AVIVA CONSUMER PRODUCTS UK LIMITED

Registered in England and Wales: No. 02725830

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

Aviva Consumer Products UK Limited

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Contents

Aviva Consumer Products UK Limited

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Directors and officer

Directors

S F Pond
A J Morrish
J Marsh

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

8 Surrey Street
Norwich
Norfolk
NR1 3NG

Company number

Registered in England and Wales: No. 02725830

Other information

Aviva Consumer Products UK Limited ("the Company") is a member of the Aviva plc group of companies (the "Group").

Aviva Consumer Products UK Limited
Registered in England and Wales: No. 02725830

Strategic report
For the year ended 31 December 2019

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

Review of the Company's business
The principal activity of the Company is the handling and fulfilment of insurance claims (including, motor claims and property claims) and the marketing, sale and administration of non-insurance consumer products.

Significant events
On 29 January 2020, the Company terminated the contract on the handling of motor claims in favour of the immediate parent undertaking, which was effective from 1 January 2020. The financial effect of this will reduce the amount receivable from the immediate parent company and the Company's profit before tax.

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 several 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 and the global economy more widely. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened.

As a business who handles and fulfils motor and property insurance claims, the Company is impacted by the COVID-19 pandemic through a reduction in the number of claims received and our ability to manage the fulfilment process during the lockdown period. The Company's ongoing profitability together with its solvency and balance sheet strength has been reviewed and the directors are satisfied that, although there will be an adverse impact on the 2020 result, the company can remain solvent. The impact on profit before tax of the Covid pandemic has been estimated in the range of £3m to £4m. A deterioration in the situation could have further adverse implications especially if tougher restrictions are reintroduced and claim levels fall again. However, the Directors remain confident that company can manage this impact and remain viable.

Financial position and performance
The financial position of the Company at 31 December 2019 is shown in the statement of financial position on page 17, with the trading results shown in the income statement on page 15 and the statement of cash flows on page 18.

Net assets have increased to £57,162 thousand (2018: £47,487 thousand).

Profit before taxation is £11,955 thousand (2018: £14,897 thousand). The reduction is due to lower claims volumes and hence lower fees following benign weather and outsourcing of some claims.

Section 172 statement
The Directors report here on how they have discharged their duties under Section 172 of the Companies Act 2006. The Board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the Company to ensure that the Directors' obligations to its shareholders and to its stakeholders are met. The Board monitors adherence to the Aviva Group business standards and compliance with local corporate governance requirements and is committed to acting if our businesses should fail to act in the manner the Board expects of them.

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

Strategic report (continued)

The Company's culture

As the provider of vital financial services to millions of customers, Aviva seeks to earn its 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 its parent company, Aviva Insurance Limited and its ultimate shareholder Aviva plc by jointly held and clearly defined values to help ensure it does the right thing. The Company values diversity and inclusivity in its workforce and beyond. The commitment the Company makes to each customer extends to all the Company's stakeholders; that is 'with you today, for a better tomorrow.' Throughout the Company's business, the Board is proud that our people live by our core value of Caring More for our customers, for each other and for the communities they serve.

Key strategic decisions in 2019/2020

Interim dividend

On 19 May 2020, the directors approved an interim dividend of £25 million to its shareholder, Aviva Insurance Limited, taking into account the current and future outlook for its distributable reserves.

Stakeholder Engagement

(i) Employees:

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

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

(ii) Customers

The Aviva Group has just over 33 million customers throughout our markets, and in 2019 we paid our customers around £33.2 billion in claims and benefits. We exist to help our customers save for their future, helping them plan their retirement or protecting what matters most to them.

(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.

In the UK, the Company's ultimate parent, Aviva plc, is a signatory of the Prompt Payment Code which sets standards for high payment practices.

The Group is a Living Wage employer in the UK, and the Company's supplier contracts include a commitment by the supplier to pay their eligible employees not less than the Living Wage in respect of work provided to the Company at its premises in the UK.

Strategic report (continued)

(iv) Communities
The Group actively encourages and supports colleagues to volunteer in their communities, providing 21 hours of paid volunteering time to each UK employee annually to help make a positive impact and help build stronger communities. In the last five years, our Aviva Community Fund programme has supported over 3,000 local projects in ten Aviva markets, investing over £13 million to help build capability and capacity in the charity sector.

(v) Shareholders
The Company's shareholder is Aviva Insurance Limited. Any matters requiring escalation are escalated by the Board through the Chair to its parent.

Future outlook
The directors consider that the Company's principal activity will continue unchanged into the foreseeable future.

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

The impact of COVID-19 is detailed in the above section Significant events.

Key performance indicators ("KPI")
The directors consider that the Company's KPIs that communicate its financial performance are as follows:

- revenue; and
- profit before taxation

A summary of the KPIs is set out below:

	2019	2018
	£000	£000
Revenue	25,712	26,928
Profit before taxation	11,955	14,897

The movement in these KPIs are as explained in the financial position and performance above.

On behalf of the Board on 28 September 2020

S F Pond
Director

Aviva Consumer Products UK Limited
Registered in England and Wales: No. 02725830

Directors' report
For the year ended 31 December 2019

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2019.

Directors
The names of the current directors of the Company are set out on page 1.

Details of Board appointments and resignations during the year are shown below:

J Marsh (appointed 22 January 2020)
A Beckett (resigned 22 January 2020)

Dividend
There was no interim dividend for the year (2018: £30 million). The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2019 (2018: £nil).

On 19 May 2020 the directors declared interim dividends of £25 million on the Company's ordinary shares. It was settled by a reduction in the balance due from the company's immediate parent company Aviva Insurance Limited.

Future outlook
Likely future developments in the business of the Company are discussed in the Strategic report on page 2.

Going concern
After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Financial instruments and financial risk management
The business of the Company includes the use of financial instruments. Details of the Company's risk management objectives and policies and exposures to risk relating to financial instruments are set out in note 13 to the financial statements.

Employees
All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the Annual Report and Financial Statements of Aviva Employment Services Limited.

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:

(a) so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware; and

(b) 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.

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 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.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International 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 these financial statements, the directors are required to:

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

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

On behalf of the Board on 28 September 2020

S F Pond
Director

Independent auditors' report to the members of Aviva Consumer Products UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Consumer Products 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 profit 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 2019 (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 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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 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 set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Nichols (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 September 2020

Accounting policies

The Company, a private limited liability company incorporated and domiciled in the United Kingdom (UK). The principal activity is the handling of insurance claims and the marketing, sale and administration of non-insurance consumer products.
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation
The financial statements of the Company have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) 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 of the Company have been prepared and approved by the directors on the going concern basis as described in the Directors' report on page 5.

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

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.

The adoption of IFRS 16 has resulted in an update to the Company's stated accounting policy for leases. The standard 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. Further information can be found in accounting policy M.

The Company has chosen to adopt the modified retrospective approach on transition permitted by IFRS 16. This approach does not require prior period comparatives to be restated, and the impact of adoption of the standard on retained earnings is shown as an adjustment to opening retained earnings. On transition, and where applicable, the Company has applied the following practical expedients:

- Applied a single discount to a portfolio of leases with reasonably similar characteristics;
- Relied on existing assessments on whether leases are onerous as an alternative to performing an impairment review. Where such leases existed, the onerous lease provision held at 31 December 2018 was offset against the initial right-of-use asset at the date of initial application as permitted by IFRS 16;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

The company has reviewed existing service and outsourcing contracts to determine whether they are either a lease or contain a lease at the date of initial application. This has not resulted in any additional contracts being recognised as leases in the statement of financial position.

Accounting policies (continued)

(A) Basis of preparation (continued)

(i) IFRS 16 Leases (continued)

Application of the modified retrospective approach on transition has resulted in a reduction of retained earnings of £11 thousand at 1 January 2019. This reflects the fact that the right-of-use assets and lease liabilities amortise to nil at different rates over the lease term. A higher initial amortisation of the right-of-use asset compared to the lease liability results in the asset value being lower than the lease liability during the lease term, with the difference between the two generally converging to nil as the lease term ends. There have been corresponding increases in the value of assets (£442 thousand) and liabilities (£453 thousand), representing the right-of-use assets and liabilities, net of any tax impacts, not previously recognised on the balance sheet in accordance with IAS 17. There has been no material impact on profit before tax.

The weighted average discount rate applied to the lease liabilities recognised at 1 January 2019 was 2.95%.

Future contractual aggregate minimum lease payments under non-cancellable operating leases, as disclosed in note 7 of the Company's 2018 annual report and financial statements, were £523 thousand at 31 December 2018. Lease liabilities in respect of operating leases brought on to the balance sheet at 1 January 2019 following the adoption of IFRS 16 were £453 thousand. The balance shown at 1 January 2019 represents a present value of lease payments, whereas the figure disclosed at 31 December 2018 is the aggregated undiscounted payments. Other differences between the commitments disclosed and the opening IFRS 16 lease liabilities recognised relate primarily to amounts paid under service contracts that were included as a commitment in prior periods, but do not meet the definition of a lease under IFRS 16.

Lessor accounting remains similar to the previous approach set out in IAS 17. The Company's lessor accounting policies have not changed as a result of the introduction of IFRS 16.

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 and has been endorsed by the EU.

(ii) Annual Improvements to IFRS Standards 2015-2017 Cycle
These improvements consist of amendments to four 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.

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

(i) Amendments to References to the Conceptual Framework in IFRS Standards
Published by the IASB in March 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have been endorsed by the EU on 29 November 2019.

(ii) 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 been endorsed by the EU on 29 November 2019.

Accounting policies (continued)

(A) Basis of preparation (continued)

(iii) 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 been endorsed by the EU 15 January 2020.

(iv) 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 been endorsed by the EU.

(v) Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements
Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have not yet been endorsed by the EU.

(vi) Amendment to IFRS 16 Leases COVID 19-Related Rent Concessions
Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 June 2020 and have not yet been endorsed by the EU.

(B) Critical accounting policies and use of estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Company does not consider any particular estimate or assumption to have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(C) Revenue recognition

The revenue streams for the company are:
- the handling of motor claims;
- the fulfilment of property claims; and
- income from referral fees on non-fault accident credit hire.

Revenue may comprise a combination of fees, commissions and other forms of variable consideration. Where the contract specifically identifies the performance obligations then revenue is recognised accordingly. The transaction price is determined by the contract.

Where there is no separate arrangement, revenue is considered to be wholly related to the placement activity and recognised at the later of the policy inception date, or the date on which the placement is complete and confirmed. Timing of satisfaction of the performance obligation relates to the typical timing of payment

In exceptional circumstances and volumes, weather events could cause management to consider a move in transaction price to an estimated market approximation rate, which may give rise to anomalous rebates.

There is no significant judgment or uncertainty in determining the revenue recognition point, expiry date of the delivery obligation or in determining the value of future performance obligations as these are contractual. The revenue recognition policies and methods selected are considered appropriate as they are a faithful depiction of the services being provided and the contractual arrangements to provide them.

The Company has applied the practical expedient so it need not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Accounting policies (continued)

(D) Cost of sales

Cost of sales represent directly attributable staff costs and costs of subcontractors incurred in the provision of the Company's claims handling services. Costs are recognised on an accruals basis.

(E) Administrative expenses

Administrative expenses, comprising general overheads and staff costs, other than those included in cost of sales such as software licences, are recognised on an accruals basis.

(F) Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities on the statement of financial position.

(G) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(i) the rights to receive cash flows from the asset have expired;

(ii) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(iii) the Company has transferred its rights to receive cash flows from the asset and either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is the ability and intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(H) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable 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, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

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 reliably estimated.

Accounting policies (continued)

(I) Income taxes

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

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

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

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

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

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively. 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.

(J) Equity and dividends

Equity instruments

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

(i) there is no contractual obligation to deliver cash or other financial assets 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.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

(K) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. The Company makes use of the simplified approach when calculating expected credit losses on trade and other receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party trade receivables and accrued income are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise. The Company does not expect any material credit losses on trade receivables with related parties.

Accounting policies (continued)

(L) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(M) Leases

Where the Company is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of use asset equal to cost are initially recognised. The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term. Depreciation on lease assets and interest on lease liabilities is recognised in the income statement.

The Company has made use of the election available under IFRS 16 to not recognise any amounts on the balance sheet associated with leases that are either deemed to be short term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis.

Where the Company is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable. The Company has not entered into any material finance lease arrangements as lessor.

Comparative figures
Prior period comparatives have not been restated to reflect the adoption of IFRS 16. The accounting policy relating to leases applied to comparatives is set out below.

Leases, where a significant portion of the risks and rewards of ownership is retained by the lessor, are classified as operating leases. Where the Company is the lessee, payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the relevant leases.

Where the Company is the lessor, lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

Aviva Consumer Products UK Limited

Registered in England and Wales: No. 02725830

Income statement

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	1	25,712	26,928
Cost of sales		(10,465)	(8,760)
Gross profit		15,247	18,168
Administrative expenses		(3,292)	(3,271)
Profit before taxation	2	11,955	14,897
Taxation	6(a)(i)	(2,269)	(2,829)
Profit for the year		9,686	12,068

The Company has no recognised income and expenses other than those included in the results above and therefore a separate statement of comprehensive income has not been presented.

The accounting policies on pages 9 to 14 and notes on pages 19 to 31 are an integral part of these financial statements.

Aviva Consumer Products UK Limited
Registered in England and Wales: No. 02725830

Statement of changes in equity
For the year ended 31 December 2019

	Ordinary share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	29,000	36,419	65,419
Profit for the year	-	12,068	12,068
Dividends	-	(30,000)	(30,000)
Total movements in the year	-	(17,932)	(17,932)
Balance at 31 December 2018	29,000	18,487	47,487
Adjustment at 1 January for adoption of IFRS 16	-	(11)	(11)
Balance at 1 January 2019	29,000	18,476	47,476
Profit for the year	-	9,686	9,686
Dividends	-	-	-
Total movements in the year	-	9,686	9,686
Balance at 31 December 2019	29,000	28,162	57,162

The accounting policies on pages 9 to 14 and notes on pages 19 to 31 are an integral part of these financial statements.

Aviva Consumer Products UK Limited

Registered in England and Wales: No. 02725830

Statement of financial position

As at 31 December 2019

	Note	2019	2018
		£000	£000
ASSETS			
Non-current assets			
Right of use assets	7	678	-
		678	-
Current assets			
Trade and other receivables	8	62,119	52,818
Cash and cash equivalents	12(b)	595	595
		62,714	53,413
LIABILITIES			
Current liabilities			
Trade and other payables	10	(3,318)	(3,097)
		(3,318)	(3,097)
Net current assets		59,396	50,316
Non-current liabilities			
Trade and other payables	10	(643)	-
Liability for current tax	9(a)	(2,269)	(2,829)
Net assets		57,162	47,487
EQUITY			
Ordinary share capital	11	29,000	29,000
Retained earnings		28,162	18,487
Total equity		57,162	47,487

The accounting policies on pages 9 to 14 and notes on pages 19 to 31 are an integral part of these financial statements.

The financial statements on pages 9 to 31 were approved by the Board of Directors on 28 September 2020 and signed on its behalf by:

S F Pond
Director

Aviva Consumer Products UK Limited

Registered in England and Wales: No. 02725830

Statement of cash flows

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Net cash used in operating activities	12(a)	-	(493)
Net cash used in operating activities		-	(493)
Net decrease in cash and cash equivalents		-	(493)
Cash and cash equivalents at 1 January		595	1,088
Cash and cash equivalents at 31 December	12(b)	595	595

The accounting policies on pages 9 to 14 and notes on pages 19 to 31 are an integral part of these financial statements.

Notes to the financial statements

1. Revenue

	2019	2018
	£000	£000
Revenue comprises the following:		
Incident Care	9,504	8,135
Property claims	10,425	10,425
Other Income	5,783	8,368
Total revenue	25,712	26,928

2. Profit before taxation

	2019	2018
	£000	£000
The following items have been charged in arriving at profit before taxation:		
Interest on lease liability	17	-
Depreciation of leased assets		
- Motor vehicles	299	-
Operating lease rentals payable:		
- Equipment	526	524

Expenses charged within cost of sales consist of:

	2019	2018
	£000	£000
Staff costs	5,998	4,989
Operating costs	4,467	3,771
	10,465	8,760

3. Employee information

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited, and a recharge is made to the Company. Disclosures relating to employees may be found in the annual report and financial statements of Aviva Employment Services Limited.

4. Directors' remuneration

The directors are remunerated for their roles as employees across the Group. They are not remunerated directly for their services as directors of this Company and the amount of time spent performing their duties is incidental to their roles across the Group. No cost is borne by the Company for these services (2018: £nil).

During the year, 1 of the directors exercised share options (2018: 0) and 4 of the Directors were granted shares under long term incentive schemes (2018: 5) in relation to shares of the Company's ultimate parent company, Aviva plc. Details may be found in the annual report and financial statements of Aviva plc.

Notes to the financial statements (continued)

5. Auditors' remuneration

The total remuneration, excluding VAT, payable to its auditors, PricewaterhouseCoopers LLP, in respect of the audit of these financial statements, is shown below.

	2019	2018
	£000	£000
Fees payable for the audit of the Company's financial statements	25	24

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

6. Taxation

(a) Tax charged to income statement

(i) The total tax charge comprises:	2019	2018
	£000	£000
Current tax:		
For this year	2,269	2,829
Total current tax	2,269	2,829

Unrecognised temporary differences of previous years of £12 thousand (2018: £8 thousand) have been used to reduce the current tax expense in 2019.

(b) Tax reconciliation

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

	2019	2018
	£000	£000
Profit before taxation	11,955	14,897
Tax charge calculated at standard UK corporation tax rate of 19% (2018: 19%)	2,271	2,830
Movement in deferred tax assets not recognised	(2)	(1)
Tax charged for the year	2,269	2,829

Finance Act 2016 introduced legislation reducing the UK corporation tax rate from 1 April 2020 to 17%. 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 the company has no recognised deferred tax assets or liabilities, the future changes in tax rates have no impact on the net assets of the Company as at 31 December 2019.

Notes to the financial statements (continued)

7. Right of use assets

From 1 January 2019 the Company has adopted IFRS 16 Leases, the standard which replaces IAS 17 Leases. Adoption of the standard has resulted in assets previously held under operating leases (and their corresponding lease liabilities) being recognised on the statement of financial position for the first time. Adoption of the standard resulted in the following assets and liabilities being included within the statement of financial position for the first time at 1 January 2019:

- £442 thousand leased assets for motor vehicles; and
- £453 thousand lease liabilities, included within other liabilities (see note 10).

The Company's leased assets primarily consist of motor vehicles used by the Company.

Although the Company is exposed to changes in the residual value at the end of the current leases, it typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the motor vehicles.

(i) Total interest expense included in the income statement in respect of lease liabilities is £17 thousand. Total cash outflows recognised in the year in relation to leases were £353 thousand. Expenses recognised in the Company income statement in relation to short-term and low-value leases were £31 thousand. Variable lease payments not included in the measurement of lease liabilities were £nil.

(ii) The following table analyses the right of use assets relating to leased motor vehicles used by the Company:

	Motor vehicles	2019 Total
	£000	£000
Balance at 1 January	442	442
Additions	545	545
Disposals	(10)	(10)
Depreciation	(299)	(299)
Balance at 31 December	678	678

(iii) Future contractual aggregate minimum lease payments are as follows:

	2019	2018
	£000	£000
Within one year	379	241
Later than one year and not later than 5 years	346	282
Total at 31 December	725	523

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of use asset.

Notes to the financial statements (continued)

8. Trade and other receivables

	2019	2018
	£000	£000
Receivables from related parties (note 15(a)(i))	60,758	52,064
Prepayments and accrued income	1,361	754
	62,119	52,818
Expected to be recovered within one year	62,119	52,818

Financial assets within the Receivables are held to collect on the contractual cash flows due to the Company, and are deemed to be solely payments of principal and interest. As a result of this business model and the assessment of the contractual cash flows, these instruments have been measured at amortised cost, which approximates to fair value.

9. Liability for current tax

a) General

	2019	2018
	£000	£000
Tax liability		
Expected to be payable in more than one year	2,269	2,829

Liabilities for prior year's tax to be settled by group relief of £2,829 thousand (2018: £2,120 thousand) are included within trade and other payables (note 10) and are payable in less than one year.

b) Deferred taxes

The Company has unrecognised temporary differences of £35 thousand (2018: £36 thousand) to carry forward indefinitely against future taxable income.

10. Trade and other payables

	2019	2018
	£000	£000
Amounts due to related parties (note 15(a)(ii))	2,829	2,120
Accruals and deferred income	449	977
Lease liabilities	683	-
Total as at 31 December	3,961	3,097
Expected to be settled within one year	3,318	3,097
Expected to be settled in more than one year	643	-
Total as at 31 December	3,961	3,097

Payables and other financial liabilities are carried at amortised cost, which approximates to fair value.

Notes to the financial statements (continued)

11. Ordinary share capital

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

	2019	2018
	£000	£000
Allotted, called up and fully paid		
29,000,000 (2018: 29,000,000) ordinary shares of £1 each	29,000	29,000

12. Statement of cash flows

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

	2019	2018
	£000	£000
Profit before taxation	11,955	14,897
Changes in working capital:		
Increase in receivables	(9,536)	(13,504)
Decrease in trade and other payables	(2,419)	(1,886)
Net cash outflow from operating activities	-	(493)

In 2019, changes in "receivables" are stated after eliminating £nil (2018: £30 million) non cash dividend and "trade and other payables" are stated after eliminating £2,829 thousand (2018: £2,120 thousand) of corporation tax settled by group relief.

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

	2019	2018
	£000	£000
Cash at bank	595	595

Notes to the financial statements (continued)

13. Risk management

The Company operates in a manner consistent with the Aviva Group's risk management framework that forms an integral part of the management and Board processes and decision-making framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards and roles and responsibilities; and the processes used to identify, measure, manage, monitor and report ("IMMMR") risks.

For the purposes of risk identification and measurement, and aligned to the Company's risk policies, risks are usually grouped by risk type: credit, liquidity 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 or services the Company delivers to its customers, which can be categorised as risks to brand and reputation or as conduct risk.

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 are accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. The Risk Function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework. Internal Audit provides an independent assessment of the risk management framework and internal control processes.

Board oversight of risk and risk management across the Company is maintained on a regular basis. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take.

13. Risk management (continued)

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

(a) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company.

At 31 December 2019, receivables (excluding prepayments and accrued income) are £60,758 thousand (2018: £52,064 thousand). This is due from related parties, details of which are set out in note 15.

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

Where external credit ratings are available for financial assets, a significant increase in the credit risk of a financial asset is identified where there has been a significant deterioration in the respective credit rating. There is also deemed to be a rebuttable presumption of increased credit risk where contractual payments are more than 30 days past due, unless the Company has supporting evidence to the contrary, such as a strong credit rating for the financial asset.

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

The Company makes use of the simplified approach when calculating expected credit losses on trade and other receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party trade receivables and accrued income are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. Short-term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise. The Company does not expect any material credit losses on trade receivables with related parties.

Notes to the financial statements (continued)

13. Risk management (continued)

(a) Credit risk (continued)

The table below provides information regarding the carrying value of financial assets that have been impaired, and the ageing of financial assets that are past due but not impaired.

31 December 2019	Neither past due nor impaired	Past due but not impaired 30-60 days	Past due but not impaired 60-90 days	Past due and impaired >90 days	Impairment provision	Carrying value in the statement of financial position
	£000	£000	£000	£000	£000	£000
Trade and other receivables - related parties	60,758	-	-	-	-	60,758

31 December 2018	Neither past due nor impaired	Past due but not impaired 30-60 days	Past due but not impaired 60-90 days	Past due and impaired >90 days	Impairment provision	Carrying value in the statement of financial position
	£000	£000	£000	£000	£000	£000
Trade and other receivables - related parties	52,064	-	-	-	-	52,064

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

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

The Company's maximum exposure to credit risk for each category of financial asset held at amortised cost for which lifetime expected credit losses have been calculated using the simplified method is as follows:

	Credit rating						
31 December 2019	AAA	AA	A	BBB	Speculative grade	Non-rated	Carrying value in the statement of financial position
	£000	£000	£000	£000	£000	£000	£000
Trade and other receivables - related parties	-	60,758	-	-	-	-	60,758

	Credit rating						
31 December 2018	AAA	AA	A	BBB	Speculative grade	Non-rated	Carrying value in the statement of financial position
	£000	£000	£000	£000	£000	£000	£000
Trade and other receivables - related parties	-	52,064	-	-	-	-	52,064

Cash and cash equivalents are held with highly rated banking institutions.

The management of credit risk is overseen by the Board.

(b) Liquidity risk

Liquidity risk is the risk of the Company not being able to make payments as they become due because there are insufficient liquid assets.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a liquidity risk policy and business standard. The Company ensures it has sufficient liquid funds to meet its expected obligations as they fall due.

Notes to the financial statements (continued)

13. Risk management (continued)

(b) Liquidity risk (continued)

Maturity analyses

The following tables show the maturities of the Company's financial assets and other financial liabilities.

The table below provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise.

31 December 2019	Within 1 year	1 to 5 years	No fixed terms	Total
	£000	£000	£000	£000
Receivables from related parties	60,758	-	-	60,758
Cash and cash equivalents	595	-	-	595
	61,353	-	-	61,353

31 December 2018	Within 1 year	1 to 5 years	No fixed terms	Total
	£000	£000	£000	£000
Receivables from related parties	52,064	-	-	52,064
Cash and cash equivalents	595	-	-	595
	52,659	-	-	52,659

The assets above are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company.

The following table shows the Company's financial liabilities analysed by duration:

31 December 2019	Within 1 year	1 to 5 years	No fixed terms	Total
	£000	£000	£000	£000
Trade and other payables	3,318	643	-	3,961

31 December 2018	Within 1 year	1 to 5 years	No fixed terms	Total
	£000	£000	£000	£000
Trade and other payables	3,097	-	-	3,097

The management of liquidity risk is overseen by the Board.

Notes to the financial statements (continued)

13. Risk management (continued)

(c) Operational risk management

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 Company has a limited appetite for operational risk and aims to reduce these risks as far as is commercially sensible.

The Company's Operational Risk and Control Management Framework integrates the results of the risk identification and assurance activities carried out across the Company's three lines of defence. Operational risks are initially identified and assessed against implemented controls. Residual risks outside tolerance are given prioritised management action to reduce them within tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed. Management use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

(d) Coronavirus

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 several 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 and the global economy more widely. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened.

The Company is regularly assessing the disruption from risks posed by the COVID-19 pandemic. The operational and financial impacts are being closely monitored considering these emerging risks. The Company's existing risk management framework is designed to cope with stresses and is responding to the current crisis.

14. Capital structure

The Company maintains an efficient capital structure from equity shareholder's funds, consistent with the Company's overall risk profile. This note describes the way the Company manages capital and shows how this is structured.

(a) Capital management

In managing its capital, the Company seeks to:

(i) retain financial flexibility by maintaining strong liquidity; and
(ii) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

(b) Measure of capital

The Company is required to report its results on an IFRS basis.

Notes to the financial statements (continued)

14. Capital structure (continued)

(c) Capital structure

	IFRS net assets 2019	IFRS net assets 2018
	£000	£000
Claims handling, marketing, sales and administration of non-insurance activities	57,162	47,487
Total capital employed	57,162	47,487
Financed by		
Equity shareholders' funds	57,162	47,487

15. Related party transactions

(a) Related party transactions

The Company had the following related party transactions in 2019 and 2018:

(i) Services provided to related parties

	2019		2018	
	Income earned in year	Receivable at year end	Income earned in year	Receivable at year end
	£000	£000	£000	£000
Parent	19,929	60,758	21,990	52,064

The Company facilitates the handling and fulfilment of insurance claims for the parent company.
The receivables from related parties are not secured and no guarantees have been received in respect thereof.
The receivables will be settled in accordance with normal credit terms.

(ii) Services provided by related parties

	2019		2018	
	Expense incurred in year	Payable at year end	Expense incurred in year	Payable at year end
	£000	£000	£000	£000
Parent	4,467	2,829	3,771	2,120
Fellow Group companies	8,974	-	8,259	-
	13,441	2,829	12,030	2,120

Transactions with Group companies for settlement of corporation tax assets and liabilities by group relief are described in note 9.

Aviva Consumer Products UK Limited

Registered in England and Wales: No. 02725830

Notes to the financial statements (continued)

15. Related party transactions (continued)

(a) Related party transactions (continued)

(iii) Key management compensation

The key management of the Company are considered to be the statutory directors of the Company. Note 4, Directors' Remuneration, gives details of their compensation as directors of the Company.

(b) Immediate parent company

The Company's immediate parent company is Aviva Insurance Limited, registered in Scotland.

(c) Ultimate controlling entity

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

16. Subsequent events

Management has evaluated subsequent events for the period from 31 December to the date of these financial statements, and there has been three material subsequent events in that period:

- On 29 January 2020, the Company terminated the contract on the handling of motor claims in favour of the immediate parent undertaking, which was effective from 1 January 2020. The financial effect of this will reduce the amount receivable from the immediate parent company and the Company's profit before tax. The 2019 net income from this revenue stream was £5,037 thousand.
- 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 and the global economy more widely. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened.
  The impact on profit before tax of the Covid pandemic has been estimated in the range of £3m to £4m. The company continues to maintain solvency levels and expects to continue to remain a going concern.
- On 19 May 2020 the directors declared interim dividends of £25 million on the Company's ordinary shares. It was settled by a reduction in the balance due from the company's immediate parent company Aviva Insurance Limited.