

# FRIENDS AELRIS LIMITED

COMPANY INCORPORATED IN ENGLAND AND WALES  
REGISTRATION NUMBER 16807

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

# Friends AELRIS Limited

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## Directors and Officers

### Directors

A V G Garvin

D Rose

### Officer - Company Secretary

Aviva Company Secretarial Services Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

### Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

### Registered Office

Pixham End

Dorking

Surrey

RH4 1QA

### Company Number

Registered in England and Wales: No. 16807

### Other Information

Friends AELRIS Limited (the Company) is a private company limited by shares and is a member of the Aviva plc group of companies (the Group)

**Friends AELRIS Limited**  
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# Friends AELRIS Limited

## Strategic report

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The directors present their strategic report for Friends AELRIS Limited (the Company) for the year ended 31 December 2019.

### Principal activity

The Company's business is the holding of investments in life interests. There has not been any new business for several years and it is not intended to transact any new business in the future. The existing business will continue to run-off.

### Results and business review

Trading performance:

|  | 2019<br>£'000 | 2018<br>£'000<br>restated |
|--|---------------|---------------------------|
| Turnover                               | 2             | 8                         |
| Interest receivable and similar income | 1             | 1                         |
| Administrative expenses                | (27)          | (28)                      |
| Loss for the financial year            | (19)          | (15)                      |

Turnover represents income from life interests (the income from an estate for the remainder of an individual's life).

Interest receivable and similar income is £1,000 for 2019 (2018: £1,000).

Administrative expenses represent management charges recharged from Aviva Life Services UK Limited (UKLS), (a fellow subsidiary company) and increases in expected credit losses.

The Company made a loss of £19,000 for the financial year (2018: £15,000). This is in line with expectations for the business as expenses each year are higher than turnover.

### Section 172 (1) statement

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

The Board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the Company to ensure that its obligations to its shareholder and to its stakeholders are met. The Board monitors adherence to the Aviva Group business standards and compliance with the Aviva Governance Framework. The Company, as a wholly owned subsidiary of Aviva plc Group, is managed as part of its UK Life business.

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

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

### The Company's culture

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

The Aviva Group's culture is shaped by clearly defined values to help ensure it operates appropriately and does the right thing. The Aviva Group values 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.' The Aviva Group is proud of the people who live by Aviva's core value of 'Care More' for our customers, for each other and for the communities they serve.

### **Key strategic decisions in 2019**

Following the split of the UKI business into separate UK Life and Pensions and General Insurance businesses, and the appointment of Angela Darlington as the UK Life CEO, and the appointment of Lindsey Rix as the UK Savings and Retirement CEO, the Board has aligned its strategic focus with that of Aviva Group, to develop Savings and Retirement as a core growth opportunity for the Life business, supporting customers to save for the future, navigate their retirement and to protect what's most important to them.

### **Stakeholder Engagement**

#### **(i) Employees**

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

Aviva Group engagement mechanisms include employee forums, internal communication channels, and informal meetings with Directors and employee engagement surveys. A comprehensive global employee engagement survey is carried out each year, and the results are considered by the Board in the context of culture, values and behaviours and actions to continually improve the scores are discussed and agreed.

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

#### **(ii) Customers**

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

The Board closely monitors customer metrics and engages with the leadership team to understand the issues if business performance does not meet customers' expectations. The Board continues to monitor and review developments which will allow us to simplify and support service delivery to our customers.

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

The Board regularly receives input to enable it to closely monitor customer metrics, and subsequently engage with the senior leaders to address any issues that may arise from customer complaints, feedback and our approach to Treating the Customer Fairly.

The Board works to ensure that we deliver fair value to our customers, and is currently reviewing a number of product governance issues and making redress to affected customer where appropriate.

#### **(iii) Suppliers**

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

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

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

#### **(iv) Communities**

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

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

## **Friends AELRIS Limited**

### **Strategic report (continued)**

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#### (v) Shareholders

The Company's ultimate shareholder is Aviva plc and its immediate shareholder is Aviva Life and Pensions UK Limited (UKLAP). Any matters requiring escalation are escalated by the Board through the Chairman to its parent.

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

The Board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the Company to ensure that its obligations to its shareholder and to its stakeholders are met.

The Board monitors adherence to the Aviva Group business standards and compliance with the Aviva Governance Framework. The Company, as a wholly owned subsidiary of Aviva plc Group, is managed as part of its UK Life business.

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

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

#### **Future outlook**

The Company is expected to continue with its existing activities for the foreseeable future.

#### **Principal risks and uncertainties**

The Company is exposed to financial risk through its financial assets and liabilities in the ordinary course of its business. It is exposed to operational risk of loss resulting from internal processes, people and systems, or from external events. The major component of financial risk is credit risk, due to counterparties failing to meet a full or part of their obligations in a timely fashion.

The Company uses a number of metrics to identify, measure, manage, monitor and report risks and a fuller explanation of these risks, other than operational risk, may be found in note 12 to the financial statements.

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK, as well as causing increased volatility and declines in financial markets. The spread of the virus is now slowing down and restrictions are beginning to lift but the risk of subsequent peaks means the adverse impact on the UK economy could be deepened and result in further declines in financial markets.

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

Approved by the Board on 7 December 2020 and signed on its behalf by:

**Aviva Company Secretarial Services Limited**  
*Company Secretary*

# **Friends AELRIS Limited**

## **Directors' report**

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The directors present their annual report and financial statements for Friends AELRIS Limited (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 are listed on page 2.

### **Dividends**

No dividend was paid for the financial year ending 31 December 2019 (2018: £nil).

### **Major events**

There are no major events to report for 2019.

### **Statement of going concern**

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements of the Company. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the approval of the financial statements.

### **Future developments**

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

### **Financial risk management**

Details of financial risk management are discussed in the principal risks and uncertainties section of the Strategic Report on page 5 and note 12 to the financial statements.

### **Employees**

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

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

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

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

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

# **Friends AELRIS Limited**

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

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### **Independent auditors**

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

### **Qualifying indemnity provisions**

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

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

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

By order of the Board

**Aviva Company Secretarial Services Limited**  
*Company Secretary*

*7 December 2020*

# Friends AELRIS Limited

## Independent auditors' report to the members of Friends AELRIS Limited

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### Report on the audit of the financial statements

#### Opinion

In our opinion, Friends AELRIS Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 balance sheet as at 31 December 2019; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### 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.

# Friends AELRIS Limited

## Independent auditors' report to the members of Friends AELRIS Limited (continued)

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### *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 controls 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.

### **OTHER REQUIRED REPORTING**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

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

7 December 2020

**Friends AELRIS Limited**  
**Profit and loss account**  
**For the year ended 31 December 2019**

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|  | Note | 2019<br>£'000 | 2018<br>£'000<br>restated |
|--|------|---------------|---------------------------|
| Turnover                               | 1(e) | 2             | 8                         |
| Administrative expenses                | 4    | (27)          | (28)                      |
| Interest receivable and similar income | 6    | 1             | 1                         |
| <b>Loss before taxation</b>            |      | <b>(24)</b>   | <b>(19)</b>               |
| Tax on loss                            | 7    | 5             | 4                         |
| <b>Loss for the financial year</b>     |      | <b>(19)</b>   | <b>(15)</b>               |

All of the above amounts are in respect of continuing operations.

The Company has no other comprehensive income.

The information on pages 13 to 18 forms an integral part of these financial statements.

# Friends AELRIS Limited

## Balance sheet

As at 31 December 2019

|  |             | <b>2019</b>  | 31 Dec   | 1 Jan    |
|--|-------------|--------------|----------|----------|
|  | <b>Note</b> | <b>£'000</b> | 2018     | 2018     |
|  |             |              | £'000    | £'000    |
|  |             |              | restated | restated |
| <b>Fixed assets</b>  |             |              |          |          |
| Investments  | 8           | <b>50</b>    | 50       | 50       |
| <b>Current assets</b>  |             |              |          |          |
| Debtors  | 9           | <b>8</b>     | 7        | -        |
| <b>Total debtors</b>   |             | <b>8</b>     | 7        | -        |
| Cash at bank and in hand                                       |             | <b>148</b>   | 216      | 214      |
| <b>Creditors: amounts falling due within one year</b>          |             |              |          |          |
| Amounts owed to group undertakings                             |             | <b>(2)</b>   | (50)     | (28)     |
| <b>Net current assets</b>                                      |             | <b>154</b>   | 173      | 186      |
| <b>Total assets less current liabilities</b>                   |             | <b>204</b>   | 223      | 236      |
| <b>Creditors: amounts falling due after more than one year</b> |             |              |          |          |
| Amounts owed to group undertakings                             |             | <b>(19)</b>  | (19)     | (17)     |
| <b>Net assets</b>  |             | <b>185</b>   | 204      | 219      |
| <b>Capital and reserves</b>                                    |             |              |          |          |
| Called up share capital  | 10          | -            | -        | -        |
| Profit and loss account  |             | <b>185</b>   | 204      | 219      |
| <b>Total equity</b>  |             | <b>185</b>   | 204      | 219      |

The financial statements on pages 10 to 18 were approved by the Board of Directors on 7 December 2020 and signed on its behalf by:

**D R Rose** *Director*

The information on pages 13 to 18 forms an integral part of these financial statements.

**Friends AELRIS Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2019**

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|                                      | Called up<br>share capital | Profit<br>and loss<br>account | Total<br>equity |
|--------------------------------------|----------------------------|-------------------------------|-----------------|
| Note                                 | £'000                      | £'000                         | £'000           |
| <b>Balance at 1 January 2018</b>     | -                          | 219                           | 219             |
| Restated loss for the financial year | -                          | (15)                          | (15)            |
| <b>Balance at 31 December 2018</b>   | -                          | <b>204</b>                    | <b>204</b>      |
| Loss for the financial year          | -                          | (19)                          | (19)            |
| <b>Balance at 31 December 2019</b>   | -                          | <b>185</b>                    | <b>185</b>      |

The information on pages 13 to 18 forms an integral part of these financial statements.

# Friends AELRIS Limited

## Notes to the financial statements

### For the year ended 31 December 2019

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#### 1. Accounting policies

##### (a) Basis of presentation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements of the Company. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the approval of the financial statements.

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. These policies have been consistently applied to all years presented, unless otherwise stated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 10(d) and 111 of IAS 1 Presentation of Financial Statements to include a statement of cash flows and the requirements of IAS 7 Statement of Cash Flows;
- (b) the requirements of paragraph 16 of IAS 1 to make a statement of compliance with the international accounting standards;
- (c) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose when an entity has not applied a new accounting standard that has been issued but is not yet effective;
- (d) the requirements of paragraph 17 of IAS 24 Related Party Disclosure to disclose key management personnel compensation;
- (e) the requirements of paragraph 18A of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- (f) the requirements of IFRS 7, Financial instruments: Disclosures;
- (g) the requirements of paragraphs 91 to 99 of IFRS 13, Fair Value Measurement to disclose valuation techniques and inputs used for fair value measurement of assets and liabilities.

New standards and minor clarifications to existing guidance on a number of standards became effective for the reporting period beginning on 1 January 2019. The principle clarifications are to IFRS 16, Leases which replaces IAS 17 and introduces a definition of a lease with a single lessee accounting model, eliminating the previous classification of either operating or finance leases, IFRIC 23, Uncertainty over Income Tax treatments, Amendments to IAS 19, Plan Amendment, Curtailment or Settlement and Amendments to IAS 28, Long Term interests in Associates and Joint Ventures. The amendments do not have any impact on the Company's financial statements with the exception of IFRS 16.

##### (b) Interest receivable and payable

Interest receivable and payable is accounted for on an accruals basis.

##### (c) Administrative expenses

Administrative expenses are accounted for on an accruals basis.

**Friends AELRIS Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019 (continued)**

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**(d) Income taxes**

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

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

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

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

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

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

**(e) Turnover**

Turnover represents income from life interests and realised profits on life interests. The basis of recognition of income is as follows:

|                              |                               |
|------------------------------|-------------------------------|
| Variable rate life interests | - when they become receivable |
| Fixed rate life interests    | - on an accruals basis        |

Income from variable rate life interests was previously recognised on an accruals basis. The accounting policy has been changed in 2019 to reflect the uncertain nature of income receipts on these policies and to provide more relevant information on revenue earned. Prior year figures have been restated accordingly. The impact of this restatement is included within Note 3.

**(f) Investments**

The Company's investments are classified as mandatorily held at fair value through profit and loss using a probability weighted discounted cash flow model, as the repayments do not consist solely of principal and interest.

**(g) Cash at bank and in hand**

Cash and cash equivalents consist of cash at banks and in hand.

**(h) Amounts owed to group undertakings**

Amounts owed to group undertakings 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.

**Friends AELRIS Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2019 (continued)**

**2. Use of judgements, estimates and assumptions**

The preparation of the Company's financial statements, in accordance with FRS 101, requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. There are no major areas of judgement on policy application for the Company.

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.

**3. Prior year restatement**

In addition to the change in accounting policy disclosed in Note 1 (e), following a review of the presentation of the Company's life interest investments, amounts relating to insurance premiums payable by the Company have been reclassified as amounts owed to group undertakings, having previously been included within the carrying value of the investment. This reclassification is deemed to better represent the substance of the balance as a financial liability. Prior year opening balances have been restated to reflect this reclassification.

The impact of restatements, including the change in accounting policy, on the comparative Income Statement is as follows:

|  | <b>31 December 2018</b>      |  |                           |
|--|------------------------------|--|---------------------------|
|  | <b>As reported<br/>£'000</b> | <b>Effect of<br/>changes<br/>£'000</b> | <b>Restated<br/>£'000</b> |
| Turnover                               | 11                           | (3)                                    | 8                         |
| Administrative expenses                | (31)                         | 3                                      | (28)                      |
| Interest receivable and similar income | 1                            | -                                      | 1                         |
| <b>Loss before taxation</b>            | <b>(19)</b>                  | <b>-</b>                               | <b>(19)</b>               |
| Tax on loss                            | 4                            | -                                      | 4                         |
| <b>Loss for the financial year</b>     | <b>(15)</b>                  | <b>-</b>                               | <b>(15)</b>               |

The 2018 balance sheet has also been restated to present group balances on a gross basis. The impact of restatements, including the change in accounting policy, on the comparative statements of financial position is as follows:

|                                      | <b>1 January 2018</b>        |  |                           | <b>31 December 2018</b>      |  |                           |
|--------------------------------------|------------------------------|--|---------------------------|------------------------------|--|---------------------------|
|                                      | <b>As reported<br/>£'000</b> | <b>Effect of<br/>changes<br/>£'000</b> | <b>Restated<br/>£'000</b> | <b>As reported<br/>£'000</b> | <b>Effect of<br/>changes<br/>£'000</b> | <b>Restated<br/>£'000</b> |
| <b>Total assets</b>                  |                              |  |                           |                              |  |                           |
| <i>Effect analysed as</i>            |                              |  |                           |                              |  |                           |
| Investments                          | 33                           | 17                                     | 50                        | 31                           | 19                                     | 50                        |
| Debtors                              | 62                           | (62)                                   | -                         | 65                           | (65)                                   | -                         |
| Amounts owed by group undertakings   | -                            | -                                      | -                         | -                            | 7                                      | 7                         |
| Provision for expected credit losses | (62)                         | 62                                     | -                         | (65)                         | 65                                     | -                         |
|                                      | 33                           | 17                                     | 50                        | 31                           | 26                                     | 57                        |
| <b>Total liabilities</b>             |                              |  |                           |                              |  |                           |
| <i>Effect analysed as:</i>           |                              |  |                           |                              |  |                           |
| Amounts owed to group undertakings   | (28)                         | (17)                                   | (45)                      | (43)                         | (26)                                   | (69)                      |
| <b>Total equity</b>                  | 219                          | -                                      | 219                       | 204                          | -                                      | 204                       |

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**4. Administrative expenses**

Companies within the Group receive services and administration from UKLS and AES. These entities either employ staff engaged in these activities or outsource the provision of these services to external outsourced service providers. The Company has no direct employees. The staff costs and average number of employees of AES are disclosed in the financial statements of that entity.

**5. Auditors' remuneration**

The auditors' remuneration of £4,000 excluding VAT (2018: £4,000), in respect of the statutory audit of the Company during the year ended 31 December 2019, was borne by other companies within the Group. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP (PwC) and its associates for services other than the statutory audit of the Company and other Group undertakings are disclosed in the consolidated financial statements of Aviva plc.

**6. Interest receivable and similar income**

|                          | <b>2019</b>  | 2018  |
|--------------------------|--------------|-------|
|                          | <b>£'000</b> | £'000 |
| Interest on bank account | <b>1</b>     | 1     |

**7. Tax on loss**

**(a) Tax credited to the income statement**

The total tax credit comprises:

|                          | <b>2019</b>  | 2018  |
|--------------------------|--------------|-------|
|                          | <b>£'000</b> | £'000 |
| <b>Current tax</b>       |              |       |
| For this year            | <b>5</b>     | 4     |
| <b>Total current tax</b> | <b>5</b>     | 4     |
| <b>Tax on loss</b>       | <b>5</b>     | 4     |

**(b) Tax 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 loss before tax is the same as (2018: same as) from the theoretical amount that would arise using the tax rate of the United Kingdom as follows:

|   | <b>2019</b>  | 2018  |
|---|--------------|-------|
|   | <b>£'000</b> | £'000 |
| Loss before taxation  | <b>(24)</b>  | (19)  |
| Tax calculated at standard UK corporation tax rate of 19% (2018: 19%) | <b>5</b>     | 4     |
| <b>Tax on loss</b>  | <b>5</b>     | 4     |

**Friends AELRIS Limited**  
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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.

**(d) Tax assets and liabilities**

Current tax

Tax assets of £5,000 (2018: £4,000) are expected to be received in more than one year. Tax assets of the company will be settled by way of group relief with other Aviva Group entities.

**8. Investments**

|                       | <b>2019</b>  | 2018     |
|-----------------------|--------------|----------|
|                       | <b>£'000</b> | £'000    |
|                       |              | restated |
| <b>At 31 December</b> | <b>50</b>    | 50       |

These are investments held to cover the sum assured of life interests (the income from an estate for the remainder of an individual's life). None of the investments are listed on a recognised stock exchange.

**9. Debtors**

|   | <b>2019</b>  | 2018     |
|---|--------------|----------|
|   | <b>£'000</b> | £'000    |
|   |              | restated |
| <b>Amounts falling due within one year:</b> |              |          |
| Amounts owed by group undertakings          | <b>8</b>     | 7        |

**10. Called up share capital**

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

|  | <b>2019</b> | 2018 |
|--|-------------|------|
|  | <b>£</b>    | £    |
| <b>Allotted and issued</b>             |             |      |
| 1 ordinary shares of £1 each (2018: 1) | <b>1</b>    | 1    |

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.

**11. Directors' emoluments**

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

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## **12. Risk management**

The ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associates (collectively known as "the Group") operate a risk management framework (RMF), which forms an integral part of the management and board processes and decision-making framework across the Group. The key elements of our risk management framework comprise risk strategy and risk appetite, risk policy categorisation, enterprise-wide approach to managing risks, including how to identify, measure, manage, monitor and report risks, and risk governance and oversight (including boards and board committees, risk policies and business standards, delegated authorities and management committees, and roles and responsibilities). The Group's approach to risk management ensures that significant existing or emerging risks are actively identified, measured, managed, monitored and reported on a continuous basis.

## **13. Related party transactions**

The Company is a wholly owned subsidiary undertaking of Aviva plc. The results of the Company are consolidated in the results of Aviva plc, the Company's ultimate parent and controlling company, whose financial statements are publicly available.

Under FRS 101 the Company is exempt from the requirements of IAS 24 Related Party Disclosures, concerning the disclosure of transactions entered into between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

## **14. Ultimate parent company**

The Company's immediate parent undertaking is Aviva Life & Pensions UK Limited, a company incorporated in England.

The Company's ultimate parent undertaking is Aviva plc, St Helens, 1 Undershaft, London, EC3P 3DQ. Copies of the Group Financial Statements of Aviva plc can be viewed via its website at [www.aviva.com](http://www.aviva.com).

## **15. Subsequent events**

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK, as well as causing increased volatility and declines in financial markets. The spread of the virus is now slowing down and restrictions are beginning to lift but the risk of subsequent peaks means the adverse impact on the UK economy could be deepened and result in further declines in financial markets.

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