(D) Net investment income

Net investment income consists of interest receivable, accounted for on an accruals basis.

(E) Intangible assets

Costs of developing and acquiring intangible assets are capitalised only if the asset can be reliably measured, will generate future economic benefits and there is an ability to use or sell the asset. An impairment review is carried out at each reporting date and an impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

Intangible assets consist of internally generated software. These assets are amortised over their useful lives using the straight-line method.

Computer software	Five years
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The amortisation charge for the period is included in the income statement under operating expenses.

(F) Subsidiaries

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

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

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

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

Income from shares in group undertakings is recognised in the period in which they are received.

Aviva Life Services UK Limited

Accounting policies (continued)

(G) Loans

Loans are included at amortised cost using the effective interest rate method.

At each reporting date, loans carried at amortised cost are reviewed for objective evidence that they are impaired and uncollectable, either at the level of an individual security or collectively within a group of loans with similar credit risk characteristics.

To the extent that a loan is uncollectible, it is written down as impaired to its recoverable amount, measured as the present value of expected future cash flows discounted at the original effective interest rate of the loan, including any collateral receivable. Subsequent recoveries in excess of the loan's written down carrying value are credited to the income statement.

(H) Impairment of non-financial assets

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

(I) Receivables and payables

Receivables and payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are held at amortised cost, which given the short term nature of the items is considered a reasonable approximation to fair value. Statement of cash flows

(J) Statement of cash flows

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

(K) Provisions

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

Restructuring provisions comprise lease termination penalties and employee termination payments. They include only the direct expenditures arising from the restructuring, which are those that are necessarily entailed by the restructuring; and not associated with the ongoing activities of the entity. The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure.

(L) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves 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 principal temporary differences arise from the difference between the fair values of equipment and certain provisions and their tax base cost. The rates enacted or substantively enacted at the statement of financial position date are used to determine the deferred tax.

Aviva Life Services UK Limited

Accounting policies (continued)

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 an accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively. Deferred tax related to any fair value re-measurement of a 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.

(M) Share capital

Equity instruments

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

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

Aviva Life Services UK Limited
Income statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Income			
Revenue	C	1,211,418	905,415
Income from shares in group undertakings	F	-	60,000
Net investment income	D & 1	868	1,811
		<u>1,212,286</u>	<u>967,226</u>
Expenses			
Operating expenses	2	(1,230,322)	(885,382)
Finance costs	3	(1)	(6)
Impairment loss on subsidiary undertakings	F & 8	-	(60,000)
(Loss)/profit before tax		<u>(18,037)</u>	<u>21,838</u>
Tax credit/(charge)	L & 6	4,100	(3,998)
(Loss)/profit for the year		<u>(13,937)</u>	<u>17,840</u>

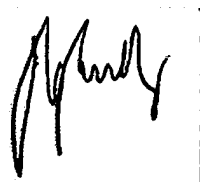
The Company has no other comprehensive income.

The accounting policies (identified alphabetically) on pages 11 to 15 and the notes (identified numerically) on pages 20 to 29 are an integral part of these financial statements.

Aviva Life Services UK Limited
Statement of financial position
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Intangible assets	E & 7	16,782	23,321
Investments in subsidiaries	F & 8	48,600	48,600
Tax asset	L & 13(a)	1,186	-
Loans to group undertakings	G & 9	-	150,000
Receivables	I & 10	260,677	249,499
Deferred tax assets	L & 13(b)	4,205	5,826
Cash and cash equivalents	J & 16(b)	5,751	129,613
Total assets		337,201	606,859
Equity			
Ordinary share capital	M & 11	22,800	22,800
Retained earnings	12	30,768	195,437
Total equity		53,568	218,237
Liabilities			
Provisions	K & 14	30,174	21,780
Tax liabilities	L & 13(a)	-	4,900
Payables and other financial liabilities	I & 15	253,459	361,942
Total liabilities		283,633	388,622
Total equity and liabilities		337,201	606,859

The financial statements were authorised for issue by the Board of directors on 15 May 2020 and were signed on its behalf.



R J Priestley *Director*

The accounting policies (identified alphabetically) on pages 11 to 15 and the notes (identified numerically) on pages 20 to 29 are an integral part of these financial statements.

Aviva Life Services UK Limited
Statement of changes in equity
For the year ended 31 December 2019

	Note	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018		64,200	37,597	101,797
Addition to share capital		98,600	-	98,600
Capital reduction		(140,000)	140,000	-
Profit for the year	12	-	17,840	17,840
Balance at 31 December 2018		22,800	195,437	218,237
Loss for the year	12	-	(13,937)	(13,937)
Dividend paid		-	(150,732)	(150,732)
Balance at 31 December 2019		22,800	30,768	53,568

The accounting policies (identified alphabetically) on pages 11 to 15 and the notes (identified numerically) on pages 20 to 29 are an integral part of these financial statements.

Aviva Life Services UK Limited
Statement of cash flows
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	16(a)	(123,861)	6,039
Net cash (used in)/generated from operating activities		(123,861)	6,039
Cash flows from investing activities			
Dividends received		-	60,000
Loan to group undertakings	9	-	(50,000)
Net cash from investing activities		-	10,000
Cash flows from financing activities			
Interest paid	3	(1)	(6)
Net cash used in financing activities		(1)	(6)
Net (decrease)/increase in cash and cash equivalents		(123,862)	16,033
Cash and cash equivalents at 1 January		129,613	113,580
Cash and cash equivalents at 31 December	16(b)	5,751	129,613

The accounting policies (identified alphabetically) on pages 11 to 15 and the notes (identified numerically) on pages 20 to 29 are an integral part of these financial statements.

Aviva Life Services UK Limited

Notes to the financial statements

For the year ended 31 December 2019

1. Net investment income

	2019 £'000	2018 £'000
Interest receivable and similar income	<u>868</u>	<u>1,811</u>

2. Operating expenses

Under a management agreement Aviva Central Services UK Limited, a fellow group undertaking, supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable in respect of these services.

Aviva Employment Services Limited, a fellow group undertaking, supplies and makes a charge for the provision of staff to the Company.

The Group offers share awards and option plans over Aviva plc ordinary shares, including a Save As You Earn plan. The costs of these plans relating to Aviva Life are recharged to the Company. Aggregate disclosures in relation to share-based payments have been included in the financial statements of Aviva plc, the ultimate parent undertaking.

3. Finance costs

	2019 £'000	2018 £'000
Interest payable to group undertakings	<u>1</u>	<u>6</u>

4. Directors' emoluments

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

5. Auditors' remuneration

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

	2019 £'000	2018 £'000
Fees payable for the audit of the Company's financial statements	<u>72</u>	<u>70</u>

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

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

6. Tax charge

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

The total tax credit/(charge) comprises:

	2019 £'000	2018 £'000
Current tax		
For this year	4,649	(3,217)
Prior year adjustments	1,072	1,671
Total current tax	<u>5,721</u>	<u>(1,546)</u>
Deferred tax		
Origination and reversal of temporary differences	(1,722)	(2,573)
Changes in tax rates or tax laws	101	121
Total deferred tax	<u>(1,621)</u>	<u>(2,452)</u>
Total tax credited/(charged) to the income statement (note 6(b))	<u>4,100</u>	<u>(3,998)</u>

(b) Tax reconciliation

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

	2019 £'000	2018 £'000
Total (loss)/profit before tax	<u>(18,037)</u>	<u>21,838</u>
Tax calculated at standard UK corporation tax rate of 19% (2018: 19%)	3,427	(4,149)
Adjustments in respect of prior years	311	244
Non assessable income	261	11,400
Disallowable expenses	-	(11,614)
Changes in future statutory tax rate	101	121
Total tax credited/(charged) to the income statement (note 6(a))	<u>4,100</u>	<u>(3,998)</u>

Finance Act 2016 introduced legislation reducing the UK corporation tax rate from 1 April 2020 to 17%. This reduced rate was used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2019. In the Budget of 11 March 2020, the UK Government reversed this rate reduction, announcing that the UK corporation tax rate will remain at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020.

As of 31 December 2019, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2019. This measure would have increased the Company's deferred tax asset by a pproximately £495,000.

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

7. Intangible assets

	2019	2018
	£'000	£'000
Cost		
At 1 January	32,695	11,267
Additions	-	21,428
At 31 December	32,695	32,695
Accumulated amortisation		
At 1 January	9,374	3,192
Charge for the year	6,539	6,182
At 31 December	15,913	9,374
Net book value		
At 1 January	23,321	8,075
At 31 December	16,782	23,321

Intangible assets relate to internally generated software.

There is no indication of impairment at 31 December 2019 (2018: £nil).

8. Investments in subsidiaries

(a) **Movements in the Company's investments in its subsidiaries are as follows:**

	2019	2018
	£'000	£'000
Carrying amount at 1 January	48,600	-
Additions	-	108,600
Impairment losses	-	(60,000)
At 31 December	48,600	48,600

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

The impairment losses for 2018 are due to £60 million dividends paid by the subsidiaries in the year.

(b) Additions

On 10 October 2018, the Company acquired 100% of the issued share capital of Aviva Administration Limited and Aviva Management Services UK Limited for a consideration of £64.3 million and £44.3 million respectively.

(c) The subsidiary undertakings of the Company are shown below, all of which are wholly-owned and incorporated in England.

Subsidiary	Principal activity
Aviva Management Services UK Limited	Corporate administration services
Aviva Administration Limited	Corporate administration services

Registered office address:
 Pixham End, Dorking, Surrey, RH4 1QA.

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

9. Loans to group undertakings

Carrying amounts:	2019	2018
	£'000	£'000
Loans to group undertakings	-	150,000

On 23 March 2018, the Company approved the extension of the short term loan agreement with Aviva Life and Pensions UK Limited (UKLAP) for another year, along with an increase of £50 million in the loan, at a rate of LIBOR plus 50 basis points. The Company lent the additional £50 million to UKLAP on 4 May 2018. The loan matured on 26 March 2019 and was not extended. The loan was repaid on 12 December 2019.

Of the above total £nil (2018: £nil) is expected to be recovered more than one year after the statement of financial position date.

10. Receivables

	2019	2018
	£'000	£'000
Trade receivables	36	12
Amounts owed by group undertakings	249,055	245,698
Other receivables	11,586	3,789
	260,677	249,499

Of the above total £nil (2018: £nil) is expected to be recovered more than one year after the statement of financial position date.

11. Ordinary share capital

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

	2019	2018
	£'000	£'000
The allotted, called up and fully paid share capital of the Company was: 22,800,000 ordinary shares of £1 each (2018: 22,800,000)	22,800	22,800

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

12. Retained earnings

	2019	2018
	£'000	£'000
Balance at 1 January	195,437	37,597
(Loss)/profit for the year	(13,937)	17,840
Dividend paid of 661.05p per share (2018: nil)	(150,732)	-
Capital reduction	-	140,000
Balance at 31 December	30,768	195,437

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

13. Tax assets/liabilities

(a) General

Tax assets receivable and liabilities payable in more than one year are £3,331,000 and nil respectively (2018: nil and £4,535,000 respectively). Tax liabilities payable in less than one year are £2,145,000 (2018: nil).

(b) Deferred taxes

(i) The balance at 31 December comprises:

	2019	2018
	£'000	£'000
Accelerated capital allowances	4,000	4,879
Other temporary differences	205	947
Net deferred tax asset	4,205	5,826

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

	2019	2018
	£'000	£'000
Net asset at 1 January	5,826	8,278
Amounts charged to the income statement (note 6(a))	(1,621)	(2,452)
Net asset at 31 December	4,205	5,826

A deferred tax asset is recognised as it is probable that the asset will reverse against deferred taxable income arising in the UK corporation tax group.

The timing of reversal of deferred tax assets and liabilities depends on a number of external factors and cannot be calculated with certainty. The majority of deferred tax assets and liabilities are however expected to reverse in more than one year. The Company has unprovided deferred tax balances of £nil (2018: £nil).

14. Provisions

	2019	2018
	£'000	£'000
Balance at 1 January	21,780	29,606
Provided in the year	28,508	-
Amounts utilised	(20,114)	(3,752)
Transfer to a fellow group undertaking	-	(4,074)
Balance at 31 December	30,174	21,780

In 2015 a provision of £22 million was made in relation to an onerous contract in respect of maintenance contracts on three properties that have been vacated by the Group. The balance outstanding at 31 December 2019 is £17.5 million (2018: £18.8 million). The discount rate used to calculate the onerous lease element of the provision remained unchanged at 2.5%.

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

15. Payables and other financial liabilities

	2019 £'000	2018 £'000
Amounts owed to group undertakings	237,938	346,167
Other payables including taxation and social security	15,521	15,775
	253,459	361,942

Of the above total, £nil (2018: £nil) is expected to be paid more than one year after the statement of financial position date.

16. Statement of cash flows

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

	2019 £'000	2018 £'000
(Loss)/profit before tax	(18,037)	21,838
Adjustments for:		
Income from shares in group undertakings	-	(60,000)
Amortisation of intangible assets	6,539	6,182
Impairment losses on investments in group undertakings	-	60,000
Interest expense	1	6
Changes in working capital:		
Increase in receivables	(12,275)	(62,648)
Decrease in prepayments and accrued income	-	30,541
Increase/(decrease) in provisions	8,394	(7,826)
(Decrease)/increase in payables and other financial liabilities	(108,483)	39,374
Additions to intangible assets	-	(21,428)
Total cash (used in)/generated from operations	(123,861)	6,039

Investing and financing transactions that did not require the use of cash and cash equivalents, and are therefore excluded from the statement of cash flows are as follows:

	2019 £'000	2018 £'000
Non-cash investing activities:		
Investment in subsidiaries	-	(108,600)
Non-cash financing activities:		
Repayment of loan	150,000	-
Proceeds from issue of ordinary shares	-	98,600
Dividend payment to parent	(150,732)	-
Share capital reduction	-	(140,000)

On 10 October 2018, the acquisition of holdings in the fellow group undertakings, Aviva Administration Limited and Aviva Management Services UK Limited from a fellow group undertaking, was transacted through inter company account. The share capital injection on 9 October 2018 to finance the acquisition, was similarly transacted through inter-company account, as was the subsequent share capital reduction in December 2018.

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

(b) Cash and cash equivalents in the statement of cash flows for the year ended 31 December comprised:

	2019 £'000	2018 £'000
Cash at bank and in hand	5,751	129,613

17. Capital

In managing its capital, the Company seeks to:

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

The Company is subject to the capital requirements applicable to intermediary firms imposed by the FCA. The Company has fully complied with these regulatory requirements during the year. The analysis below sets out the Company's capital resources available to meet its regulatory capital requirements.

	2019 £'000	2018 £'000
Total equity	53,568	218,237
Adjustments onto a regulatory basis:		
Intangible assets	(16,782)	(23,321)
Deferred tax assets	(4,205)	(5,826)
Total available capital resources	32,581	189,090

The intangible assets deduction relates to capitalised internal computer software development costs, which along with deferred tax assets are inadmissible for FCA purposes.

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

18. Risk Management

(a) Risk management framework

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

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

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

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

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

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

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

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

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

(b) Market risk

Market risk is the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices. The nature of the business means that the Company is not exposed to significant market risk.

(c) Credit risk

Credit risk is the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's management of credit risk under the oversight of ALCO, includes the articulation of risk appetite, exposure limit frameworks and investment and lending criteria within credit risk policies and management agreements.

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

(d) Liquidity risk

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

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

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

19. Related party transactions

(a) The members of the Board of Directors are listed on page 1 of these financial statements.

Under a management agreement Aviva Central Services UK Limited, a fellow group undertaking, supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable in respect of these services.

Under a management agreement AES makes a charge for all salary and associated payroll costs to the Company.

(b) Services provided to related parties

During the year, the Company received interest of £409,000 (2018: £1,469,000) from a fellow subsidiary in relation to an inter company loan of £150 million (2018: £150 million), at a rate of 1.17049% (LIBOR plus 50 basis points).

Loans receivable at year end are due from the following:

	2019 £'000	2018 £'000
Fellow subsidiaries	-	150,000

Other amounts receivable at year end are due from the following:

	2019		2018	
	Income earned in year £'000	Receivable at year end £'000	Income earned in year £'000	Receivable at year end £'000
Parent	(43)	-	61	-
Fellow subsidiaries	1,207,271	249,055	902,200	245,698
	1,207,228	249,055	902,261	245,698

The related party receivables are not secured and no guarantees were received in respect thereof. No provision or expense has been recognised during the year in respect of bad and doubtful debts (2018: £nil).

(c) Services provided by related parties

	2019		2018	
	Expense incurred in year £'000	Payable at year end £'000	Expense incurred in year £'000	Payable at year end £'000
Ultimate parent	-	-	921	898
Fellow subsidiaries	1,227,917	237,938	877,046	345,269
	1,227,917	237,938	877,967	346,167

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

(d) Key management compensation

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

Aviva Life Services UK Limited
Notes to the financial statements
For the year ended 31 December 2019 (continued)

(e) Ultimate parent undertaking and controlling party

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

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

Aviva plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Aviva plc are available at www.aviva.com or by application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London, EC3P 3DQ.

20. Subsequent Events

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the UK economy could be deepened and result in further declines in financial markets.

Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees being supported to ensure that that we were there to support our customers when they need us most. As the situation is rapidly evolving it is not practicable to quantify the potential impact of volatile financial markets on expected earnings or the Company at this stage. The Company continues to maintain strong solvency levels and expects to continue to meet its capital requirements.