

**AVIVA INVESTORS UK FUND SERVICES LIMITED**

**Registered in England and Wales No. 1973412**

**Annual Report and Financial Statements 2019**

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

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## **Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

### **Directors and Officers**

#### **Directors**

I K Buckle

D Clayton

A J Coates (independent non-executive)

M D T Craston (non-executive)

S P J Ebenston

M B E White (independent non-executive)

#### **Officer - Company secretary**

Aviva Company Secretarial Services Limited

St Helens

1 Undershaft

London

EC3P 3DQ

#### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

#### **Registered office**

St Helens

1 Undershaft

London

EC3P 3DQ

#### **Company number**

Registered in England and Wales: No. 1973412

#### **Other Information**

The Company is authorised and regulated by the Financial Conduct Authority in the UK.

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

# Aviva Investors UK Fund Services Limited

## Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

### 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 principal activities of Aviva Investors UK Fund Services Limited (the 'Company') are the sale and management of open ended investment company ('OEIC') funds and a range of Authorised Contractual Schemes ('ACS'), and the management of Individual Savings Accounts. In addition, the Company acts as the Alternative Investment Fund Manager ('AIFM') for a range of real estate funds, structured as English Limited Partnerships ('ELP').

##### Financial Position and Performance

The financial position of the Company at 31 December 2019 is shown in the statement of financial position on page 16, with trading results shown in the statement of comprehensive income on page 14 and the statement of cash flows on page 17.

The main factors affecting these primary statements in the year were:

- Revenue net of fee expenses decreased by 47.1% to £31.0 million (2018: £65.8 million) principally due to a new transfer pricing arrangement with Aviva Investors Global Services Limited, a fellow Group company. This resulted in increased revenue allocations to a fellow subsidiary for investment management services.
- The revenue on the ELPs and ACSs is largely offset by fee expenses and directly attributable administrative expenses.
- Administrative expenses decreased by 19.1% to £13.9 million due to costs previously incurred by the Company being incurred by Aviva Investors Global Services Limited, a fellow Group company. This decrease in administrative expenses partially offsets the increase in fee expense.

Consequently the Company made a profit before tax of £4.1 million (2018: £43.7 million).

Total equity decreased by £31.2 million to £34.2 million, reflecting the profit for the year of £4.2 million (2018: £35.4 million) which was offset by the payment of a dividend of £35.4 million (2018: £12.9 million).

#### Section 172 (1) Statement and our stakeholders

We report here on how our Directors have discharged their duties under Section 172 (1) of the Companies Act 2006.

The Company 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 business should fail to act in the manner we expect of it.

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

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

#### Our culture

The Boards and Executives of Aviva Investors seek to embed a culture that ensures all employees act in the best interest of the clients by putting clients' interests ahead of their own and treating clients fairly. Culture and conduct considerations are key to Aviva Investors' strategy and are embedded in all business processes. Aviva Investors has strategic themes to support growth, which are integrated around the client. These are called "diversified excellence", "operational simplicity" and "grow and protect".

Diversified Excellence - The continued growth of outcome-orientated products to assist clients seeking specific investment solutions across the alpha and real asset offerings.

Operational Simplicity - Initiatives to improve operational simplicity within Aviva Investors will benefit clients as well as reduce risk. Significant and continuous projects are in progress resulting in delivering improved client reporting and enhanced client experience.

Grow and Protect - Aviva Investors' presence continues to focus on the development, promotion and sale of products where there are client needs.

# Aviva Investors UK Fund Services Limited

## Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

### Strategic Report (continued)

#### Section 172 (1) Statement and our stakeholders (continued)

##### Our culture (continued)

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

Our culture is shaped by our clearly defined values to help ensure we do the right thing. We value diversity and inclusivity in our workforce and beyond. The commitment we make to each customer extends to all our stakeholders; that we are 'with you today, for a better tomorrow.' Throughout our business, we are proud that our people live by our core value of Caring More for our customers, for each other and for the communities we serve.

##### Key strategic decisions in 2019

In 2019, Aviva Investors continued to implement our diversified excellence strategy and completed the build out of our Investment capability set. In November 2019, it was announced that as a result of the wider Aviva Group strategic review, Aviva Investors and the UK Life Savings and Retirement businesses would be brought together to form a new business division; Investment, Savings and Retirement ('IS&R'). The IS&R division will provide an holistic savings and retirement business, which will look after all stages of customers' savings and retirement needs.

##### Stakeholder Engagement

###### (i) Engagement with employees:

The Company has no direct employees, instead there is a service agreement in place with various Aviva Group employing companies for the services provided. In accordance with Aviva Group policy, there is a commitment to recruiting, training and retaining the best talent possible. In addition, Aviva Group are proud to be a pioneer in some areas of employee benefits, including providing six months paid parental leave for all employees.

###### (ii) Our customers

- The Company Board receives regular reporting on customer outcomes and strategic initiatives throughout the year.
- The Company Board closely monitors customer metrics and engages with the leadership team to understand the issues if our performance does not meet our customers' expectations.

###### (iii) Our 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.
- An important part of our culture is the promotion of high legal, ethical, environmental and employee related standards within our business and also among our suppliers. Before working with any new suppliers, we provide them with our Supplier Code of Behaviour, and our interaction with them is guided by our Business Code of Ethics.
- Aviva Investors is aligned to the Group Corporate Responsibility commitment to prevent modern slavery and associated practices in any part of our supply chain and approves our Modern Slavery Act statement each year.
- In the UK, our ultimate parent, Aviva plc is a signatory of the Prompt Payment Code which sets standards for high payment practices. We are a Living Wage employer in the UK, and our supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided to Aviva at our premises in the UK.
- Our Directors are closely involved in the management of our most critical or important suppliers and Local Boards regularly review reports on their performance. During the year, our internal Aviva Central Service provider, successfully progressed our UK migration to a new data centre infrastructure provider, including partial migration to the Cloud.
- The Company Board reviewed and approved the Business Readiness Framework and Process and migration schedule, with the Business Readiness Committee updating the Risk Committee as the migration activity progressed to successful completion.

## **Aviva Investors UK Fund Services Limited**

### **Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

## **Strategic Report (continued)**

### **Section 172 (1) Statement and our stakeholders (continued)**

#### **Stakeholder Engagement (continued)**

##### **(iv) Our communities**

Aviva Investors has financially supported the following charitable projects to promote more sustainable financial markets and communities.

- **Comic Relief:** We supported Comic Relief's Futures Lab, which works to enhance the sustainable impact of its funded partners, therefore increasing the effectiveness of their work to help marginalised adults and children, living in poverty in the UK and the rest of the world. We have also funded Comic Relief's Red Shed - a social enterprise programme that supports environmental and community resilience.
- **WWF and the One Campaign:** We have funded thought-leadership work on sustainable finance at both organisations this year.
- **Rosa UK:** We have funded projects which aim to give women an equal voice, to improve their safety and to help them live without fear and violence. The projects also promote good health and well-being and help women to achieve social justice.
- **The University of Surrey:** We made a grant to the Centre for Environment and Sustainability to conduct research into improving investment valuation techniques by incorporating sustainability factors.

The Company is committed to systematically embedding Environmental, Social and Governance ('ESG') considerations across the Aviva Investors business. This included the development of asset class specific ESG policies; the build out of enhanced ESG research capabilities, including new proprietary ESG data tools; and extensive ESG training for global investment desks.

##### **(v) Shareholders**

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

##### **(vi) Our regulators**

The Company is subject to the Financial Conduct Authority's ('FCA') "fixed" supervision model and is subject to an on-going programme of proactive engagement by the FCA Supervision team. As a result, there is a programme of regular meetings between Company Board members (including non-executive directors), Compliance and senior staff and the FCA. Copies of Company Board papers are routinely provided to the FCA. The Company also responds to requests for information when required, maintaining constructive and open relationships with the UK regulator.

## **Future Outlook**

The directors continually assess the long term strategy of the Company to ensure it can adapt to changing market conditions, changes in regulations and changes in client and operational demands. When assessing and setting the Company's long term strategy, the directors take into consideration client, regulator and legal requirements, its shareholders and other stakeholders. In addition the directors undertake stress and scenario testing to ensure that the Company continues to meet its financial objectives and adherence to internal capital and liquidity risk appetite limits over the business planning cycle.

[The directors will continue to monitor the situation with COVID-19 including further stress and scenario testing and taking actions to mitigate the impact on the Company where appropriate. As at the reporting date, no changes have been made to the long term strategy of the business.]

## Aviva Investors UK Fund Services Limited

### Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

#### Strategic Report (continued)

##### Principal Risks and Uncertainties

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

Although the directors do not believe that Brexit has a significant operational impact on the business, the influence that it will continue to have on the UK economy will require careful monitoring. During the year the Company Board reviewed the impact of potential exit scenarios and the operational response plans.

[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, where the Company 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 deepen and result in further declines in financial markets.

The Company continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained fully operational, with key activities such as cash payments and transaction processing being maintained.

Notwithstanding the Company's robust capital position, and the operational and financial actions being taken, the deterioration in the external situation has adverse implications arising from the impact on financial markets. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact on the Company at this stage.]

##### Key performance indicators

The Company's financial key performance indicators ('KPIs') are those that are used by the directors to measure the Company's success in achieving targets and include the following:

Measure	2019	2018	Change
Profit before tax (£'m)	4.1	43.7	(39.6)
Average OEIC funds under management (£'m)	19,468	21,752	(2,284)
Average ACS funds under management (£'m)	60,018	50,641	9,377
Average ELP funds under management (£'m)	5,424	4,886	538

The decrease in profit before tax is explained in the Financial Position and Performance section above.

On behalf of the Company Board, 15 April 2020

D Clayton  
Director

## **Aviva Investors UK Fund Services Limited**

### **Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

#### **Directors' Report**

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

##### **Directors**

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

I K Buckle	
D Clayton	
A J Coates	(appointed 7 November 2019)
M D T Craston	
S P J Ebenston	
J H Leadsom	(resigned 27 September 2019)
G J H Miller	(resigned 31 December 2019)
D S C Skinner	(resigned 16 July 2019)
M B E White	(appointed 10 October 2019)

##### **Future Outlook**

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

##### **Dividend**

An interim dividend of £35.4 million was paid on 19 June 2019 (2018: £12.9 million). The directors do not recommend the payment of a final dividend for the financial year ending 31 December 2019.

##### **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.

In addition, note 13 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instrument exposures; and its exposures to operational risk, market risk, credit risk and liquidity risk.

[Notwithstanding the potential material and sustained impact that COVID-19 might have on financial markets, the Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. As a consequence, the directors believe that the Company remains 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 the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

[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 Company 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 continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained fully operational, with key activities such as cash payments and transaction processing being maintained.

Notwithstanding the Company's robust capital and liquidity position and the operational and financial actions that are being taken, any deterioration in the situation has potential adverse implications arising from the impacts on financial markets and operations. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact of the outbreak on the Company at the date of signing these accounts.]

## **Aviva Investors UK Fund Services Limited**

### **Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

#### **Directors' report (continued)**

##### **Employees**

The Company has no employees (2018: none). All staff are employed by a fellow subsidiary undertaking of Aviva Group. Disclosures relating to the majority of employees may be found in the Annual Report and Financial Statements of Aviva Employment Services Limited.

##### **Disclosure of information to the auditor**

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

- so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

##### **Independent Auditors**

It is the intention of the directors to reappoint the auditor under the deemed appointment rules of Section 487 of the Companies Act 2006.

##### **Qualifying Indemnity Provisions**

The directors have the benefit of an 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 in Section 234 of the Companies Act 2006.

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This indemnity is a 'qualifying third party indemnity' for the purposes of Sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force throughout the year and 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 Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

**Directors' report (continued)**

**Statement of Directors' Responsibilities (continued)**

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

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

By order of the Company Board, 15 April 2020

D Clayton  
Director

## **Aviva Investors UK Fund Services Limited**

### **Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

## **Independent auditors' report to the members of Aviva Investors UK Fund Services Limited**

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

#### **Our opinion**

In our opinion, Aviva Investors UK Fund Services 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 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 statement of comprehensive income for the year ended 31 December 2019, the statement of cash flows for the year ended 31 December 2019, the statement of changes in equity for the year ended 31 December 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **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**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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.

## **Aviva Investors UK Fund Services Limited**

### **Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

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

### **Reporting on other information (continued)**

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 9, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

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

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

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

**Independent auditors' report to the members of Aviva Investors UK Fund Services Limited  
(continued)**

**Other required reporting**

**Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

Sandra Dowling (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 April 2020

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

**Statement of Comprehensive Income**

**For the year ended 31 December 2019**

	Note	2019	2018
		£'000	£'000
Revenue		153,281	141,822
Cost of sales		(12,815)	(6,679)
Fee expense		(122,314)	(76,049)
Administrative expenses		(13,878)	(17,152)
<b>Operating profit</b>		<b>4,274</b>	<b>41,942</b>
Realised (losses)/gains from investments held at fair value through profit or loss		(478)	1,375
Finance income		334	375
<b>Profit before tax</b>		<b>4,130</b>	<b>43,692</b>
Tax credit/(charge)	4	56	(8,312)
<b>Profit and Comprehensive Income for the year</b>		<b>4,186</b>	<b>35,380</b>

All amounts reported in the statement of comprehensive income relate to continuing operations.

The accounting policies on pages 18 to 22 and notes on pages 22 to 34 are an integral part of these financial statements.

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

**Statement of Changes in Equity**

**For the year ended 31 December 2019**

	<b>Ordinary Share capital</b>	<b>Retained earnings</b>	<b>Total Equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 January 2018</b>	21,500	21,432	42,932
Profit for the year	-	35,380	35,380
Dividends paid	-	(12,900)	(12,900)
<b>Balance at 31 December 2018</b>	<b>21,500</b>	<b>43,912</b>	<b>65,412</b>
Profit for the year	-	4,186	4,186
Dividends paid	-	(35,400)	(35,400)
<b>Balance at 31 December 2019</b>	<b>21,500</b>	<b>12,698</b>	<b>34,198</b>

The accounting policies on pages 18 to 22 and notes on pages 22 to 34 are an integral part of these financial statements.

# Aviva Investors UK Fund Services Limited

## Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

### Statement of Financial Position

As at 31 December 2019

	Note	2019	2018
		£'000	£'000
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	7	79,269	108,387
Cash and cash equivalents	12(b)	58,927	71,399
Investments designated at fair value through profit or loss	5	5,388	7,150
Prepayments and accrued income	8	21,255	15,697
Deferred tax assets	10 (b)	115	9
<b>Total current assets</b>		<b>164,954</b>	<b>202,642</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary share capital	11	21,500	21,500
Retained earnings		12,698	43,912
<b>Total equity</b>		<b>34,198</b>	<b>65,412</b>
<b>Non-current liabilities</b>			
Tax liabilities	10(a)	-	8,312
<b>Total non-current liabilities</b>		<b>-</b>	<b>8,312</b>
<b>Current liabilities</b>			
Trade and other payables	9	130,756	128,918
<b>Total current liabilities</b>		<b>130,756</b>	<b>128,918</b>
<b>Total liabilities</b>		<b>130,756</b>	<b>137,230</b>
<b>Total equity and liabilities</b>		<b>164,954</b>	<b>202,642</b>

The financial statements on pages 14 to 34 were approved by the Company Board of directors on 15 April 2020 and were signed on its behalf by

D Clayton  
Director

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

**Statement of Cash Flows**

**For the year ended 31 December 2019**

	Note	2019	2018
		<u>£'000</u>	<u>£'000</u>
<b>Cash flows generated by operating activities</b>			
Cash generated by operations	12(a)	26,150	23,878
Group relief paid		(3,556)	(1,604)
		<u>22,594</u>	<u>22,274</u>
<i>Net cash generated by operating activities</i>			
		22,594	22,274
<b>Cash flows used in financing activities</b>			
Finance income		334	375
Dividends paid		(35,400)	(12,900)
		<u>(35,066)</u>	<u>(12,525)</u>
<i>Net cash used in financing activities</i>			
		(35,066)	(12,525)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(12,472)	9,749
Cash and cash equivalents at 1 January		71,399	61,650
		<u>71,399</u>	<u>61,650</u>
<b>Cash and cash equivalents at 31 December</b>	12(b)	<u><b>58,927</b></u>	<u><b>71,399</b></u>

The accounting policies on pages 18 to 22 and notes on pages 22 to 34 are an integral part of these financial statements.

## Aviva Investors UK Fund Services Limited

### Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

#### Notes to the Financial Statements

### 1. Accounting policies

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

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

#### (A) Basis of presentation

The financial statements are prepared under the historical cost convention, except for those financial assets and liabilities that have been measured at fair value. Items included in the financial statements are measured in the currency of the primary economic environment in which the Company operates ('the functional currency'). The Company's presentational currency is pounds sterling. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000).

#### *Statement of compliance*

The Company's financial statements have been prepared and approved by the directors in accordance with the International Financial Reporting Standards ('IFRSs') as endorsed by the European Union ('EU'), the Companies Act 2006 that applies to companies reporting under IFRS and IFRS Interpretation Committee ('IFRS IC') interpretations. The Company's financial statements have been prepared in accordance with IFRS applicable at 31 December 2019 and have been prepared on a going concern basis.

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

The Company has adopted the following new amendments to standards which became effective for financial years beginning on or after 1 January 2019.

#### (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. The adoption of this standard does not have an impact on the Company's financial statements.

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

In October 2017, the IASB published *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*. The amendments are effective for annual reporting beginning on or after 1 January 2019 and have been endorsed by the EU. The adoption of these amendments does not have an impact on the Company's financial statements.

#### (iii) *Annual Improvements to IFRS Standards 2015-2017*

These improvements consist of amendments to three IFRSs including IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing Costs*. The amendments are effective for annual reporting beginning on or after 1 January 2019 and have been endorsed by the EU. The adoption of these amendments does not have an impact on the Company's financial statements.

#### (iv) *IFRS 16, Leases*

In January 2016, the IASB published IFRS 16 *Leases* which replaced IAS 17 *Leases*. IFRS 16 introduced a definition of a lease with a single lessee accounting model eliminating the classification of either operating or finance leases. Lessees will be required to account for all leases in a similar manner to the current finance lease accounting model recognising lease assets and liabilities on the statement of financial position. Lessor accounting remains similar to current practice.

The impact of the adoption of IFRS 16 has been assessed by the Company and will not have an impact on the financial statements. There was no impact on the Company as lease agreements are centralised by the Aviva group, with Aviva Investors receiving a group cost recharge.

This standard applies to annual reporting periods beginning on or after 1 January 2019 and has been endorsed by the EU.

# Aviva Investors UK Fund Services Limited

## Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

### Notes to the Financial Statements

## 1. Accounting policies (continued)

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

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

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

#### (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 not yet been endorsed by the EU.

#### (ii) *Amendment to IFRS 3 Business Combinations, IAS 1 and IAS 8: Definition of material*

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

#### (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 not yet been endorsed by the EU.

### (B) Critical accounting policies and 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 statement of comprehensive income, statement of financial position, other primary statements and notes to the financial statements. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

The directors do not consider there to be any critical accounting policies or use of estimates.

### (C) Foreign currency translation

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

Assets and liabilities held in foreign currencies at the year end have been translated at the prevailing rate at 31 December 2019.

# Aviva Investors UK Fund Services Limited

## Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

### Notes to the Financial Statements

## 1. Accounting policies (continued)

### (D) Revenue recognition

Fund management charges (FMFs) derived from OEICs and annual management charges (AMCs) derived from ACSs and authorised unit trust funds and investment management fees derived from the English Limited Partnerships in the Company's capacity as Alternative Investment Manager, are recognised as revenue over time, as performance obligations are satisfied. In most cases revenue is recognised in the same period in which the fees are charged.

The Company holds shares in OEICs and units in authorised unit trusts (see note 5) to facilitate the efficient management of the demand for shares and units by the customers (Managers box). Box profits or losses are calculated as:

- The difference between the cost of purchasing redeemed units at cancellation prices and reselling them at creation prices for those funds which are dual priced; and
- Any increase in the value of shares or units the manager holds in the Box, as a result of price fluctuations over a valuation point.

Box profits or losses are recognised when the related transaction occurs. Box profits or losses are recognised as realised gains or losses from investments designated as trading on the Statement of Comprehensive income.

Fees that are related to services to be provided in future periods are deferred and recognised when the performance obligation is fulfilled. Variable consideration, such as performance fees subject to clawback, is not recognised as revenue until it is reasonably certain that no significant reversal of amounts recognised would occur.

All revenue is net of any value added tax, rebates and distribution allowances. All revenue is attributable to continuing activities and arises in the UK.

### (E) Cost of Sales

Costs of sales comprises the directly attributable costs of the ACS funds which are fully recharged and included in revenue, and various fees in respect of OEICs.

### (F) Fee expense

Fee expense is payable for investment management services provided by other Aviva Investors companies under sub delegation and sub-advisory agreements, and is recognised on an accruals basis as it is earned and is recognised net of VAT or any rebates.

Expense for performance fees is recognised when the liability is crystallised.

### (G) Investments held at fair value

Investments comprise shares and units which are held by the Company to facilitate the efficient management of the demand for shares and units by the customers. Shares and units are recorded at fair value with changes in fair value being taken to the statement of comprehensive income. In general, the fair value category is used as, in most cases, the Company's investment or risk management strategy is to manage its financial investments on a fair value basis.

Purchases and sales of instruments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair value less transaction costs. Instruments carried at fair value are measured using a fair value hierarchy, described in note 13, with value based on quoted bid prices.

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.

## **Aviva Investors UK Fund Services Limited**

### **Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

#### **Notes to the Financial Statements**

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

#### **(H) Receivables and payables**

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

#### **(I) Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and on hand 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.

#### **(J) Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where 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, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Contingent assets are disclosed if there is a possible future benefit as a result of a past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In the case of a reimbursement where the recognition criteria is virtually certain a contingent asset is disclosed when the future benefit is probable.

#### **(K) Income tax**

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

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

The 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.

# Aviva Investors UK Fund Services Limited

## Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

### Notes to the Financial Statements

## 1. Accounting policies (continued)

### (K) Income tax (continued)

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.

### (L) Share capital

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable. Therefore, the Company's share capital is considered to be an equity instrument.

### (M) Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised in equity in the year in which the Company's obligation to make the dividend payment arises.

## 2. Directors' emoluments

Ms A Coates, Mr M Craston and Mr M White were non-executive directors and their fees were paid for and borne by Aviva Investors Holdings Limited, the immediate parent undertaking. The other directors are remunerated in respect of their services in connection with the management of the affairs of the Aviva Investors' business as a whole. There has been a re-charge to the Company for some of these services as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments in respect of qualifying services	729	550
Company pension contributions to money purchase scheme	-	1

During the year one of the directors exercised share options (2018: none) and one of the directors received shares under long term incentive schemes (2018: none).

## 3. Auditors' remuneration

Auditors' remuneration in relation to the Company for 2019 was £49,970 (2018: £47,400).

Fees paid to the auditors for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the Company's ultimate parent company, Aviva plc, are required to disclose other non-audit services on a consolidated basis.

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

**Notes to the Financial Statements**

**4. Tax**

**(a) Tax (credit)/charge to the statement of comprehensive income**

**(i) The total tax charge/(credit) comprises:**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
Tax charge for the current year	-	8,311
Adjustments in respect of prior years	50	(1)
Total current tax charge	<u>50</u>	<u>8,310</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(106)	2
Total deferred tax	<u>(106)</u>	<u>2</u>
<b>Total tax (credit)/charge to the statement of comprehensive income</b>	<u>(56)</u>	<u>8,312</u>

Recognition of previously unrecognised temporary differences has reduced the tax charge by £0.1 million (2018: £nil).

**(ii) Deferred tax charged to the statement of comprehensive income represents movements on the following items:**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Provisions and other temporary differences	(107)	-
Accelerated capital allowances	1	2
Total deferred tax (credited)/charged to statement of comprehensive income	<u>(106)</u>	<u>2</u>

## Aviva Investors UK Fund Services Limited

### Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

#### Notes to the Financial Statements

#### 4. Tax (continued)

##### (b) Tax reconciliation

The tax (credit)/charge on the Company's profit before tax differs from the tax calculated at the standard UK corporation tax rate as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	4,130	43,692
Tax calculated at standard UK corporation tax rate of 19.0% (2018: 19.0%)	785	8,302
Adjustments in respect of prior year	50	(1)
Movement in unrecognised deferred tax	(107)	-
Surrender of losses from group undertakings for no charge	(790)	-
Disallowable expenses	6	11
<b>Total tax (credit)/charge to the statement of comprehensive income (note 4(a))</b>	<b>(56)</b>	<b>8,312</b>

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

As of 31 December 2019, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2019.

#### 5. Investments held at fair value through profit or loss

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Shares in OEICs and units in authorised unit trusts	5,388	7,150

## Aviva Investors UK Fund Services Limited

### Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

#### Notes to the Financial Statements

## 6. Interests in structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The Company acts as fund manager for certain investment funds and specialised investment vehicles and makes management decisions after extensive due diligence of the underlying investment vehicle including consideration of its strategy (to provide investors with a variety of investment opportunities through managed investments strategies). The Company is compensated by the respective investment vehicles for their services. Such compensation generally consists of a fixed charge (FMF) that is taken from the funds to cover a range of expenses including the amount retained by the Company.

### (a) Interests in consolidated structured entities

The Company does not have control over any investment vehicles. It does not provide financial support in the form of a loan, guarantee or non-contractual letter of support to any structured entity.

### (b) Interests in unconsolidated structured entities

The Company has an interest in unconsolidated structured entities as it holds shares in OEIC's and units in authorised unit trusts (see note 5) to facilitate the efficient management of the demand for shares and units by the customers.

### (c) Other interests in unconsolidated structured entities

AMCs received for investments that the Company manages but does not have a holding in represent an 'other interest' in unconsolidated structured entities. The investment risk is borne by the underlying investors and therefore the Company's maximum exposure to loss relates to future fee income. Disclosures in relation to risk management are given in note 13.

The table below shows the total funds under management ('FUM') within investment vehicles that the Company manages but does not have a holding in and the fees earned from the management of those vehicles.

	2019		2018	
	FUM	Revenue	FUM	Revenue
	£'m	£'000	£'m	£'000
<b>Investment funds:</b>				
<i>Analysed as:</i>				
Open ended investment vehicles and authorised unit trusts	18,977	86,036	19,958	108,993
English Limited Partnerships	5,770	20,669	5,079	18,608
Authorised Contractual Schemes	65,836	28,809	54,200	13,241
<b>Total</b>	<b>90,583</b>	<b>135,514</b>	<b>79,237</b>	<b>140,842</b>

## Aviva Investors UK Fund Services Limited

### Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

#### Notes to the Financial Statements

### 7. Trade and other receivables

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Trade receivables	14,128	23,810
Amounts due from fellow subsidiaries	38,819	34,116
Other receivables	26,321	50,461
	<u>79,269</u>	<u>108,387</u>

None of the above total (2018: £nil) is expected to be recovered more than one year after the statement of financial position date.

There is no difference in the value at contractual maturity and the value in the financial statements.

Other receivables predominantly represent unsettled fund creations and liquidations which are offset by corresponding client investment and repurchase deals disclosed within Note 9 as Other financial liabilities.

### 8. Prepayments and accrued income

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Prepayments and accrued income	21,255	15,697

Prepayments and accrued income includes income earned but not yet billed at the year-end.

### 9. Trade and other payables

	2019	2018
	<u>£'000</u>	<u>£'000</u>
Amounts due to fellow subsidiaries	972	2,725
Trade creditors	7,112	6,496
Group relief payable	8,361	3,556
Other financial liabilities	36,646	62,331
Accruals	77,665	53,810
	<u>130,756</u>	<u>128,918</u>

None of the above total (2018: £nil) is expected to be paid more than one year after the statement of financial position date.

The majority of other financial liabilities represent unsettled client investment and repurchase deals which are offset by the corresponding unsettled fund creations and liquidations disclosed within Note 7 as Other receivables.

## Aviva Investors UK Fund Services Limited

### Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

#### Notes to the Financial Statements

### 10. Tax assets and liabilities

#### (a) General

There are no current tax liabilities (2018: £8.3 million) expected to be settled in more than one year.

Liabilities for prior years tax to be settled by way of group relief of £8.4 million (2018: £3.6 million) are included within trade and other payables (note 9) and are payable in less than one year.

#### (b) Deferred taxes

	2019	2018
	£'000	£'000
Provisions and other temporary differences	107	-
Accelerated capital allowances	8	9
Net deferred tax asset	115	9

The movement in the deferred tax asset was as follows

	2019	2018
	£'000	£'000
Net deferred tax asset at 1 January	9	11
Amounts credited/(charged) to the statement of comprehensive income	106	(2)
Net deferred tax asset at 31 December	115	9

### 11. Ordinary share capital

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

	2019	2018
	£'000	£'000
The allotted, called up and fully paid share capital of the Company at 31 December 2019 was: 21,500,000 (2018: 21,500,000) ordinary shares of £1 each	21,500	21,500

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

**Aviva Investors UK Fund Services Limited**

**Report and Financial Statements for the year ended 31 December 2019**

**Registered in England and Wales: No.1973412**

**Notes to the Financial Statements**

**12. Additional cash flow information**

(a) The reconciliation of profit before tax to the net cash used in operating activities is:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	4,130	43,692
<b>Adjustments for:</b>		
Finance income	(334)	(375)
<b>Changes in working capital:</b>		
Decrease in financial instruments at fair value	1,762	46
Decrease/(increase) in receivables and prepayments	23,560	(13,098)
Decrease in payables and other financial liabilities	(2,968)	(6,387)
Cash generated by operations	<b>26,150</b>	<b>23,878</b>

(b) The cash and cash equivalents consist of:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and on hand	58,927	71,399
	<b>58,927</b>	<b>71,399</b>

**Notes to the Financial Statements**

**13. Risk and capital management policies**

**(a) Overview**

The Company seeks to optimise its business' performance subject to remaining within risk appetite and meeting stakeholders' expectations. This is achieved by embedding rigorous and consistent risk management. The Company's Risk Management Framework ('RMF') includes the strategies, policies, culture, processes, governance arrangements, tools, and reporting procedures necessary to support this. The RMF incorporates the Aviva plc Group's Enterprise Risk Management Framework which has been adapted to the needs and requirements of the Company. A description of the RMF, core governance committees, risk appetites, risk management processes, roles and responsibilities are documented in the Aviva Investors Pillar 3 Disclosures document available at <https://www.avivainvestors.com/en-gb/capabilities/regulatory>.

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

**(b) Operational risk**

Operational risk is the current or prospective risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Company monitors the health of the business by considering the impact of data results (leading and lagging) – for example, risk events, indicators and review results – on the residual risk profile against tolerances (granular limits), appetites (aggregated limits) and strategic targets.

Exposures exceeding tolerances and appetites are prioritised for resolution using rigorous issue and remediation processes.

Progress of remediation is monitored by the relevant risk owners to early identify risks not on track to return to tolerance or appetite. In such instances, risk owners are required to decide how best to manage the risk exposure (e.g. additional allocation of resources to increase speed of remediation, tactical or short-term solutions until resolution is completed, etc.).

**(c) Regulatory compliance**

The Company is authorised and regulated by the FCA. The FCA has broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources.

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

The impact of any such finding or negative perception regarding the Company could have a negative impact on the Company's reported results or on its relations with current and potential clients. Regulatory action against the Company could result in adverse publicity for the Company, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

## Aviva Investors UK Fund Services Limited

### Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

#### Notes to the Financial Statements

### 13. Risk and capital management policies (continued)

#### (d) Market risks

Market risk is the current or prospective risk of loss arising from movements in market prices, such as:

- Adverse changes in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in foreign exchange balances; and
- Adverse changes in the value of units held by the Company as part of the OEIC managers box

The Company uses a number of risk management tools to understand the volatility of earnings, the Company's capital requirements, and to manage the capital more efficiently.

Sensitivities to economic and operating experience are regularly produced on all of the key financial performance indicators as part of the Company's decision making and planning process, and to set the framework for identifying and quantifying the risks to which the Company is exposed.

Some results of sensitivity testing for the business are set out below:

<b>Sensitivity Factor</b>	<b>Description of sensitivity factor applied</b>
Property and equity market values	The impact of a change in equity market values by +/- 10%

The above sensitivity factors are applied on the managers box position, with the following pre-tax impacts on profit and shareholders' equity at 31 December:

#### *i) Results of sensitivity analysis*

The results of sensitivity testing for changes in property and equity prices are set out below. For each sensitivity test only the impact of the property and equity price change is shown, with other assumptions left unchanged.

	<b>2019</b>	<b>2019</b>
	<b>Property/Equity</b>	<b>Property/Equity</b>
	<b>+10%</b>	<b>-10%</b>
	<b>£'000</b>	<b>£'000</b>
Impact on profit before tax	539	(539)
Impact before tax on shareholders' equity	539	(539)
	<b>2018</b>	<b>2018</b>
	<b>Property/Equity</b>	<b>Property/Equity</b>
	<b>+10%</b>	<b>-10%</b>
	<b>£'000</b>	<b>£'000</b>
Impact on profit before tax	715	(715)
Impact before tax on shareholders' equity	715	(715)

**Notes to the Financial Statements**

**13. Risk and capital management policies (continued)**

**(d) Market risks (continued)**

*ii) Limitations of sensitivity analysis*

The above table demonstrates the effect of a change in property and equity prices whilst other assumptions remain unaffected. In reality, such an occurrence is remote, due to correlations between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed and may be different at the time that any actual market movement occurs.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent our view of reasonably possible near-term changes that cannot be predicted with any certainty; and the assumption that interest rates move in an identical fashion.

**(e) Credit risk**

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

Aviva Investors manage and monitor exposures across our business units on a consolidated basis and operate an Aviva Investors Global Counterparty Credit Risk Policy which includes a credit limit framework that must be adhered to by all entities. The Aviva Investors policy applies the principles laid out in the Aviva Group's Credit Risk Policy and Credit Collateral Management Business Standard. The latter policy establishes the governance, principals and parameters for the management of credit risk, including the minimum requirements that counterparties must adhere to.

Processes and control activities have been implemented to manage, mitigate and monitor credit risk. Credit exposures are identified, evaluated and managed in accordance with best practice and agreed risk appetite, so as to ensure that risks are managed within bounds acceptable to clients, the Aviva Investors UK Credit Officer and, where appropriate, the Aviva Group Credit Risk Director.

The Company's maximum exposure to credit risk is associated with its trade and other receivables including unsettled trades, cash and cash equivalents. A significant amount of business relates to the Aviva group of companies and exposure is managed through regular payments on account. Credit risk on cash and cash equivalents is considered low.

**(f) Liquidity risk**

Liquidity risk is the current or prospective risk that liabilities cannot be met, in a timely and cost-effective manner, as they fall due.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of the Aviva Group Liquidity Risk Business Standard and Liquidity Risk Policy. A liquidity risk appetite requires that sufficient liquid resources be maintained to cover net outflows.

The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring actual and forecast cash flows, and by matching maturity profiles of financial assets and financial liabilities.

## Aviva Investors UK Fund Services Limited

### Report and Financial Statements for the year ended 31 December 2019

Registered in England and Wales: No.1973412

#### Notes to the Financial Statements

### 13. Risk and capital management policies (continued)

#### (g) Capital management

Capital is managed within the regulatory framework in which the Company operates with the purpose of maintaining a strong capital base to uphold investor, creditor and market confidence and sustain the future development of the business.

The sufficiency of regulatory and internal risk based capital for the Group and for the Company is monitored against approved risk appetites at the Aviva Investors Capital Committee. Any capital in excess of the minimum requirements is freely transferable as dividends.

#### i) Regulatory capital

The disclosure requirements in the FCA's Prudential Sourcebook for Investment Businesses ('IPRU INV') apply to the Company.

The Company is a collective portfolio management firm (according to the FCA's definition and scope of permitted regulated activities) and its minimum Capital Resources Requirement ('CRR') is the higher of the fixed overheads requirement and the capital requirements. For the Company, the higher of these is the FUM requirement.

Additional information can be found in Aviva Investors' Pillar 3 Disclosures document available at the site link attached below: <https://www.avivainvestors.com/en-gb/capabilities/regulatory/>.

In addition to regulatory capital, the Company holds capital resources to safeguard, with a 99.5% level of confidence, against the material risks faced. The required amount of capital is determined using internally approved methodology and is subject to approval by the Company's Board. Capital resources are to exceed the higher of regulatory or internal risk-based requirement.

#### (h) Fair Value Methodology

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

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

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

At year end, the Company had assets of £5,388,000 (2018: £7,150,000), the value based on quoted market prices in active markets.

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

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

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Inputs, other than quoted prices, that is observable for the asset for example, interest rates and yield curves observable at commonly quoted intervals; and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

At year end, the Company held no Level 2 assets (2018: £nil).

## Aviva Investors UK Fund Services Limited

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#### Notes to the Financial Statements

### 13. Risk and capital management policies (continued)

#### (h) Fair Value Methodology (continued)

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

Assets classed as Level 3 in the hierarchy are based on inputs that are unobservable based on available published market data. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for inputs to any valuation models). As such, unobservable inputs reflect the assumptions that the Company considers that market participants would use in pricing the asset.

At year end, the Company held no Level 3 assets (2018: £nil).

### 14. Related party transactions

#### (a) Income receivable from related parties

	2019 £'000	2018 £'000
Fellow subsidiaries	55,255	44,039

#### (b) Expenses payable to related parties

	2019 £'000	2018 £'000
Fellow subsidiaries	106,820	65,417

#### (c) Receivable at year end

	2019 £'000	2018 £'000
Fellow subsidiaries	38,819	34,116

#### (d) Payable at year end

	2019 £'000	2018 £'000
Fellow subsidiaries	9,333	6,281

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

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

## **Aviva Investors UK Fund Services Limited**

### **Report and Financial Statements for the year ended 31 December 2019**

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#### **Notes to the Financial Statements**

### **14. Related party transactions (continued)**

#### **(e) Key management compensation**

The members of the Company Board of directors are listed on page 3 of these financial statements. There are no amounts receivable from or payments due to members of the Company Board of Directors. The directors are considered to be the Company's only key management personnel. Details of the remuneration arrangements of the directors of the Company are included in note 2.

#### **(f) Ultimate controlling party**

The immediate parent undertaking of the Company is Aviva Investors Holdings Limited.

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

Aviva plc is the parent undertaking of both the largest and the smallest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Aviva plc available at [www.aviva.com](http://www.aviva.com) or are on application to the:

Group Company Secretary  
Aviva plc  
St Helens  
1 Undershaft, London  
EC3P 3DQ

### **15. Events after the reporting period**

[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 Company 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 continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained fully operational, with key activities such as cash payments and transaction processing being maintained.

Notwithstanding the Company's robust capital and liquidity position and the operational and financial actions that are being taken, any deterioration in the situation has potential adverse implications arising from the impacts on financial markets and operations. As the situation is rapidly evolving it is not practicable to quantify the potential financial impact of the outbreak on the Company at the date of signing these accounts.]