Aviva Europe SE

Registered in England and Wales No. SE 000031

Annual Report and Financial Statements 2019

Contents

Directors and officers

Directors

C Singh
D Elliot
J Baddeley
N Harrison
A Montague

Officer – Company Secretary

Under UK company law there is no requirement to appoint a Company Secretary.

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

St Helen's
1 Undershaft
London
EC3P 3DQ

Company number

Registered in England and Wales no. SE 000031

Other information

Aviva Europe SE (the Company) is a member of the Aviva plc group of companies (the Group).

Strategic report

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

Review of the Company's business

Principal activities

The Company is a wholly-owned subsidiary of Aviva Group Holdings Limited (AGH). The principal activity of the Company is to act as a holding company.

Financial position and performance

The financial position of the Company as at 31 December 2019 is shown in the statement of financial position on page 17, with the results shown in the income statement on page 14 and the statement of cash flows on page 18.

Significant events

On 5th April 2019, AESE received a total dividend of €4.1million from Ahorro Andaluz SA (CGV) in relation to 2018 performance.

On 17th June 2019, AESE received a total dividend of €0.7million from Aviva Grupo Corporativo S.L. as final distribution upon liquidation of that company.

Future outlook

Strategies for the wider Aviva Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2019 Annual Report and Accounts. The Company will work with the Group to support the implementation of these strategies.

The strategic direction of the Company is set by the directors of the Company. The directors consider that the Company's principal activities will continue unchanged for 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 17 to the financial statements.

Section 172 statement

We report here on how our Directors 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 our obligations to our shareholder and to our stakeholders are met. It 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 mindful of 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

Our culture

The Aviva Group is a provider of vital financial services to millions of customers, it seeks to earn customers' trust by acting with integrity and responsibility at all times. They look to build relationships with all their stakeholders based on openness and continuing dialogue.

The Group's culture is shaped by clearly defined values to help ensure they do the right thing. They value diversity and inclusivity in the workforce and beyond. The commitment they make to each customer extends to all stakeholders; that Aviva is 'with you today, for a better tomorrow.' Throughout the Aviva Group, its people live by the core value of Caring More for customers, for each other and for the communities served.

Aviva Europe SE as part of the Group looks to operate within and support this culture

Stakeholder Engagement

(i) Engagement with employees

The Company has no employees. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of Aviva plc. Disclosures relating to employees may be found in the annual report and financial statements of these companies.

(ii) Our customers

The Company has no direct customers.

(iii) Our suppliers

- All Group 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.
- An important part of the Group's culture is the promotion of high legal, ethical, environmental and employee related standards within our business and also among our suppliers. Before working with any new suppliers, we provide them with our Supplier Code of Behaviour, and our interaction with them is guided by our Business Code of Ethics.
- The Board reviews the actions we have taken to prevent modern slavery and associated practices in any part of our supply chain and approves our Modern Slavery Act statement each year.

(iv) Shareholders

Our shareholder is Aviva Group Holdings Limited (AGH) and there is ongoing communication and engagement with the AGH Board. Any matters requiring escalation are escalated by the Board through the Chairman to its parent. Additionally, members of the AGH board can attend board meetings by invitation.

Key performance indicators

Given the significant events and risk profile, the directors do not consider key performance indicators relevant to the Company.

By order of the Board

C Singh
Director
11 June 2020

Directors' report

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 present directors of the Company appear on page 3.

S Mohammed resigned as a director of the Company on 30 April 2020.

A Montague was appointed as a director of the Company on 11 June 2020.

Company Secretary

Under UK company law there is no requirement to appoint a Company Secretary.

Dividends

No interim ordinary dividends were declared during 2019 *(2018: €213 million)*. The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2019 *(2018: €nil)*.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report, which includes a section describing the principal risks and uncertainties. In addition, the financial statements include notes on management of its risks including market, credit and liquidity risk (note 17).

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

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

Post Balance sheet 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 jurisdictions in which the Group operates and the global economy more widely, 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 global economy could be deepened and result in further declines in financial markets.

The Company's balance sheet exposure has been reviewed and the Company continues to maintain a positive net asset value. Since the onset of the pandemic the Company has remained operational, with key activities such as transaction processing being maintained. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact of the outbreak on the Company at this stage.

Future outlook

Likely future developments in the business of the Company are discussed in the strategic report on page 4.

Employees

The Company has no employees. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of Aviva plc.

Disclosure of information to the auditors

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

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 section 309A to section 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.

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). 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;
- make reasonable and prudent judgements and accounting estimates;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB 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.

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.

By order of the Board on 11 June 2020

Independent auditors' report to the members of Aviva Europe SE

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Europe SE'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 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, 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.

Independent auditors' report to the members of Aviva Europe SE 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 set out on page 7, 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.

Philip Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 June 2020

Accounting policies

The Company is a limited company incorporated and domiciled in the United Kingdom (UK). 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 (IFRSs) 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, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (FVTPL).

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

The Company's financial statements are stated in euros, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in millions of euros (€m).

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 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) 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.

(ii) Amendment to IFRS 3 Business Combinations

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

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

Published by the IASB in October 2018. The amendment is effective for annual reporting beginning on or after 1 January 2020 and has been endorsed by the EU.

(iv) 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.

(v) 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.

Accounting policies continued

(B) Critical accounting policies and the use of estimates

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

The Company does not have any critical accounting policies and does not rely on estimation or assumption in these financial statements.

(C) Subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Company, directly or indirectly, has power to exercise control over financial and operating policies in order to gain economic benefits. 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, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.

(D) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on monetary financial assets measured at fair value are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items, such as equities which are designated as FVTPL, are reported as part of the fair value gain or loss in the income statement.

(E) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Company takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price. If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement. When unobservable market data has a significant impact on the valuation of financial instruments, the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement, but deferred and recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matures.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value.

(F) Net investment income

Investment income consists of dividends and interest receivable for the year. Dividends receivable are recorded when declared. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

Accounting policies continued

(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:

- the rights to receive cash flows from the asset have expired;
- 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
- 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) Receivables and other financial assets

Receivables and other financial assets are recognised initially at their fair value. Subsequent to initial measurement receivables are measured at amortised cost using the effective interest rate method, less expected credit losses.

Loans due from Group companies

Loans with fixed maturities are recognised when cash is advanced to borrowers. Loans where repayments consist solely of principal or interest are subsequently measured at amortised cost using the effective interest rate method. Loans with indefinite future lives are carried at unpaid principal balances. All other loans are held at FVTPL based on the outcome of a business model assessment, or where the contractual cash flows are not solely payment of principal and interest.

To the extent that a loan is considered to be uncollectable, it is written down as impaired through the income statement. Any subsequent recoveries are credited to the income statement.

(I) Payables and other financial liabilities

Payables and other financial liabilities are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method.

(J) Statement of cash flows

Cash and cash equivalents consist of cash at bank 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 in payables and other financial liabilities on the statement of financial position.

(K) Held for sale assets

Assets and liabilities held for disposal as part of operations which are held for sale are shown separately in the statement of financial position. Operations held for sale are recorded at the lower of their carrying amount and their fair value less the estimated selling costs.

Profit on disposal of subsidiaries is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its carrying value, as appropriate.

Accounting policies continued

(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 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, 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.

(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:

- 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
- the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares, or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

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.

Income statement
For the year ended 31 December 2019

	Note	2019 €m	2018 €m
Income			
Net investment income	F & 2	5	2
Profit on disposal of subsidiaries	K & 3	-	145
		5	147
Expenses			
Foreign exchange loss	D	-	(2)
Other expenses		-	(3)
Impairment of investment in subsidiaries	C & 9(b)(ii)	-	(1)
		-	(6)
Profit for the year before tax		5	141
Tax charge	L & 7	1	-
Profit for the year after tax		6	141

The accounting policies (identified alphabetically) on pages 10 to 13 and notes (identified numerically) on pages 19 to 27 are an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2019

	2019	2018
	€m	€m
Profit for the year after tax	6	141
Total comprehensive income for the year	6	141

The accounting policies (identified alphabetically) on pages 10 to 13 and notes (identified numerically) on pages 19 to 27 are an integral part of these financial statements.

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

	Note	Ordinary share capital €m	Retained earnings €m	Total equity €m
Balance at 1 January 2018		-	81	81
Profit for the year		-	141	141
Total comprehensive income for the year		-	141	141
Dividends paid	M & 8	-	(213)	(213)
Balance at 31 December 2018		-	9	9
Profit for the year		-	6	6
Total comprehensive income for the year		-	6	6
Balance at 31 December 2019	13	-	15	15

The accounting policies (identified alphabetically) on pages 10 to 13 and notes (identified numerically) on pages 19 to 27 are an integral part of these financial statements.

Statement of financial position
As at 31 December 2019

	Note	2019 €m	2018 €m
Assets			
Current assets			
Receivables and other financial assets	H & 11	**17**	10
Tax assets	L & 14	**1**	-
Total assets		**18**	10
Equity			
Ordinary share capital	M & 12	**-**	-
Retained earnings	13	**15**	9
Total equity		**15**	9
Liabilities			
Current liabilities			
Payables and other financial liabilities	I & 15	**3**	1
Total liabilities		**3**	1
Total equity and liabilities		**18**	10

The financial statements were approved by the Board of Directors on 11 June 2020 and signed on its behalf by

C. Singh
Director

Registered in England and Wales No. SE 000031

The accounting policies (identified alphabetically) on pages 10 to 13 and notes (identified numerically) on pages 19 to 27 are an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2019

	Note	2019 €m	2018 €m
Cash flows from operating activities			
Expenses paid		-	(1)
Net cash used in operating activities		-	(1)
Cash flows from investing activities			
Dividend income	2	5	1
Proceeds from disposal of subsidiaries		-	188
Net cash generated from investing activities		5	189
Cash flows from financing activities			
Repayment of loans provided by parent company		-	(205)
Funding provided to parent company		(15)	(12)
Repayment of funding provided to subsidiaries		-	22
Funding provided from / (to) fellow Group companies		10	(3)
Cash used in financing activities		(5)	(198)
Net decrease in cash and cash equivalents		-	(10)
Cash and cash equivalents at 1 January		-	10
Cash and cash equivalents at 31 December	16	-	-

The accounting policies (identified alphabetically) on pages 10 to 13 and notes (identified numerically) on pages 19 to 27 are an integral part of these financial statements.

Notes to the financial statements

1. Exchange rates

Assets and liabilities denominated in sterling have been translated into euros at the following year end rates:

	2019	2018
GBP Sterling	**0.8473**	0.8976

2. Net investment income

	Note	2019 €m	2018 €m
Dividend income from subsidiaries	18(b)	5	1
Interest on amounts due from parent held at amortised cost	18(a)	-	1
Total investment income		5	2

3. Profit on disposal of subsidiaries

	Note	2019 €m	2018 €m
Pelayo Vida Seguros y Reaseguros S.A.	9(b)(i)	-	2
CajaMurcia Vida y Pensiones de Seguros y Reaseguros, S.A.	10(b)	-	143
Profit on disposal of subsidiaries		-	145

4. Employee information

The Company has no employees *(2018: nil)*. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of Aviva plc.

5. Directors' remuneration

The directors were all remunerated by Aviva Employment Services Limited, a fellow subsidiary of Aviva plc for their services to the Group as a whole. They were not remunerated for their services as directors of the Company and the amount of time spent performing their duties is incidental to their roles across the Group. This is consistent with prior years.

6. Auditors' remuneration

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

	2019 €'000	2018 €000
Fees payable to PwC LLP for the statutory audit of the Company's financial statements	19	32
	19	32

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 accounts of Aviva plc.

There were no non-audit fees paid to the Company's auditors in the year *(2018: €nil)*. Audit fees are borne by the ultimate parent, Aviva plc (see note 18(b)(iii)).

Notes to the financial statements continued

7. Tax

(a) Tax credited to the income statement

The total tax credit comprises:

	Note	2019 €m	2018 €m
Current tax:			
Prior year adjustments		1	-
Total current tax		1	-
Total tax credited to the income statement	7(c)	1	-

(b) Tax credited / (charged) to other comprehensive income

There was no tax credited or charged to other comprehensive income in either 2019 or 2018.

(c) Tax reconciliation

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

	2019 €m	2018 €m
Profit for the year before tax	5	141
Tax calculated at standard UK corporation tax rate of 19% (*2018: 19%*)	(1)	(27)
Adjustment to tax charge / (credit) in respect of prior years	1	-
Non-assessable dividends	1	-
Disallowable expenses	-	(1)
Non-taxable profit on disposal of subsidiaries	-	28
Tax credit for the year	1	-

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 deferred tax assets or liabilities, any future changes in tax rates have no impact on the net assets of the Company as at 31 December 2019.

8. Dividends

	2019 €m	2018 €m
Ordinary dividends declared and charged to equity in the year:		
Interim dividend - paid €17,733,601.15 per share on 31 December 2018	-	213
	-	213

Notes to the financial statements continued

9. Investments in subsidiaries

(a) Movements in the Company's investments in its subsidiaries

	Note	2019 €m	2018 €m
At 1 January		-	9
Disposals	9(b)(i)	-	(8)
Impairment of subsidiaries	9(b)(ii)	-	(1)
At 31 December		-	-

(b) Material movements

(i) Disposals

On 1 October 2018, Pelayo was sold for a cash consideration of €10 million, resulting in a profit on disposal of €2 million.

(ii) Impairment of subsidiaries

Impairment of €1 million in 2018 relates to the Company's investment in Aviva Grupo Corporativo S.L and is reflective of the decline in the Company's underlying net assets principally due to run-off following the disposal of the Spanish subsidiaries. Subsequently Aviva Grupo Corporativo S.L was liquidated in 2018. There was no impairment in 2019.

(c) Related undertakings

Refer to note 19 for details of all related undertakings.

10. Investments in subsidiaries classified as held for sale

(a) Movements in the Company's investments in its subsidiaries classified as held for sale

	Note	2019 €m	2018 €m
At 1 January		-	30
Disposals	10(b)	-	(30)
At 31 December		-	-

(b) Disposals

On 17 July 2018, CajaMurcia Vida and its indirect subsidiary, CajaGranada Vida, were sold to Bankia, for which the Company received a cash consideration of €177 million, resulting in a profit on disposal of €143 million.

11. Receivables and other financial assets

	Note	2019 €m	2018 €m
Amounts due from parent	18(b)	**12**	5
Amounts due from fellow Group companies	18(b)	**5**	5
Total at 31 December		**17**	10
Expected to be recovered in less than one year		**17**	10
Expected to be recovered in more than one year		-	-
Total at 31 December		**17**	10

The fair value of receivables is approximate to their carrying amounts. All receivables are held at amortised cost.

12. Ordinary share capital

	2019 €k	2018 €k
Allotted, called up and fully paid		
12 (*2018: 12*) ordinary shares of €10,000 each	**120**	120

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.

Notes to the financial statements continued

13. Retained earnings

	Note	2019 €m	2018 €m
At 1 January		9	81
Profit for the year		6	141
Dividends declared and paid	8	-	(213)
At 31 December		15	9

All retained earnings are classified as distributable.

14. Tax assets and liabilities

(a) Current tax

	2019 €m	2018 €m
Expected to be recoverable in less than one year	1	-
Tax asset recognised in Statement of Financial Position	1	-

Current tax assets recoverable in more than one year are €nil *(2018: €nil).*

(b) Deferred taxes

The Company has no temporary differences to carry forward indefinitely against future taxable income *(2018: €nil).*

15. Payables and other financial liabilities

	Note	2019 €m	2018 €m
Other payables		-	1
VAT Payable		1	-
Amounts due to fellow Group companies		2	-
Total at 31 December		3	1
Expected to be settled in less than one year		3	1
Expected to be settled in more than one year		-	-
Total at 31 December		3	1

The fair value of payables is approximate to their carrying amounts. All payables are held at amortised cost.

16. Statement of cash flows

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

	2019 €m	2018 €m
Cash at bank and in hand	-	-

17. Risk management

(a) Risk management framework

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework.

The Company's risk management approach is proportionate to its activities as a non-trading intermediate holding company for some of the Group's European subsidiaries. At least annually the Company's management review the key risks specific to the Company.

To promote a consistent and rigorous approach to risk management, the Group has set out formal risk management policies and business standards which set out the risk strategy, framework and minimum requirements for the Group's worldwide operations, including the Company.

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 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.

Notes to the financial statements continued

17. Risk management continued

The directors recognise the critical importance of having efficient and effective risk management systems in place and acknowledge that they are responsible for the Company's framework of internal control and of reviewing its effectiveness. The framework is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, and can only provide reasonable assurance against misstatement or loss. The directors of the Company are satisfied that their adherence to this Group framework provides an adequate means of managing risk in the Company.

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

(b) 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, or variations in market values as a result of changes in expectation related to these risks.

The Company's approach to managing credit risk recognises that there is a 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 credit risks arise principally through exposures to internal counterparties.

The Company's management of credit risk includes implementation of credit risk management processes (including limits frameworks), the operation of specific risk management committees, and detailed reporting and monitoring of exposures against pre-established risk criteria.

(i) Financial exposures to Group companies

The Company's financial assets are amounts due from fellow Group companies. The credit risk arising from Group counterparties failing to meet all or part of their obligations is considered remote. Due to the nature of the intra-group receivables, and the fact that these are settled, and not traded, the Company is not exposed to the risk of changes to the market value caused by changing perceptions of the creditworthiness of such counterparties.

(ii) Calculation of expected credit losses

Expected credit losses in relation to intercompany loans are calculated with reference to an assessment of the counterparty's ability to repay contractual amounts over the lifetime of the financial asset, and, where relevant, the credit rating of the ultimate parent company. All intercompany loans have been assessed on a 12 month expected credit losses basis.

The Company has no financial assets which are categorised such that lifetime expected credit losses are calculated or which are deemed to be credit impaired at the reporting date. The Company has not purchased or originated any credit-impaired financial assets as at the reporting date.

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

Receivables and other financial assets of €17 million *(2018: €10 million)* are neither past due nor impaired and are comprised of loans and amounts due from other Group companies, including group relief tax asset. This amount represents the Company's maximum exposure to credit risk.

(iii) Modification of contractual cash flows that have not resulted in derecognition

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

(c) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, inflation, and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

The management of market risk is undertaken at business unit and at Group level. Businesses manage market risks locally using the Group market risk framework and within local regulatory constraints. Group Capital is responsible for monitoring and managing market risk at Group level and has established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

The most material types of market risk that the Company is exposed to are described below.

(i) Interest rate risk

The company is not exposed to interest rate risk, other than indirectly through its investments in subsidiaries and given that the company has not drawn down on its revolving credit facility with it's parent, Aviva Group Holdings Limited, at the year end.

(ii) Currency risk

The Company's exposure to foreign currency exchange rate risk is limited to the foreign currency translation into euros of amounts drawn down on its revolving credit facility denominated in pounds sterling due from its parent, Aviva Group Holdings Limited, amounting to €nil *(2018: €nil)*, as well as other receivables and payables denominated in pounds sterling, including tax assets to be settled by way of group relief (see note 14).

Notes to the financial statements continued

17. Risk management continued

(d) Liquidity risk

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

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due.

In extreme circumstances, the Company would approach the Group for additional short-term borrowing whilst the Company liquidated other assets. Aviva plc maintains significant undrawn committed borrowing facilities of £1,650 million *(2018: £1,650 million)* from a range of leading international banks to mitigate this risk further.

Maturity analyses

The following tables show the maturities of the Company's liabilities, and of the financial assets held to meet them.

(i) Analysis of maturity of liabilities

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

					2019
	Note	**On demand or within 1 year €m**	**Greater than 1 year €m**	**No fixed term (perpetual) €m**	**Total €m**
Payables and other financial liabilities	15	**3**	**-**	**-**	**3**
		3	**-**	**-**	**3**

					2018
	Note	On demand or within 1 year €m	Greater than 1 year €m	No fixed term (perpetual) €m	Total €m
Payables and other financial liabilities	15	1	-	-	1
		1	-	-	1

(ii) Analysis of maturity of financial assets

The following table 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:

					2019
	Note	**On demand or within 1 year €m**	**Greater than 1 year €m**	**No fixed term (perpetual) €m**	**Total €m**
Receivables and other financial assets	11	**17**	**-**	**-**	**17**
		17	**-**	**-**	**17**

					2018
	Note	On demand or within 1 year €m	Greater than 1 year €m	No fixed term (perpetual) €m	Total €m
Receivables and other financial assets	11	10	-	-	10
		10	-	-	10

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

(e) Operational risk

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment.

Given its limited activities, the key operational risks to the Company are inadequate governance and lack of sufficiently robust financial controls. The risks are mitigated by the Board's adoption and implementation of the Group's risk management policies and framework and compliance with the Group's Financial Reporting and Controls Framework.

Notes to the financial statements continued

17. Risk management continued

(f) Capital management

The Company's capital risk is determined with reference to the requirements of the Company's stakeholders. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of interest due on loans and the requirements of other stakeholders. The sources of capital used by the Company are equity shareholders' funds. At 31 December 2019 the Company had £15 million *(2018: £9 million)* of total capital employed.

(g) Brexit & UK-EU Free Trade Agreement (FTA) negotiations

In preparing for the end of the transition period on 31 December 2020 under the UK-EU withdrawal agreement, we have already taken the operational measures necessary irrespective of the outcome of UK-EU FTA negotiations. However, beyond 2020 the consequences of the UK's withdrawal from the EU on future financial services regulation and the UK economy will require careful monitoring.

(h) 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 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 jurisdictions in which the Group operates and the global economy more widely, 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 global economy could be deepened and result in further declines in financial markets.

The Company's balance sheet exposure has been reviewed and the Company continues to maintain a positive net asset value. Since the onset of the pandemic the Company has remained operational, with key activities such as transaction processing being maintained. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact of the outbreak on the Company at this stage.

18. Related party transactions

The Company had the following transactions with related parties which include parent companies, subsidiaries and fellow Group companies in the normal course of business.

(a) Loans receivable

Loans due from parent

On 25 March 2015, the Company provided an unsecured revolving credit facility of £300 million to its parent, AGH. This facility accrues interest at 65 basis points above 12 month LIBOR with a maturity date of April 2020. On 30 September 2018 the balance on the revolving credit facility stood at €212 million and it remained at this level until it was settled by an in-specie dividend on 31 December 2018. As at the statement of financial position date, the total drawn down on the facility is €nil *(2018: €nil).*

The interest received on these loans shown in the income statement is €nil million *(2018: €1 million)*. Refer to note 2.

(b) Other transactions

(i) Services provided to and income earned from related parties

			2019		2018
	Note	**Income earned in the year €m**	**Receivable at year end €m**	Income earned in the year €m	Receivable at year end €m
Parent	11	-	**12**	-	5
Subsidiaries	2	**5**	-	1	-
Fellow Group companies	11	-	**5**	-	5
		5	**17**	1	10

The income from related parties in the year comprised dividend income of €5 million *(2018: €1 million).*

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

Notes to the financial statements continued

18. Related party transactions continued

(ii) Services provided and expenses recharged by related parties

	2019		2018	
	Expenses incurred in the year	**Payable at year end**	Expenses incurred in the year	Payable at year end
	€m	**€m**	€m	€m
Fellow Group companies	-	-	3	-
	-	-	3	-

Expenses incurred in 2018 comprise intra-group recharges of €3 million. No expenses incurred in 2019.

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

(iii) Audit Fees

There were no non-audit fees paid to the Company's auditors during the year *(2018: €nil)*. Audit fees as described in note 6 are borne by the Company's ultimate parent, Aviva plc.

(iv) Group relief

Transactions with Group companies for settlement of corporation tax assets and liabilities by way of group relief are described in note 14.

(c) Key management compensation

Key management, which comprises the directors of the Company, are not remunerated directly for their services as directors of the Company and the amount of time spent performing their duties is incidental to their role across the Group. The majority of such costs are borne by Aviva plc and are not recharged to the Company. Refer to note 5 for details of directors' remuneration.

(d) Parent entity

The immediate parent entity is AGH, a private limited company incorporated and domiciled in the United Kingdom.

(e) Ultimate parent entity

The ultimate parent entity and controlling party is Aviva plc, a public limited company incorporated and domiciled in the United Kingdom, which is the parent undertaking of the smallest and largest Group to consolidate these financial statements. Copies of Aviva plc consolidated 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.

19. Related undertakings

Related undertakings include direct and indirect subsidiaries, joint ventures, associates and other significant holdings.

(a) The direct related undertakings of the Company as at 31 December 2019 are listed below:

Name of Undertaking	Registered Office	Share Class	% held by Group companies
Aviva Group Services Ireland Limited	One Park Place, Hatch Street, Dublin 2, Ireland	Ordinary shares	100
Ahorro Andaluz, S.A.	Avenida Andalucia, 10 -12, Malaga, Spain	Ordinary shares	50

Notes to the financial statements continued

19. Related undertakings continued

(b) The indirect related undertakings of the Company as at 31 December 2019 are listed below:

Name of Undertaking	Registered Office	Share Class	% held by Group companies
Aviva Trustee Company Ireland Designated Activity Company	One Park Place, Hatch Street, Dublin 2, Ireland	Ordinary shares	100
Aviva Life Services Ireland Limited	One Park Place, Hatch Street, Dublin 2, Ireland	Ordinary shares	100

20. Subsequent events

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 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 jurisdictions in which the Group operates and the global economy more widely, 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 global economy could be deepened and result in further declines in financial markets.

The Company's balance sheet exposure has been reviewed and the Company continues to maintain a positive net asset value. Since the onset of the pandemic the Company has remained operational, with key activities such as transaction processing being maintained. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact of the outbreak on the Company at this stage.