Aviva Life & Pensions UK Limited

Registered in England and Wales No. 03253947

Annual Report and Financial Statements 2023

Contents

Directors and officer

Directors

C M Agius (independent non-executive director)
D A Brown (executive director)
J E M Curtis (independent non-executive director)
M Harris (independent non-executive director)
C C Jones (non-executive director)
M J Kellard (independent non-executive director)
J McConville (non-executive director)
I A Pearce (executive director)

Officer – Company Secretary

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

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

Aviva
Wellington Row
York
YO90 1WR

Company number

Registered in England and Wales no. 03253947

Other information

Aviva Life & Pensions UK Limited ("the Company") is a member of the Association of British Insurers and covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

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

Strategic report

The directors present their Strategic report for the Company for the year ended 31 December 2023.

Review of the Company's business

Principal activities

The principal activity of the Company is life and pension insurance business. The Company has both Non-profit and With-profits funds and offers a market leading range of propositions to individual and corporate customers covering their savings, retirement, insurance and protection needs. The directors consider that this will continue unchanged into the foreseeable future. During 2023, the Company continued to reinsure a significant proportion of its Non-profit business outwards to a fellow subsidiary of the Group, Aviva International Insurance Limited.

Significant Events

The company's financial results are affected by a number of external factors, including demographic trends, general economic and market conditions, government policy and legislation and exchange rate fluctuations. In addition, our 2023 financial performance includes the impact of corporate actions taken aimed at achieving our stated strategy. The impact of these events on IFRS performance and Solvency II may differ due to their different measurement and recognition criteria.

The following significant events impacted our business during the year:

On 18 April 2023 the Aviva Master Trust was incorporated, and is now a subsidiary under Aviva Life & Pensions UK Limited.
On 11 May 2023 a cash dividend of £617m was paid from Aviva Life & Pensions UK Limited to Aviva Life Holdings UK Limited.

On 23 September 2023, Aviva announced the acquisition of AIG Life Limited from Corebridge Financial, inc. The transaction builds upon Aviva's momentum in the protection market. AIG Life Limited provides a full suite of individual and Group protection products. The acquisition is subject to regulatory approval and has had no impact on the financial results of the Company in 2023.

On 25 September 2023 a cash dividend of £625m was paid from Aviva Life & Pensions UK Limited to Aviva Life Holdings UK Limited.

Our culture

Our culture is shaped, in conjunction with the wider Aviva Group, by our clearly defined purpose – with you today for a better tomorrow. As the provider of financial services to millions of customers, Aviva seeks to earn their trust by acting with integrity and a sense of responsibility at all times. We look to build relationships with all our stakeholders based on openness and transparency and we value diversity and inclusivity in our workforce and beyond.

Key strategic decisions in 2023

For each matter that comes before the Board, the Board considers the likely consequences of any decision in the long-term, identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process. On 30 January 2024 an announcement was made for a 15-year extension to Aviva's partnerships with strategic partners Diligenta and FNZ. This will support Aviva's ongoing focus to simplify and transform the UK Insurance, Wealth & Retirement ("IWR") business.

The Sustainability Agenda is a critical part of Aviva's strategy to become the UK's leading insurer. Aviva's ambition is demonstrated through the goals that have been set by the Aviva plc Board. The emphasis is on three core areas - acting on climate change, building a stronger, more resilient Britain and embedding sustainability in our business.

Key focus areas for the Company include helping customers provide for a more comfortable retirement by supporting them with investment, drawdown, and secure income from annuities, along with helping customers to protect themselves and their families financially against death or illness and supplying services to the corporate marketplace by offering pensions, protection, and bulk annuity propositions ("BPA") to both large and small companies. Advice is a critical aspect of the Aviva UK Life's vision of becoming the go-to partner for the UK's financial wellbeing needs.

The Board had strategy discussions through the year and held a dedicated two-day strategy session in June 2023 covering various topics including, but not limited to, Consumer Duty and IT system solutions / sustainability.

Section 172(1) Statement

We report here on how our directors have performed their duties under Section 172(1) ("s.172")) of the Companies Act 2006.

S.172 sets out a series of matters to which the directors must have regard to when performing their duty to promote the success of the Company for the benefit of its shareholders, including having regard to other stakeholders.

Our Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for establishing, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations

Strategic report

to our shareholders are met. The Board monitors adherence to our policies and compliance with local corporate governance requirements and is committed to acting where our businesses fall short of the standards we expect.

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.

Our Stakeholders

This section provides insight into how the Board engages with our stakeholders. The board recognises that stakeholders have diverse interests and that these interests need to be heard. Engaging with our stakeholders is essential to understand what matters most to them and the likely impact of any key decisions.

The Board receives updates from the Executive Directors which details any substantial engagement with our stakeholders. There are also standing agenda items at each meeting to ensure that the Board receive relevant updates on all of our key stakeholders, such as reports from HR, customer service and our business functions.

The Board held a two-day dedicated strategy session in June 2023 to consider the long-term strategic decision of the business. As part of these strategic discussions, the Board considered the industry and market and the potential impact to stakeholders. The Board received updates on a number of operational processes including updates from, but not limited to, their Direct Wealth business unit, the Pension administration team, the Platform business unit and from staff who handle customer complaints. The Board listened to a number of customer calls to understand first-hand the experiences of the customers.

The Company Board is autonomous and legally accountable for the business of the Company but it recognises that the Company is part of the Aviva Group. As such, it regularly engages with Group to ensure good governance and adherence to various Group standards, policies and best practice as set by Aviva plc, some of which are described in the tables below. Aviva plc sets the overall strategic direction of the Group, of which the Company's business is a substantial contributor.

Details of how we engaged with our different groups of stakeholders during 2023 can be found on the following pages.

<table>
<tr><td colspan="2">Our People
Our People's wellbeing and commitment to serving our customers are the foundations for our performance.</td></tr>
<tr><td>How we have engaged
• The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them.
• The Board always aims to provide an inclusive working environment where talent is developed, performance is rewarded, support is provided and our differences are valued.
• Our people have the opportunity to share in the business's success as shareholders through membership of the Aviva Group global share plans. All Group employees are eligible for our global share plans.
• The Board, together with the Audit Committee, reviewed reports on the Speak Up service.</td>
<td>Focus during the year
• The Board focused on attracting and retaining the best people in the industry.
• The Board monitored and responded to the impact that inflationary pressures exerted on our people.
• The Board was given corporate culture updates with a focus on embedding diversity and inclusion.

Outcomes and actions during the year
• Launch of our Aviva Group 2023 early career programme, with over 200 graduates and apprentices attending.
• Launch of Workvivo, the Aviva Group internal colleague communication and engagement platform, with over 19,500 colleagues active on Workvivo with over 10,000 daily users.</td></tr>
</table>

Strategic report

Customers	
Understanding what's important to our customers is key to our long-term success.	
How we have engaged • The Board, and The Conduct Committee, received regular reporting on customer experience, customer journeys, customer services levels and outcomes and customer related strategic initiatives. • The Board supported the delivery of our customer strategy and reviewed its progress as part of the strategic delivery updates during the year. • The Group Board attended showcases in IWR during the Board strategy offsite meeting focusing on the Wealth and Health apps.	**Focus during the year** • The Board monitored and responded to the impact that inflationary pressures exerted on our customers. • The Board focussed on our digital customer journeys, making it easier and more convenient for customers to interact with us. • The Board reviewed reputation updates with a focus on measuring Aviva's reputation with stakeholders for future reporting. **Outcomes and actions during the year** • The Board, together with the Conduct and Risk Committees, monitored and received regular updates on the progress of Phase 1 of the implementation of Consumer Duty.

Shareholders	
Our retail and institutional shareholders are the ultimate owners of the Company.	
How we have engaged • The Company's 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 Board through the Chair to its parent. Additionally, members of the Aviva plc Board can attend the Company's Board meeting by invitation. • At Aviva Group level, a shareholder newsletter was published on aviva.com every quarter and provided shareholders with publicly available information including recent Board changes, financial or strategic updates, and information about our Aviva Foundation projects. • The Chair of the Aviva plc Board engaged and attended meetings with major shareholders of the Group.	**Focus during the year** • Ensuring Shareholders understand our strategy and business model. • Engaging with different groups of retail shareholders. **Outcomes and actions during the year** • The 2023 Group AGM took place in Norwich. This was the first time the location was outside of London and gave the Group Board an opportunity to meet local retail shareholders. • In March 2023, Aviva became one of the first UK employers to be awarded the Living Pension accreditation. • The 2024 Group AGM will be held in York giving the Board another opportunity to meet local retail shareholders. • On 09 March 2023, Aviva plc announced a buyback of its ordinary shares for a maximum aggregate consideration of £300 million which commenced on 10 March 2023 and completed on 02 June 2023.

Regulators	
As an insurance company, we are subject to financial services regulation and approvals in all the markets we operate in.	
How we have engaged • We have maintained a constructive and open relationship with our regulators and the Board has regular meetings with our UK regulators. • Regulators engaged with us to discuss their objectives, priorities and concerns, and how they affect our business. • Both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) attended a Board meeting during the year and discussed regulatory issues with board members.	**Focus during the year** • Continued focus on Consumer Duty with training provided to the Group and subsidiary Boards. **Outcomes and actions during the year** • Regulatory priorities were regularly discussed at Board, Audit and Risk Committee meetings.

Strategic report

<table>
<tr><td colspan="2">Communities
We recognise the importance of contributing to our communities through volunteering, community investment, and long term partnerships.</td></tr>
<tr><td>How we have engaged
• Aviva supported the communities in which we operate, through investment in business and infrastructure, paying tax revenues and community support activity.
• At Aviva Group level, the Customer and Sustainability Committee received regular updates on the progress of Aviva's Sustainability Ambition throughout 2023 with the Committee Chair providing an update on matters discussed at each Board meeting.</td><td>Focus during the year
• Sustainability and inclusive behaviours training was provided for the Group and subsidiary Boards.

Outcomes and actions during the year
• Employees across the Aviva Group were offered the opportunity to volunteer their time to support charities and organisations.
• During the year, the Aviva Group provided £2.7m funding to Citizens Advice and £0.75m to the Money Advice Trust to help build their capacity to tackle the cost of living crisis. This is part of an overall commitment of £7m to Citizens Advice and £2m to Money Advice Trust (the majority of which was distributed in 2022).
• The Aviva Foundation committed just under £2m funding to organisations delivering public benefit focused on financial resilience.</td></tr>
</table>

<table>
<tr><td colspan="2">Suppliers
We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries.</td></tr>
<tr><td>How we have engaged
• The Company maintains oversight of the management of its most important suppliers and reviews reports on their performance.
• The Board normally delegates engagement with suppliers and oversight to senior management.
• All supplier related activity is managed in line with the group procurement and outsourcing business standards. This ensures that supplier risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational and contractual issues.
• The Board, via reporting from the Audit Committee and Risk Committee, was kept updated on the development of any key supplier risk.</td><td>Focus during the year
• Understanding and highlighting risk across whole supply chain.
• Simplification of products and platforms.
• Engaging with key suppliers about our commitment to Aviva’s Sustainability Ambition.
• The Risk Committee on behalf of the Board reviewed the cyber risk and control environment including the threat posed by the risk of ransomware attacks on both the group and our material third party suppliers.

Outcomes and actions during the year
• An update on supplier risk and relations was presented to the Board, as part of the Board's continuing programme of supplier oversight.
• To ensure continued efforts to strengthen controls, the Aviva Group procurement & outsourcing (P&O) Business Standard was refreshed for 2023.
• Aviva held its first Net Zero Supplier Summit which included speakers from Microsoft, Paragon and Aviva Investors.
• Aviva remains a signatory to the Prompt Payment Code.</td></tr>
</table>

Financial position and performance

The financial position of the Company at 31 December 2023 is shown in the Statement of financial position on page 41, with the trading results shown in the Income statement on page 39 and the Statement of cash flows on page 42.

The Company’s net assets have decreased by £687 million (2022 restated: decreased by £406 million), which is driven by a profit after tax of £555 million and dividends of £(1,242) million.

The Company paid dividends totalling £1,242 million to its parent company during the year (2022: £593 million) and paid £nil interest on other equity instruments less tax relief (2022: £27 million).

Strategic report

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2023 Annual report and accounts. The Company will work with the Group to support the implementation of these strategies.

The strategic direction of the Company is set by the directors of the Company. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

The Company is well positioned to compete in its key markets by leveraging the power of Aviva's breadth of offering within the UK to deliver compelling propositions to meet our customer needs, alongside driving digitisation through customer services, propositions and ensuring we are easy for customers to do business with, however they choose.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 40 to the financial statements.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- Market risk: the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices;
- Credit risk: the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements;
- Life insurance risk: including mortality risk, morbidity risk, longevity risk, persistency risk, expense risk and policyholder behaviour risk around take-up of insurance guarantees and options;
- Other risk factors that could materially impact the valuation inputs to the fair value of the Company's investment in subsidiaries, resulting in a charge against shareholder's equity and profits. Key valuation inputs are the net asset values of subsidiaries (calculated on the basis of IFRS or Solvency II depending on the activities of the subsidiary), which are subject to credit, market (including foreign currency exchange rate risk), insurance and operational risks, and the quoted market valuations of comparable listed entities, affected by equity price risk.

Changes to the risk profile in the reporting period

The Company's continued exposure to risks such as cyber attacks remained high in 2023.

Given the current global economic and political environment, the Company's exposure to the above factors is expected to remain high in the short to medium term. However, steps continue to be taken to improve the control framework and take mitigating actions so as to manage this exposure and related potential impacts. Externally, the cyber crime environment continues to be volatile with a high level of change and increasing sophistication. There is an increasing concern around the emerging risk of cyber espionage and nation state attacks, due to the current geopolitical tensions.

There continues to be a high level of both regulatory and non-regulatory change in the business currently, and the impacts of this on the control framework are being closely monitored.

Key performance indicators

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

Measure	2023	Restated[1] 2022
Capital Metrics		
Regulatory Capital Surplus Ratio[2]	**161 %**	179%
Regulatory Capital Surplus (£m)[2]	**3,640**	4,448
Financial Performance Metrics		
Operating Capital Generation (£m)[3]	**801**	1,031
Insurance Service Result (£m)[4]	**571**	9
Net written premiums, including deposits for non-participating investment contracts (£m)[5]	**16,000**	12,775
IFRS profit/(loss) for the year after tax (£m)[6]	**555**	(482)
Decrease IFRS shareholders equity (£m)[7]	**(687)**	(406)
Non-Financial Metrics		
Relational net promoter score[8]	Market average	Market average

[1] The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Strategic report

[2] The regulatory capital surplus and the regulatory capital surplus ratio are prepared in accordance with the Solvency II financial reporting framework, which is the applicable financial reporting framework for the Company's capital management regime and therefore the Company actively monitors performance against these regulatory measures. The Regulatory Capital Surplus is the value of the Solvency II total eligible Own Funds to meet the Company's Solvency Capital Requirement ("SCR") in excess of the SCR. The Regulatory Capital Surplus Ratio is the ratio of the eligible Own Funds to meet the SCR over the SCR.

The reduction in Surplus compared to prior year is driven by the relative remittance of dividends along with integration and restructuring costs in the year.

[3] Operating Capital Generation ("OCG") is an APM. It is the Solvency II surplus movement in the period due to operating items. The calculation of OCG is consistent with previous years. For the Company, OCG comprises of the impact of new business, earnings from existing business and other OCG; other OCG includes the impact of capital actions and non-economic assumption changes. OCG excludes economic variances and economic assumption changes.

The reduction in Operating Capital Generation reflects lower assumption change and management action impacts in 2023 as compared to prior year.

[4] The FY23 insurance service result is driven by £780 million of stock release through the Contractual Service Margin and Risk Adjustment. This is higher than experienced in FY22 driven by relatively stronger growth in new business compared to prior year and a more advantageous impact from assumption changes. This is supplemented by a more favourable policyholder tax impact in FY23 compared to prior year.

[5] Net written premiums, including deposits for non-participating investment contracts is an alternative performance measure (APM). It comprises the total value of premiums, net of reinsurance, for all insurance and investment business. The increase from the prior year is primarily due to an increase in gross premiums received on unit linked business.

[6] The profit after tax for the year was £555 million (2022: £(482) million loss). The profit is attributable to a higher investment return compared to 2022, driven by more favourable gilt, corporate bond and equity indices. This is compounded by a favourable insurance service result as described above.

[7] The decrease in shareholder equity over 2023 is driven by the £555 million profit recognised for the year offset by the payment of £1,242 million of dividends through the year.

[8] The Company's principal non-financial KPI is the 'relational net promoter score'. This measures the likelihood of a customer recommending Aviva, relative to the market. The score is determined through third party collation of customer feedback and a scoring system that gives greater weighting to lower scores ('detractors') than higher scores ('promoters'). The results are benchmarked against a representative sample of competitors' customers in order to determine a quartile score against the market.

By order of the Board on 27 March 2024

Laura McGowan

Laura McGowan
For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary

Directors' report

In accordance with Section 415 of the Companies Act 2006 (the Act), the directors present their report for the year ended 31 December 2023.

Directors

The names of the current directors of the Company are shown on page 3.

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

Appointments

J E M Curtis on 01 January 2023
M J Kellard on 23 February 2024

Resignations

R W A Howe on 28 March 2023

S P Trickett on 30 August 2023

Company Secretary

The name of the Company Secretary is shown on page 3.

Dividends

Interim ordinary dividends totalling £1,242 million on the Company's ordinary shares were declared and settled during 2023 (2022: £593 million), all of which was settled in cash. The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2023 (2022: £nil).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, which includes a section describing the principal risks and uncertainties. In addition, the financial statements include notes on; its contingent liabilities and other risk factors (note 36); its capital structure (note 38); management of its risks including market, credit and liquidity risk (note 40); and derivative financial instruments and hedging (note 41).
The Company and its ultimate holding company, Aviva plc, have considerable financial resources together with a diversified business model, with a spread of businesses and geographical reach. The directors believe that the Company is well placed to manage its business risks successfully.

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

Future outlook

Likely future developments in the business of the Company are discussed within the Strategic report starting on page 4.

Stakeholder Engagement

Our statements summarising our employee engagement, and our engagement with suppliers, customers and our other stakeholders are included in our Strategic report starting on page 4.

Statement of Corporate Governance Arrangements

For the year ended 31 December 2023, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"). We set out below how the Principles have been applied during 2023.

Directors' report

Principle 1 - Purpose and leadership

The Company is part of the Aviva Group. Aviva's purpose is to be 'with you today, for a better tomorrow' to protect the things that matter most to our customers. To live up to that purpose, the Group has a vision to be 'the leading UK provider and go-to customer brand for all insurance, wealth and retirement solutions, with strong businesses in Ireland and Canada' and has a clear strategy and plan to achieve this vision:

- **Customer:** Powering up the Aviva brand, building engaging customer experience, and leading with customer-centric innovation
- **Growth:** Targeted growth capitalising on the structural opportunities across Insurance, Wealth, Retirement Solutions & BPA
- **Efficiency:** Simplifying and transforming our cost base, and working towards top quartile efficiency for all businesses
- **Sustainability:** Delivering on our market leading commitments across Climate Champion, Stronger Communities and Sustainable Business

The delivery of our strategy and plan is guided by our values:

- **Care:** We care deeply about the positive difference we can make in our customers' lives
- **Commitment:** We understand the impact we have on the world and take the responsibility that comes with it
- **Community:** We recognise the strength that comes from working as one team, built on trust and respect
- **Confidence:** We believe the best is yet to come -for our customers, our people, and society

The Board has made a number of strategic decisions through the year which are aligned to its purpose.

The Board monitors the culture of the Company and raises any concerns during meetings and the Board is able to express its views on the culture of the organisation through the Board Effectiveness Reviews. Culture information has been added to the Board's annual planner to ensure the Board has the opportunity to review culture metrics and that employees have the right values, attitudes and behaviours and are focussed on doing the right thing for the customer. The Company complies with the Senior Managers' Certification Regime which further strengthens the drive for individual accountability. Employee engagement is sought through the Voice of Aviva employee surveys, the output of which is reviewed by the Board and an action plan put in place to address areas identified by employees which may require further focus.

The Board is responsible for promoting the long-term success of the Company for the benefit of its members as a whole, taking into account other stakeholders as defined by Section 172 of the Companies Act 2006 and the Articles of Association and including but not limited to; setting the Company's strategic aims, monitoring performance of the Company and management against those aims, setting the Company's risk appetite and monitoring the operation of prudent and effective controls and monitoring compliance with corporate governance principles.

Principle 2 - Board Composition

The Company's Board has a separate Non-Executive Chair and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Company is effectively maintained. The directors have equal voting rights when making decisions, except the Chair, who has a casting vote. All Directors have access to the advice and services of the Company Secretary.

The Board is comprised of both Non-Executive Directors, the majority of whom are independent Non-Executive Directors, and Executive Directors. The Board also has a Senior Independent Non-Executive Director. The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote the success of the Company for its shareholders as a whole and in a way that is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice.

The Board has a skills matrix in place to ensure the composition of the Board contains the appropriate combination of skills, backgrounds, experience and knowledge to understand and guide the business. The skills matrix is a key tool in any Board recruitment process to ensure the most suitable candidates are put forward for appointment to fill any gaps identified and to maintain a focus on succession planning to ensure the Board composition remains appropriate.

The Board undertook a formal and independent effectiveness review of its performance during the year, the results of which were discussed by the Board at its meeting on 30 November 2023. The Board evaluation tracker was subsequently refreshed to include new actions arising from the 2023 evaluation process and will be updated on an ongoing basis throughout the year and shared regularly with the Board. The 2023 Board Effectiveness Review assessed that overall the Company was operating effectively, with a number of areas prioritised for focus during the coming year.

Principle 3 - Director Responsibilities

The Company operates in accordance with the Aviva Governance Framework, as approved by Aviva plc. The Aviva Governance Framework articulates the interrelation between our purpose, culture, values, our reporting and escalation structures and their alignment with legal and regulatory duties and our risk management framework. The core elements of the Framework are the legal and regulatory flow of

Directors' report

accountability and decision-making and the Company's frameworks, policies and standards and the checks and balances through the operation of the Company's 2nd and 3rd lines of defence which ensure effective Board oversight.

Within the Aviva Group, accountability is formally delegated by the Board of the Company to the CEO and by the CEO to their direct reports. The CEO delegations are referenced in the Board's Terms of Reference. Accountability rests with these individuals and the Board. These accountabilities are aligned with the Senior Managers Certification Regime (SMCR) responsibilities. These roles and responsibilities are clearly documented in the Management Responsibility Maps which form part of our Governance Framework and which are submitted to the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") on a quarterly basis. The Company must also adhere to the Subsidiary Governance Principles which are a set of internal governance principles.

The Board of the Company's parent, Aviva Life Holdings UK Limited, has established an Audit Committee, a Risk Committee, a Conduct Committee and an Investment Committee with authority to act on behalf of the Company. In addition, the Board is advised by an Independent With-profits Committee and an Independent Governance Committee. The Terms of Reference for these committees are aligned to those of Aviva plc, where applicable, and are approved annually by the Board.

The Audit Committee is responsible for reviewing the effectiveness of the Company's systems and controls for financial reporting and receives regular updates on the work of the internal audit function and from external auditors. The Board also receives reports from the CFO at each board meeting.

The Risk Committee is responsible for oversight of risk, reviewing the Company's risk appetite and risk profile, reviewing the effectiveness of the Company's risk management framework, reviewing the methodology used in determining the Company's capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company's regulatory activities, as appropriate.

The Conduct Committee is responsible for assisting the Board in its oversight of conduct issues. This includes oversight of the Company's conduct framework including product design, live selling practices, claims practices, and conduct oversight of third parties. The Committee's responsibilities include reviewing the Company's conduct and financial crime risk profile, and overseeing the brand and reputation of the Company, ensuring that reputational risk is consistent with the risk tolerance approved by the Board and the creation of long-term shareholder value.

The Investment Committee is responsible for assessing and approving investment strategy and policy consistent with the risk appetite approved by the Board. The Committee's responsibilities include overseeing the relationship between the Company and its investment managers and custodians, monitoring investment performance and the Company's investment management functions.

Principle 4 - Opportunity and Risk

The role of the Board is to promote the long-term sustainable success of the company, identifying opportunities to create and preserve value for its shareholder within a framework of prudent and effective controls, which enable risks to be assessed and managed.

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

The Company's position against its risk appetites and tolerances is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, the Company has a risk preference that it will not accept risks that materially impair the reputation of the Company and requires that customers are always treated with integrity.

Principle 5 - Remuneration

Under the Aviva Group Reward Governance Framework, the Company's remuneration policy operates in accordance with the Remuneration Policy as approved by the Aviva plc Remuneration Committee, which applies to all employees in entities within the Group. The Remuneration Policy is aligned with the UK Corporate Governance Code requirements relating to remuneration. Independent Non-Executive director fees are also set by Aviva plc and reviewed annually. Details of Directors Remuneration is included on page 51.

Directors' report

The Aviva Group reports on the pay ratio of the Group CEO to UK employees, and details of this can be found in the Directors' Remuneration Report in the Aviva plc Annual report and accounts which is available at www.aviva.com/investors/reports/. Aviva plc also reports on our gender pay gap, and on the steps we are taking in relation to this which can be found at www.aviva.com/about-us/uk-gender-pay-gap-report/.

The Board held a private session on 30 November 2023 to discuss 2023 performance and conduct of key individuals of the Company's management and provided input into their full year 2023 remuneration reviews.
As employees of Aviva, staff are able to enjoy the comprehensive flexible benefit offering including the Aviva staff pension scheme and Aviva's broader Wellbeing offering which aims to promote health and wellbeing among Aviva colleagues.

Principle 6 - Stakeholders

Details about Stakeholders can be found in the Section 172 Statement in the Strategic Report.

Financial instruments

The Company uses financial instruments to manage certain types of risks, including those relating to credit, foreign currency exchange, cash flow, liquidity, interest rates, inflation, and equity and property prices. Details of the objectives and management of these instruments are contained in note 40 on risk management.

Employees

The Company has no employees (2022: nil). The majority of employees engaged in the activities of the Company are employed by a subsidiary undertaking of Aviva plc, Aviva Employment Services Limited ("AESL"). Disclosures relating to employees may be found in the Annual report and financial statements of AESL. The Company is recharged with the costs of the staff provided by this company.

Disclosure of information to the Auditors

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

Independent auditors

Under the Competition and Markets Authority Regulations, the Company's ultimate parent Company, Aviva plc, is required to tender for the provision of the external audit every 10 Years. PricewaterhouseCoopers LLP was appointed for the first time for the 31 December 2012 financial year end and therefore a mandatory re-tender was required for the year ending 31 December 2022. The audit tender process was initiated during 2020 but, as previously reported, Covid-19 restrictions caused delays and Aviva sought a two-year extension from the FRC which was granted. Following a full and rigorous competitive tender process, which was overseen by the Company's Audit Committee, the selection of EY was approved by the Aviva plc Board. PricewaterhouseCoopers LLP will undertake the audit for the financial year ending 31 December 2023, and subject to their appointment by the Company's shareholders at the 2024 Annual General Meeting, Ernst & Young will undertake the audit for the financial year ending 31 December 2024.

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 s309A to s309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the directors' report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by s234 of the Companies Act 2006.

Directors' report

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for 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 also 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 on 27 March 2024

Laura McGowan

For and on behalf of Aviva Company Secretarial Services Limited

Company Secretary

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2023; the Income statement, Statement of changes in equity and Statement of cash flows for the year then ended; the Accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than the non-audit services provided to the company, disclosed in Note 10, and audit-related assurance services to the company's controlled undertakings amounting to £175,000, we have provided no non-audit services to the entity or its controlled undertakings in the period under audit.

Our audit approach

Context

The Company is a life and pensions insurance business operating in the UK. The Company writes and holds a wide range of insurance and investment contracts within non-profit and with-profit funds, with the large majority of insurance business relating to annuities (both bulk and individual) and investment business being unit-linked. The long term nature of writing annuity business, along with the strategy to hold illiquid assets to back this business, results in the financial reporting being particularly susceptible to changes in accounting estimates and assumptions which impacts our audit risk assessment and resulting testing approach. In addition to forming this opinion, in this report we have also provided information on how we approached the audit, how it has changed from the previous year and details of significant matters that we have reported to the Audit Committee.

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items

Key audit matters

- Adoption of IFRS 17 and restatement of comparatives
- Valuation of insurance contract and participating investment contract liabilities
    a. Annuitant mortality assumptions
    b. Credit default assumptions for illiquid assets (commercial mortgages, equity release mortgages) and corporate bonds
    c. Expense assumptions
- Valuation of the risk adjustment in the insurance contract and participating investment contract liabilities
- Valuation of the contractual service margin (CSM) in the insurance contract and participating investment contract liabilities
- Valuation of certain hard to value investments

Materiality

- Overall materiality: £118,750,000 (2022: £83,600,000) based on 0.044% of total assets.
- Performance materiality: £89,062,500 (2022: £62,700,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud)

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

identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of the risk adjustment in the insurance contract and participating investment contract liabilities, valuation of the CSM in the insurance contract and participating investment contract liabilities and adoption of IFRS 17 and restatement of comparatives are new key audit matters this year. Disclosure of the impact of adopting IFRS 17, which was a key audit matter last year, is no longer included because of the fact that the specific disclosure to which the risk was related to was only applicable to the prior year financial statements. Otherwise, the key audit matters below are consistent with last year.

Independent auditors’ report to the members of Aviva Life & Pensions UK Limited

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 17 and restatement of comparatives	
IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, ‘Insurance Contracts’. As a result, the directors have adopted IFRS 17 in these financial statements. As set out in Note 1, the transition to IFRS 17 has introduced new financial statement line items and disclosures, requiring significant changes to the measurement of transactions and balances in the financial statements, including new areas of judgement and estimation. New systems, data flows, interfaces, processes and models have been developed and introduced, giving rise to increased risks of material misstatement. International Accounting Standard 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ (“IAS 8”) requires that when the impact of adopting a new accounting standard would be material to the financial statement comparatives, these comparatives should be restated. As a result, the 2022 opening balance sheet and the 2022 comparatives have been restated. In particular, we consider the key risks in relation to the adoption of IFRS 17 and restatement of comparatives to be as follows: • The determination of the transition approach adopted for each group of insurance contracts; • The methodology that has been used to determine the fair value of CSM on transition for annuity and with-profits business; • The methodology and assumptions in respect of determining the risk adjustment; • The methodology applied to the amortisation of the CSM for annuities where the fully retrospective approach is being applied; • The methodology used by management to determine discount rates, in particular those inputs that most materially impact the calculations, including the calibration of the credit risk premium for unexpected defaults for each asset class, based on an appropriate reference portfolio of assets, used to derive the discount rate applied to the initial measurement of individual and bulk purchase annuities along with the use of an adjustment made to liabilities where appropriate assets are yet to be sourced for recent contracts; • The implementation of new models to produce the IFRS 17 results, which include the CSM calculation engine; • The new data flow and interfaces arising from the implementation of IFRS 17, from new systems; and • The appropriateness of methodologies, assumptions and significant judgements applied in the calculation of relevant balances.	In performing our audit work over the transition to IFRS 17, and restatement of comparative financial statements (including the opening balance sheet), the procedures we performed included the following: • Tested the design and operating effectiveness of controls in place; • Assessed the appropriateness of the transition approach adopted for each group of insurance contracts; • Assessed whether the judgements, methodology and assumptions applied by management in determining their accounting policies are in accordance with IFRS 17; • Applied industry knowledge and compared the methodology, models and assumptions used in determining the risk adjustment, CSM (including its amortisation profile) and discounted IFRS 17 best estimate liabilities (including assessment of yield curves) against expected market practice. This included consideration of the reasonableness of methodologies and assumptions and the appropriateness of any judgements applied, including whether or not there was any indication of management bias; • Assessed the appropriateness of the methodology to derive the credit risk premium applied for unexpected defaults within the discount rate for annuities, considering the data used to calibrate the assumption and any judgements applied in arriving at the final assumption, and by comparing the assumption to other insurers of a similar nature; • Assessed the appropriateness of the methodology used to determine the reference portfolio of assets used to derive the discount rate for the initial measurement of individual and bulk purchase annuities and the adjustment made to liabilities where appropriate assets are yet to be sourced for recent contracts. Tested whether the adjustments made, based on new business written in prior periods, were appropriate; • Performed validation of certain new models by evaluating the testing performed by management to assess its appropriateness and, where necessary, performing independent validation testing using sample scenarios and comparing the output between our calculations and those produced by management’s models and relevant IT applications; • Tested the mathematical accuracy and completeness of the supporting calculations and adjustments used to determine the 2022 comparatives; • Evaluated output controls, such as the analysis of change in the CSM, to assess the reasonableness of movements between periods and the commentary provided over these movements by management; and • Performed testing over key data flows within the IFRS 17 business processes. Based on the work performed and the evidence obtained, we consider the approaches adopted and resulting measurements and disclosures in the financial statements to be appropriate.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract and participating investment contract liabilities	
As set out in accounting policy M and Note 27, the valuation of insurance contract and participating investment contract liabilities involves complex and subjective judgements about future events, both internal and external to the business. Small changes to these assumptions can result in material impacts to the valuation of the fulfilment cash flows, CSM and risk adjustment. Our assessment of the related audit risks is focused in the following three areas: 1. The significant assumptions that involve high levels of judgement in determining the best estimate liabilities, in particular the following assumptions: a. the mortality assumptions used in the valuation of annuity business insurance contracts ("annuitant mortality"); b. credit default assumptions for illiquid assets (commercial mortgages, equity release mortgages) and corporate bonds for insurance contracts; and c. expense assumptions for insurance contract and participating investment contracts. 2. The methodology and judgement involved in determining the valuation of the risk adjustment; and 3. The methodology and assumptions used in determining the valuation of the CSM. We provide more detailed consideration of each of these assumptions, the valuation of the risk adjustment, and the valuation of the CSM in sections 1-3 below.	The work to address the valuation of insurance contract and participating investment contract liabilities overall included the following procedures: • Understood and evaluated the process and the design and implementation of controls in place to determine the insurance contract and participating investment contract liabilities; • Tested the design and operating effectiveness of controls in place over the insurance contract and participating investment contract liabilities, including those covering the approval of assumptions, and the completeness and accuracy of the data used; • Using our actuarial specialist team members, applied industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practice. This included consideration of the reasonableness of assumptions against actual historical experience, and the appropriateness of any judgements applied, including if there was any indication of management bias; • Tested the key judgements over the preparation of the insurance contract and participating investment contract liabilities, including manual calculation of components focussing on the consistency in treatment and methodology year-on-year and with reference to recognised actuarial practice; and • Used the results of an independent PwC annual benchmarking survey of assumptions to further challenge the assumption setting process by comparing certain assumptions used relative to the Company's industry peers. Further details on the specific procedures performed over each of the identified key assumptions are included in the below sections of our Key Audit Matters. Based on the work performed and the evidence obtained, we consider the assumptions used for the valuation of the insurance contract and participating investment contract liabilities to be appropriate.

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

Key audit matter	How our audit addressed the key audit matter
1. a. Annuitant mortality assumptions	
Annuitant mortality assumptions used to value the insurance contract and participating investment contract liabilities for the UK Life insurance business, as set out in Notes 27 and 40, require a high degree of judgement due to the number of factors which may influence mortality experience. The differing factors which affect the assumptions are underlying mortality experience (in the portfolio), industry and management's views on the future rate of mortality improvements, and external factors arising from developments in the annuity market. COVID-19 has caused additional challenges in estimating long term mortality assumptions due to the uncertainty in more recent data which is reflected, for example, in management's exclusion of 2022 experience from the Continuous Mortality Investigation (''CMI'') model 2022. There are two main components to the annuitant mortality assumptions: • Mortality base assumption: this component is typically less subjective as it is derived using the external CMI tables for individual annuities and Club Vita 3 ("CV3") tables for Bulk Purchase Annuities ("'BPA"), adjusted for internal experience. However, judgement is required in choosing the appropriate table and fitting Aviva's own experience to this table. In setting this assumption management adopted the latest CMI model (CMI 2022), opting to exclude the 2022 experience from the analysis and allow for a flat increase to the base table; and • Rate of mortality improvements: this component is more subjective given the uncertainty over how life expectancy will change in the future and the lack of available data to support judgements made in respect of this. In setting this assumption, management has adopted the latest CMI model (CMI 2022) and dataset and updated the calibration of key parameters within the model.	In respect of the annuitant mortality assumptions, our work included the following on the judgements applied: • Tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included evaluating management's approach to the adoption of the latest CMI model (CMI 2022) particularly around the appropriateness of excluding the 2022 experience from the analysis and including a flat increase to the base table; • Assessed the reasonableness of the base mortality assumptions. This included assessing any adjustments made by management in respect of experience impacted by the COVID-19 pandemic; • Considered the reasonableness of mortality improvement assumptions, including those unchanged, such as the socio-economic group adjustments, following the move to the latest CMI model. We performed this by assessing the continued appropriateness of these elements of the mortality improvement basis against the impact arising from the change in the CMI model; and • Compared annuitant mortality assumptions selected by management against those that have been used by others in the market, based on our expert actuarial experience. Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

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

Key audit matter	How our audit addressed the key audit matter
1. b. Credit default assumptions for illiquid assets (commercial mortgages, equity release mortgages) and corporate bonds	
As set in accounting policy M, and Note 27 insurance contract and participating investment contract liabilities are valued by discounting expected future cash flows at an interest rate based on the yield of assets backing the liabilities, allowing for a deduction for the credit risk associated with holding these assets. The Company has substantial holdings in asset classes with significant credit risk. For illiquid assets, the underlying asset valuation requires a number of different assumptions. Internally developed models are then used to project the associated cash flows for the assets, using these assumptions, to calculate the asset value and associated credit risk. There is a heightened risk that corporate bonds credit default assumptions may not be appropriate given the ongoing heightened economic uncertainty and high inflation environment observed in the current year. We have consequently included this asset class within this key audit matter. The calculated credit risk for illiquid assets and corporate bonds are converted into credit default assumptions for each asset type. These assumptions are then uplifted by a risk allowance to allow for unexpected credit losses and used, alongside credit default assumptions for other assets, in the calculation of the valuation interest rate used to value life insurance liabilities.	In respect of the credit default assumptions for illiquid assets, our work included the following: • Tested the methodology and the credit risk pricing models used by management to derive the assumptions for commercial and equity release mortgages. This included consideration of the relevant rules and actuarial guidance, such as the adoption of an appropriate risk allowance, and by applying our industry knowledge and experience; and • Validated the significant assumptions used by management by ensuring consistency with the assumptions used for the valuation of the illiquid assets and by considering any additional judgements applied, market observable data (to the extent available and relevant) and our experience of market practice. In respect of the credit default assumptions for corporate bonds, our work included performing the following: • Tested the appropriateness of the methodology used by management. This included consideration of the relevant rules and actuarial guidance, such as the adoption of an appropriate risk allowance, and by applying our industry knowledge and experience; and • Assessed the reasonableness of the significant assumptions used in the calculation of the credit default assumption, with a focus on recent market volatility. Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk on commercial mortgages, equity release mortgages and corporate bonds to be appropriate.

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

Key audit matter	How our audit addressed the key audit matter
1.c. Expense assumptions	
Future maintenance expenses and expense inflation assumptions, as set out in Note 27, are used in the measurement of insurance contract and participating investment contract liabilities . The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date. The assumptions used require significant judgement which includes how expenses are allocated between maintenance and acquisition expenses as well as how expenses are split between attributable and non-attributable costs under IFRS 17. In the prior period, and over the course of the year ended 31 December 2023, inflation has been significantly higher than historical rates. As a result, there remains significant uncertainty around future inflation and how inflation will vary across the economy. This increases the materiality and risk associated with judgements applied in the calculation of expense inflation.	In respect of the expense assumptions, our work included the following: • Tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included testing the split of expenses between acquisition and maintenance expenses, and agreeing the split of attributable and non-attributable costs under IFRS 17, by agreeing a sample to supporting evidence; • Tested the actuarial reserving models to ensure that the expense assumptions continue to be applied appropriately within the models, and assessed the appropriateness of new and existing maintenance expense manual provisions; and • Tested that the assumptions appropriately reflect the expected future maintenance expenses for policies in force at the balance sheet date, which includes consideration of the allowance for project costs and planned controlled cost reduction as well as sufficiency of new business volume projections. In respect of the inflation assumption, we considered the reasonableness of the expense inflation assumption with respect to the market view of inflation as at 31 December 2023. This included the reasonableness of any adjustments made to market inflation to set the expense inflation assumption. Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.

Key audit matter	How our audit addressed the key audit matter
2. Valuation of the risk adjustment in the insurance contract and participating investment contract liabilities	
As set out in the accounting policy M and Note 27, the risk adjustment represents the compensation that the company requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The method by which management determines the valuation of the risk adjustment requires them to carry out a number of calculations that involve a significant degree of judgement. As a result of our risk assessment procedures, we identified the following key risks: • The appropriateness and application of judgements applied in the execution of management's determined methodology given that the standard does not prescribe the calculation of risk adjustment and a variety of approaches can be taken to satisfy the standard's requirements; and • The appropriateness of the confidence level given the judgement involved in determining the confidence level percentile calibration and judgement involved in whether to determine a confidence level over a 1-year time horizon vs a "to-ultimate" time horizon.	In respect of the risk adjustment, our work included the following: • Tested the application of the methodology used to derive the risk adjustment, focussing on any key judgements applied when updating the calibration result. These include determining how to reflect the Solvency UK reforms within the calibration and removing the Solvency II transitional measures in the technical provisions ("TMTP"); • Compared management's approach to the wider market where applicable, particularly where adjustments are applied to the calibration to reflect external events and by applying our industry knowledge and experience; and • Evaluated results of management's analysis of the change in the risk adjustment results to assess the reasonableness of movements between periods and the commentary provided over these movements by management. Based on the work performed and the evidence obtained, we consider the risk adjustment in the insurance contract and participating investment contract liabilities to be appropriate.

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

Key audit matter	How our audit addressed the key audit matter
3. Valuation of the CSM in the insurance contract and participating investment contract liabilities	
As set out in the accounting policy M and Note 27, the CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts measured under the General Measurement Model ("GMM") and Variable Fee Approach ("VFA"). It represents the unearned profit that the Company will recognise as it provides insurance contract services in the future. The CSM engine is driven by complex calculations and sensitive assumptions which, in combination with manual adjustments, increase the risk of calculation error. In particular the key areas in which we have identified risks relate to: • The implementation of management's methodology in the CSM calculation engine; and • The appropriateness of any manual adjustments made by management to the output of their calculations.	In respect of the valuation of the insurance contract and participating investment contract CSM, our work included the following: • Tested the accuracy of the CSM calculation engine and the application of management's judgements by comparing a sample of outputs against those produced by our own independent CSM model; • Reviewed management's testing over the accuracy of the model used for the calculation of the CSM as at 31 December 2023; • Tested manual adjustments made by management; and • Tested management's key review controls over the CSM valuation through reperformance and independent testing. Based on the work performed and the evidence obtained, we consider the valuation of the CSM in the insurance contract and participating contract liabilities to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of certain hard to value investments	
As set out in the accounting policies (W) and (AB) and Notes 19 and 20, the valuation of the investment portfolio involves judgement and continues to be an area of inherent risk. The valuation risk is not uniform for all investment types and is greatest for particular assets categorised as level 3 under the fair value methodology. This is because of the level of judgement required in the selection and application of significant assumptions and unobservable inputs, and the resulting sensitivities on the reported amounts. The asset classes that we consider for this risk are: • Commercial mortgage loans; • Equity release mortgage loans; and • Infrastructure loans.	Our work over the valuation of hard to value investments included the following: • Understood and evaluated the process and the design and implementation of controls in place to determine the pricing and oversight of the process; • Evaluated the valuation methodologies and models adopted by management against expected methods, by performing independent recalculations of valuations determined by models covering each asset class; • Tested data inputs used in the valuation models to underlying documentation on a sample basis; • Evaluated assumptions used by management, including yield curves, discounted cash flows, property growth rates, house prices, longevity, credit spread and illiquidity premiums as relevant to each asset class and credit ratings through benchmarking these to market available data and engaging valuation experts; • Tested the operation of data integrity and change management controls for the commercial mortgage and equity release valuation models; • Using our property valuation experts, assessed the objectivity, independence and competency of the surveyors used by management to determine the collateral values input into the commercial mortgage valuation models; and • Using our valuation experts, performed independent valuations for a sample of loans valued by each different type of infrastructure loan model. Based on the work performed and the evidence obtained, we consider the methodology and assumptions used by management to value hard to value assets to be appropriate.

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Based on the output of our risk assessment, we determined the company consisted of one financially significant component.

The Company is a UK domiciled insurer. In determining the scope of the audit, we performed risk assessment procedures which included understanding the business operations, internal control environment and process for the preparation of the financial information.

The Company has established certain operational shared services in the UK and overseas. This includes an external outsourced operation in Sri Lanka, which primarily is a back-office finance function that processes transactions and performs certain financial controls activities to support the production of the Company's financial information. We designed our audit to include procedures over these operations. including visiting the operations and component audit team.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Company's financial statements, and remained alert when performing audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£118,750,000 (2022: £83,600,000).
How we determined it	0.044% of total assets
Rationale for benchmark applied	In determining our materiality, we considered financial metrics that would be relevant and concluded that one related to balance sheet strength would be most relevant to the company's ability to pay future claims and dividends. Total assets is a generally accepted auditing benchmark and is considered to address the needs of the users of the financial statements in the current year and in the future.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £89,062,500 (2022: £62,700,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £6,500,000 (2022: £4,600,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the directors' Going Concern assessment and challenging the rationale for the downside scenarios adopted and material assumptions made using our knowledge of the Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considering management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered which have been driven from the Company's Own Risk and Solvency Assessment (ORSA);
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Enquiring and understanding the actions taken by the directors to mitigate the impacts arising from economic uncertainty, including review of Board minutes and attendance at Audit and Risk Committee meetings.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the financial statements including the matters set out in our "Key Audit Matters" and the posting of inappropriate journals. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, Internal Audit and senior management involved in the Risk and Compliance functions and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;

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

- Assessment of matters reported on the Aviva Group's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the PRA and the FCA, including those in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board and With-Profits Committee and attendance at Audit and Risk Committee meetings;
- Identifying and testing journal entries based on risk criteria linked to fraud indicators;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing the Company's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 3 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 December 2012 to 31 December 2023.

Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 March 2024

Accounting policies

The Company, a private limited company incorporated and domiciled in the United Kingdom ("UK"), transacts life assurance and long term savings business. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, certain subsidiaries, associates and joint ventures, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements have been prepared on a going concern basis as explained in the Directors' report on page 10.

The Company is exempt from preparing group financial statements by virtue of section 400 of the Companies Act 2006, as it is a subsidiary of a UK parent and is included in the consolidated financial statements for the Group, i.e. the ultimate parent company, the Group, and its subsidiaries, joint ventures and associates, at the same date. These financial statements therefore present information about the Company as an individual entity.

Comparative figures have been restated following the implementation of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments as detailed in note 1.

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

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

The Company has applied IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments retrospectively from 1 January 2023. As a result, the Company has restated certain comparative amounts. IFRS 17 significantly impacts the measurement and presentation of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (participating investment contracts). Adoption of IFRS 9 has had no impact on the measurement of the Company's financial instruments, but introduces new disclosure requirements. The nature and effects of the transition to IFRS 17 and IFRS 9 are summarised in note 1, including the financial impacts on the statement of financial position as at 1 January 2022. The Company's revised accounting policies are set out in (B), (G), (H), (I), (M), (N), (O), (P), (T), (U), (W), (AA), (AB) and (AD) below.

In addition, the Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2023. The amendments do not have a significant impact on the Company's financial statements.

(i) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

(ii) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

(iii) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(iv) Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

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

The following amendments to existing standards have been issued, are not yet effective for the Company and have not been adopted early by the Company. None of the amendments are expected to have a significant impact on the Company's financial statements.

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

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(ii) Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants

Published by the IASB in October 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(iii) Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

Published by the IASB in September 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(iv) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Supplier Finance Arrangements

Published by the IASB in May 2023. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(v) Amendments to IAS 21 The Effected of Changes in Foreign Exchange Rates: Lack of Exchangeability.

Published by the IASB in August 2023. The amendments are effective for annual reporting beginning on or after 1 January 2025 and have yet to be endorsed by the UK.

(B) Critical accounting policies and the use of estimates

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

The accounting policies in the table below are those that have the most material impact on the amounts recognised in the financial statements, with those judgements involving estimation summarised thereafter.

Accounting policies

Critical accounting judgement
Classification of insurance and investment contracts (accounting policy – G) Assessment of the significance of insurance risk transferred to the Company and discretionary participation features in determining whether a contract should be accounted for as an insurance or investment contract. Insurance contracts are defined as those containing significant insurance risk. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts. Judgement is required to assess whether insurance risk is significant at inception of the contract. Some insurance and investment contracts contain a discretionary participation feature which is a supplement to guaranteed benefits. Judgement is required to determine whether discretionary additional benefits are likely to be a significant portion of the total contractual payments.
Level of aggregation and measurement model for insurance, participating investment and reinsurance contracts (accounting policies - M) For measurement purposes, insurance contracts are aggregated into groups based on an assessment of risks and dividing each portfolio into annual cohorts by year of issue. Judgement is required in assessing if the contracts have similar risks that are managed together. Each annual cohort is further subdivided into three groups, and judgement is applied to determine the profitability of contracts at initial recognition. Judgement is then applied to determine if the group of contracts is eligible for the variable fee approach (VFA) to measurement.

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 following table sets out those estimates considered particularly susceptible to changes in estimates and assumptions, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the relevant accounting policy and note disclosures.

Material accounting estimates	Accounting policy	Note
Measurement of insurance, participating investment and reinsurance contracts – accounting policy – M) The principal subjective or complex assumptions used in the calculation of life insurance and participating investment contract fulfilment cash flows include non-financial assumptions (in particular, annuitant and assurance mortality and future expenses) and the allowance for liquidity in discount rates (in particular, top-down discount rates applied to annuity liabilities). The assumptions used for reinsurance contracts follow those used for insurance contracts (net of an allowance for the risk of reinsurers' non-performance). The immediate impact of changes in these assumptions on the carrying amounts of insurance, participating investment and reinsurance contracts is reduced when there is a corresponding adjustment to the CSM, i.e. for all changes in non-financial assumptions (calculated at locked-in discount rates for GMM contracts) and for financial changes to VFA contracts, unless contracts are onerous.	M	27(a) 27(e) 40(e)
Fair value of financial instruments (excluding loans) and investment property (accounting policies – F, R, W, AA) Where quoted market prices are not available, valuation techniques are used to value financial instruments and investment property. These include broker quotes and models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for financial investments.	F, R, W, AA	19
Loans (accounting policies – AB) The fair values of mortgage loans are estimated using discounted cash flow forecasts which reflect the risks associated with these products. The risk adjusted cash flows are discounted using a yield curve plus an allowance for illiquidity.	AB	19, 20
Deferred tax assets (accounting policies – AH) The deferred tax asset relates to UK tax losses which carry forward indefinitely and the reduction in net assets on the adoption of IFRS 17 including CSM recognition. This element of the deferred tax asset will reverse as the CSM unwinds and profits are recognised in the future. The losses are recognised based on probable future taxable investment income and gains and taxable profits within 5 years. Assumed investment returns are consistent with actuarial assumptions used in reserving and alternative assumptions modelled by the Company also show full recovery of the deferred tax asset over this period.	AH	30(b)

(C) Subsidiaries

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

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

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee including the

Accounting policies

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

Investments in subsidiaries which are held to back policyholder liabilities and are managed on a fair value basis are stated at their fair values, estimated using applicable valuation models underpinned by the quoted market valuations of comparable listed entities.

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

(D) Associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. Generally, it is presumed that the Company has significant influence if it has between 20% and 50% of voting rights.

Joint ventures are arrangements whereby the Company and other parties have joint control of the arrangement and rights to the net assets. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. In a number of these, the Company's share of the underlying assets and liabilities may be greater or less than 50% but the terms of the relevant agreements make it clear that control is not exercised. Such jointly controlled entities are referred to as joint ventures in these financial statements.

Investments in associates and joint ventures which are held to back policyholder liabilities and are managed on a fair value basis are stated at their fair values, estimated using applicable valuation models underpinned by the quoted market valuations of comparable listed entities.

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

Property management undertakings

The Company has invested in a number of property limited partnerships ("PLPs"), either directly or via property unit trusts ("PUTs"), through a mix of capital and loans. The PLPs are managed by general partners ("GPs") in which the Company holds equity stakes and which themselves hold nominal stakes in the PLPs. The PUTs are managed by a fellow group subsidiary. Accounting for the PUTs and PLPs as subsidiaries, associates, joint ventures or other financial investments depends on the shareholdings in the GPs and the terms of each partnership agreement.

Where the Company exerts control over a PLP it has been treated as a subsidiary. Where the partnership is managed by a contractual agreement such that no party exerts control, notwithstanding that the Company's partnership share in the PLP (including its indirect stake via the relevant PUT and GP) may be greater than 50%, such PUTs and PLPs have been classified as joint ventures. Where the Company has significant influence over a partnership, but not control, the investment is classified as an associate. Where the Company holds minority stakes in PLPs, with no disproportionate influence, the relevant investments are carried at fair value through profit or loss within financial investments.

(E) Foreign currency translation

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

Translation differences on monetary financial assets measured at fair value through profit or loss ("FVTPL") are included in foreign exchange gains and losses in the Income statement. Translation differences on non-monetary items, such as equities which are designated as FVTPL, are reported as part of the fair value gain or loss. Translation differences on assets held at amortised cost are included in foreign exchange gains and losses in the Income statement.

(F) Fair value measurement

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

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

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

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

(G) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts.

Some insurance and investment contracts contain a discretionary participation feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits (i) that are likely to be a significant portion of the total contractual payments; (ii) whose amount or timing is at the discretion of the issuer; and (iii) that are based on the performance of a specified pool of assets, company, or other entity that issues the contracts. Investment contracts with discretionary participation features, referred to as participating investment contracts, are accounted for under IFRS 17 as set out in policy (M). This includes hybrid participating investment contracts, which are a combination of unit-linked and with-profits investments for which the discretionary participation feature is a significant portion of the combined contract. Investment contracts without discretionary participation features, referred to as non-participating investment contracts, and the related reinsurance assets are accounted for as financial instruments under IFRS 9.

The classification of the Company's main contracts is summarised below:

Type of contract	Classification
Annuities	Insurance contract
Unit-linked with significant insurance risk or with a significant discretionary participation feature	Insurance contract/ Participating investment contract
Unit-linked without significant insurance risk and without significant discretionary participation features	Non-participating investment contract
Protection	Insurance contract
With-profits	Insurance contract / Participating investment contract

(H) Insurance service result

The insurance service result represents the Company's profits recognised on insurance contracts, participating investment contracts and reinsurance contracts (measured in accordance with policy M) in the period, excluding the impact of the time value of money and financial risks related to such contracts. The insurance service result contains three components:

i. Insurance revenue

For insurance contracts and participating investment contracts applying General Measurement Model (GMM) and Variable Fee Approach (VFA), insurance revenue is comprised of:

- The amortisation of contractual service margin (CSM);
- The release of the risk adjustment included within the liability for remaining coverage;
- Claims and expenses expected to be incurred in the period, as released from the liability for remaining coverage and adjusted for the allocation of loss components;
- Other, including revenue recognised for policyholder tax and other incurred expenses that have been charged to policyholder funds; and
- The recovery of insurance acquisition cash flows, which offsets the amortisation included in insurance service expenses.

ii. Insurance service expenses

For insurance contracts and participating investment contracts, insurance service expenses are comprised of:

- Actual claims (excluding investment components) and non-acquisition fulfilment expenses incurred, adjusted for the allocation of loss components;
- The recognition and reversal of losses on onerous contracts;
- Other non-financial assumption changes which do not adjust the CSM;
- Any impairment of acquisition cash flows, net of reversals; and
- The amortisation of insurance acquisition cash flows.

The recovery of insurance acquisition cash flows is included in insurance revenue, as described above, and an equal and opposite amount for the amortisation of insurance acquisition cash flows is included in insurance service expenses.

iii. Net income and expenses from reinsurance contracts

Net income (expenses) from reinsurance contracts held represents the insurance service result for groups of reinsurance contracts held and is comprised of:

- The allocation of reinsurance premiums paid, which is calculated using the same principles as used to calculate revenue on insurance contracts;
- Amounts recoverable from reinsurers, which is calculated using the same principles as used to calculate insurance service expenses on insurance contracts;
- The recognition of, and subsequent movements in, reinsurance loss recovery components; and
- The effect of changes in the risk of reinsurers' non-performance.

(I) Insurance finance result

Insurance finance income/expenses are calculated on insurance contracts, participating investment contracts and reinsurance contracts, comprising:

- Changes in the fair value of underlying items;
- The accretion of interest on the CSM;
- The unwind of discounting on fulfilment cash flows and the risk adjustment; and
- The impact of financial assumption changes upon fulfilment cash flows and the risk adjustment .

The latter two components apply to contracts measured under the GMM, in addition to VFA contracts where the risk mitigation option is applied.

Where changes in expected future cash flows and risk adjustment on GMM contracts arise from non-financial assumption changes and experience variances, the difference between measuring the change in fulfilment cash flows using current financial assumptions and the impact which adjusts the CSM using locked in financial assumptions is recognised in the income statement in net finance expenses.

The accounting policies used to calculate amounts within the insurance finance result are discussed in greater detail in policy M.

(J) Other investment contract fee revenue

Accounting policies

Non-participating investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. Fees related to investment management services are recognised as revenue over time, as performance obligations are satisfied. In most cases this revenue is recognised in the same period in which the fees are charged to the policyholder. 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 and commission subject to clawback arrangements, is not recognised as revenue until it is reasonably certain that no significant reversal of amounts recognised would occur.

Initiation and other "front-end" fees (fees that are assessed against the policyholder balance as consideration for origination of the contract) are charged on some non-participating investment contracts. The front-end fees that relate to the provision of investment management services are deferred and recognised as the services are provided. Origination fees are recognised immediately where the sale of fund interests represent a separate performance obligation.

(K) Other fee and commission income

All other fee and commission income are recognised over time as the services are provided and performance obligations satisfied.

(L) Net investment income

Investment income consists of dividends, interest and rents for the year, realised gains and losses, and unrealised gains and losses on fair value through profit or loss investments (as defined in accounting policy W). Dividends on equity securities are recorded as investment income on the ex-dividend date. Dividends from investments in subsidiaries are recorded as investment income on the date the dividends are declared. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contracts. Rental income is recognised on an accruals basis using a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year. Realised gains or losses on investment property represent the difference between the net disposal proceeds and the carrying amount of the property.

(M) Insurance and participating investment contract liabilities

Insurance contracts, participating investment contracts and reinsurance contracts are accounted for in accordance with IFRS 17. The key measurement principles are outlined below.

(a) IFRS 17 measurement models

The Company applies two measurement models to insurance contracts, participating investment contracts and reinsurance contracts as follows:

Model	Applicable business
GMM	• Bulk purchase annuities • Individual immediate and deferred annuities • Individual and group protection • With-profits contracts with guaranteed annuity terms • Reinsurance contracts held
VFA	• Participating investment contracts • Unit linked or with-profits contracts with significant insurance risk

The Company applies judgement when determining eligibility criteria for the VFA measurement models (see Accounting policy M section (b)).

Under each measurement model insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e., the obligation that relates to the unexpired portion of the coverage period, including the contractual service margin (CSM). The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported.

The key features of each measurement model are set out below.

i. General measurement model (GMM)

The GMM is the default IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM liability is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period of the contract. Initial measurement is based on the cash flows within the boundary of the contract discounted at the rate when the contract is written. Except for reinsurance contracts held, losses on groups of contracts that are onerous at inception are recognised immediately.

For subsequent measurement, fulfilment cash flows are discounted at current rates at each balance sheet date, while the CSM is remeasured applying the discount rate when the contract is written (the locked-in rate). Other financial assumptions including inflation and foreign exchange rates are also locked in at inception for the purposes of remeasuring the CSM. The CSM is remeasured for changes in the fulfilment cash flows relating to non-financial risk only, applying these locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is amortised over the coverage period of the contract.

The coverage period is determined based on the service provided to customers including both insurance and investment services. Losses on groups of contracts that are profitable at inception but subsequently become onerous are recognised immediately.

In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous, the reinsurance CSM recognised is adjusted to offset the gross losses arising. Where the net cost of purchasing reinsurance contracts held relates to events that

Accounting policies

occurred prior to purchase no CSM is recognised, and the net cost is recognised immediately in the income statement.

ii. Variable fee approach (VFA)

The VFA is a modified approach to the GMM that is applied to groups of insurance and investment contracts with direct participating features which meet eligibility requirements that demonstrate they provide substantial investment related services to policyholders.

Fulfilment cash flows for VFA contracts comprise the obligation to pay policyholders an amount equal to the fair value of underlying items, less the variable fee for future service.

Changes in the obligation to pay policyholders the fair value of underlying items are recognised within net finance expenses from insurance contracts in the income statement.

The variable fee includes the present value of the Company's share of the fair value of underlying items, adjusted for cash flows that do not vary with those underlying items. The risk adjustment reflects the compensation for non-financial risk in relation to the variable fee only.

The CSM is subsequently remeasured for changes in the variable fee due to both financial and non-financial risks using current market discount rates. Consistent with the GMM, the CSM is recognised in profit or loss over the coverage period in line with the insurance and investment services provided to customers.

(b) VFA eligibility

Life business is considered to have direct participating features, hence is required to be measured under the VFA model, where:

- Contractual terms evidence that policyholders participate in a pool of clearly identified underlying items, for example unit-linked or with-profits funds;
- The policyholders expect to receive a substantial share of the returns on underlying items (defined by the Company as greater than 50%); and
- A substantial proportion of changes in amounts payable to policyholders varies with returns on the underlying items (defined by the Company as a correlation coefficient of greater than 50%).

Reinsurance contracts held are not eligible to apply the VFA.

(c) Level of aggregation

The unit of account is a group of contracts, so insurance contracts are aggregated into groups for measurement purposes. Discrete CSMs are determined for each group of insurance contracts applying GMM or VFA. Groups of insurance contracts have been determined by identifying portfolios of insurance contracts, comprising contracts subject to similar risks that are managed together, and dividing each portfolio into annual cohorts by year of issue. Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and comprising:

- contracts that are onerous;
- contracts that have no significant possibility of becoming onerous; (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- all remaining contracts.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net gains/losses on initial recognition, and comprising:

- contracts that have a net gain at initial recognition;
- contracts that have no significant possibility of a net gain arising subsequently; and
- all remaining contracts.

The approach to profitability grouping makes use of sets. Where it can be demonstrated that all contracts within a set are sufficiently homogeneous, they are allocated to the same profitability group without performing an individual contract assessment. Sets of contracts usually correspond to policyholder pricing groups. The likelihood of changes in insurance, financial and other exposures resulting in contracts becoming onerous is monitored at the level of these pricing groups.

(d) Recognition and derecognition

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides insurance contract services in respect of any premiums within the boundary of the contract);
- the date the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- the date when facts and circumstances indicate that the contract is onerous.

Reinsurance contracts are recognised on the following dates:

- For reinsurance contracts that provide proportionate coverage, the later of the date on which any underlying insurance contract is initially recognised and the date the reinsurance is entered into. This applies to the Company's quota share reinsurance contracts.
- For other reinsurance contracts, the beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date.

An insurance or reinsurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts are derecognised when the contract is extinguished, i.e. when the specified obligations expire, are discharged, or are cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

(e) Estimate of future cash flows

The estimate of future cash flows is assessed at the level of groups of contracts and represents the best estimate of the Company's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary. Cash flows are modelled separately for gross and reinsurance contracts.

i. Contract boundaries

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks

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(insurance and financial risks transferred from the policyholder, so excluding lapse and expense risks) and set a price or level of benefits that fully reflects those reassessed risks for either the particular policyholder or the portfolio that contains the contract.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary.

Some insurance contracts issued by the Company provide policyholders with the option to buy additional insurance coverage. The Company assesses the practical ability to reprice such insurance contracts in their entirety to determine if the option cash flows are within or outside the insurance contract boundary. As a result of this assessment, options for which pricing is not guaranteed are not measured by the Company until they are exercised.

Cash flows are within the boundaries of participating investment contracts if they result from a substantive obligation of the Company to deliver cash at a present or future date.

Cash flows are within the contract boundary of a reinsurance contract held if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time. Cash flows outside the contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

ii. Principal non-financial assumptions

Principal non-financial assumptions used in the calculation of life insurance and participating investment contract fulfilment cash flows include those in respect of annuitant and assurance mortality and future expenses. Expenses must be directly attributable to fulfilling insurance contracts, including an allocation of overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

iii. Financial assumptions

Discount rates

Discounting is applied to the estimate of future cash flows. The Company uses a bottom-up discount rate for all life insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities are subject to lapse risk or where cash flows depend on underlying asset performance (such as unit-linked and with-profits), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Top-down discount rates

The discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liability. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

The CSM for annuity contracts is measured using a locked-in discount rate based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

Bottom-up discount rates

The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 75% for with-profit contracts where the value of guarantees on death and maturity means policyholders are less likely to surrender their contracts, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business.

Inflation assumptions

Future inflation assumptions are treated as a financial assumption when applied to policyholder benefits or outsourced maintenance expenses that are contractually linked to an inflation index.

Presentation of financial assumption changes

The Company recognises the impact of financial assumption changes in the income statement, except for those that relate to changes in the variable fee for VFA contracts which adjust the CSM.

(f) Risk Adjustment

The risk adjustment reflects the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated to the Company's pricing and capital allocation framework, leveraging the Solvency II view of non-financial risk, considering a lifetime view, and including diversification between risks.

The change in risk adjustment relating to current or past service is recognised within insurance revenue in the income statement. The impact of discounting the risk adjustment for GMM contracts is disaggregated and recognised within net finance expenses from insurance contracts.

(g) CSM

The CSM represents a liability for unearned profit measured at inception and recognised in the income statement over the life of the contract as insurance and investment related services are provided to the customer.

For profitable groups of insurance contracts, the CSM is established to ensure no profit is recognised at inception, hence it is equal and opposite to the net present value of the expected cash flows (including initial premiums and insurance acquisition cash flows) and the risk adjustment. For groups of gross insurance contracts issued that are onerous at initial recognition, the CSM is set to nil and losses are recognised in the income statement. For reinsurance contracts the CSM is initially recognised at a value that ensures no gain or loss is recognised but may be adjusted for loss offsetting as set out in (h).

Subsequently, the CSM is adjusted for:

- Accretion of interest at locked-in discount rates (groups of GMM contracts only), which is charged to net finance expenses in the income statement;
- New contracts added to the same group;
- Changes in fulfilment cash flows (including risk adjustment) that relate to future service;

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- For reinsurance contracts held, income recognised in profit or loss on initial recognition of onerous underlying contracts and adjustments to the loss recovery component set out in (h); and
- Currency exchange differences.

Changes in fulfilment cash flows that relate to future service include:

- Experience variances in premiums received during the period that relate to services provided from the start of the current period;
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions;
- Changes in the variable fee and risk adjustment on VFA contracts arising from financial and non-financial assumption changes and experience variances, except where the risk mitigation option is applied; and
- Experience variances in non-distinct investment components, premium refunds and rights to withdraw payable in the period.

Changes in fulfilment cash flows that relate to past or current service do not adjust the CSM and are recognised immediately in the income statement, including the following:

- Experience variances in claims and expenses incurred, which are recognised as the difference between insurance revenue (expected claims and expenses incurred) and insurance service expenses (actual claims and expenses incurred); and
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from financial assumption changes and experience variances, including changes in cash flows that are contractually linked to an inflation index, which are recognised in net finance expenses from insurance contracts.

The balance on the CSM at the end of the period is available for release to profit or loss. The amount of CSM recognised in insurance revenue each period (the CSM amortisation) is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. Benefits provided included those arising from both insurance and investment related services. Investment related services are only included if the Company is deemed to be providing a significant investment service when providing an investment component, or policyholder's right to withdraw, that is expected to include an investment return generated by investment activity performed by the Company. This includes contracts where the value of the investment return that the policyholder benefits from is not directly related to the value of the underlying investments. Coverage units are discounted and are updated at each reporting date to reflect the current best estimate of service expected to be provided in future periods.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

(h) Loss components and loss offsetting

Losses on onerous contracts are recognised immediately within insurance service expenses in the income statement, and a loss component is established. Subsequent losses, and reversals of losses, arising from changes in fulfilment cash flows that relate to future service adjust the loss component and are recognised immediately in insurance service expenses to the extent that a balance remains on the loss component, after which a CSM will be established. A variable proportion approach is used to systematically allocate changes in fulfilment cash flows that relate to past or current service to the loss component, resulting in a deduction from the amount of these changes that is recognised within insurance revenue in the income statement with an offsetting adjustment to insurance service expenses. The variable proportion is determined each reporting date as the proportion of the balance on the loss component relative to the fulfilment cash flows for that group of contracts.

A reinsurance loss recovery component is established for a group of reinsurance contracts that covers a group of onerous underlying contracts. At initial recognition this is the amount that the reinsurance CSM has been adjusted as a result of recognising income to offset losses recognised at inception on underlying insurance contracts, based on the percentage of the claims that are recoverable through the reinsurance. Subsequently the loss recovery component is adjusted for changes in the reinsurance fulfilment cash flows that correspond to change in fulfilment cash flows that relate to future service for the underlying onerous contracts. The balance on the loss recovery component is systematically allocated to the income statement using a similar approach to loss components.

(i) Investment components and rights to withdraw

Investment components are amounts that are payable to the policyholder in all circumstances, regardless of whether an insured event occurs. This typically includes the account balance on unit-linked and with-profit contracts, surrender and maturity values on protection contracts and guaranteed payments on immediate annuities. Rights to withdraw, which may include items that are investment components, are amounts payable to policyholders that do not represent an additional benefit payable when an insured event occurs. This includes, but is not restricted to, maturity values that are not determined by the occurrence of an insured event, a policyholder's rights to receive a surrender value or refund of premiums on cancellation of a policy, rights to transfer an amount to another insurance provider and guaranteed annuity payments on a deferred annuity in excess of the death benefit payable prior to retirement. Investment components and rights to withdraw are excluded from insurance revenue and insurance service expenses in the income statement.

(j) Insurance acquisition cash flows

Insurance acquisition cash flows are initially deferred on the balance sheet as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable.

Where insurance acquisition cash flows are allocated to contract groups applying GMM or VFA, they are included within the measurement of the CSM and recognised in the income statement over the period which services are provided to the customer.

Insurance acquisition cash flow assets are assessed for impairment where facts and circumstances indicate that they may be impaired. The Company uses data on customer retention rates and the profitability of products to identify such facts and circumstances.

(N) Non-participating investment contract liabilities

(a) Claims

For non-participating investment contracts with an account balance, claims reflect the excess of amounts paid over the account balance released.

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(b) Non - participating investment contract liabilities

Non-participating investment contract liabilities are designated at FVTPL. Under IFRS 9, the Company elects to recognise the movement in own credit risk through the income statement in order to eliminate an accounting mismatch. Deposits collected under non-participating investment contracts are not accounted for through the income statement, except for the investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to the investment contract liability.

The majority of the Company's contracts classified as non-participating investment contracts are unit-linked contracts and are measured at fair value.

The liability's fair value is determined using a valuation technique to provide a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date, subject to a minimum equal to the surrender value. For unit-linked contracts, the fair value liability is equal to the current unit fund value, including any unfunded units. In addition, if required, non-unit reserves are held based on a discounted cash flow analysis. For non-linked contracts, the fair value liability is based on a discounted cash flow analysis, with allowance for risk calibrated to match the market price for risk.

(O) Reinsurance for non-participating investment contracts

Reinsurance assets for non-participating investment contracts includes balances in respect of investment contracts that are legally reinsurance contracts but do not meet the definition of a reinsurance contract under IFRS 17 as they principally transfer financial risk. Premiums payable on these reinsurance contracts are accounted for directly through the statement of financial position.

A deposit asset is initially recognised, based on the consideration paid less any explicitly identified premiums or fees to be retained by the reinsured. The assets are subsequently measured at FVTPL.

(P) Acquired value of in-force business and intangible assets

(a) Acquired value of in-force business (AVIF)

The present value of future profits on a portfolio of long-term non-participating investment contracts, acquired either directly or through the purchase of a subsidiary, is recognised as an asset.

The AVIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the additional value of in-force business acquired and the expected depletion in its value.

AVIF is reviewed for evidence of impairment indicators and impairment tested at product portfolio level by reference to a projection of future profits arising from the portfolio and any reductions are charged as expenses in the Income statement.

(b) Intangible assets

Intangible assets consist primarily of internally developed systems. The economic lives of these are determined by considering relevant factors such as usage of the asset, typical product life cycles, potential obsolescence, maintenance costs, the stability of the industry, competitive position and the period of control over the assets. These intangibles are amortised over their useful lives using the straight-line method. The amortisation charge for the period is included in the Income statement under other expenses.

For intangibles with finite lives, impairment charges will be recognised in the Income statement where evidence of such impairment is observed. Intangibles with indefinite lives are subject to regular impairment testing.

(Q) Property and equipment

Owner-occupied properties are carried at their revalued amounts and movements are recognised in other comprehensive income and taken to a separate reserve within equity. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. These properties are depreciated down to their estimated residual values over their useful lives. This excludes owner-occupied properties held under lease arrangements, which are measured at amortised cost. Refer to accounting policy (AF) Leases for further information. All other items classed as property and equipment within the Statement of financial position are carried at historical cost less accumulated depreciation.

Investment properties under construction are included within property and equipment until completion, and are stated at cost less provision for any impairment in their values until construction is completed or fair value becomes reliably measurable.

Depreciation is calculated on a straight-line basis to write down the cost of other assets to their residual values over their estimated useful lives as follows:

• Properties under construction	No depreciation
• Computer equipment	Three to five years
• Other assets	Three to five years
• Land	No depreciation

The assets' residual values, useful lives and method of depreciation are reviewed regularly and at least at each financial year end, and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

Borrowing costs directly attributable to the acquisition and construction of property and equipment are capitalised. All repairs and maintenance costs are charged to the Income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

(R) Investment property

Investment property, including both freehold and leasehold properties, is held for long-term rental yields and is not occupied by the Company. Completed investment property is stated at its fair value, as assessed by qualified external valuers or by local qualified staff of the Company. Changes in fair values are recorded in the Income statement within net investment income.

As described in accounting policy Q above, investment properties under construction are included within property and equipment, and are stated at cost less any impairment in their values until construction is completed or fair value becomes reliably measurable.

(S) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by

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which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(T) Recognition and classification of financial assets

Financial assets are measured initially at fair value plus eligible transaction costs for financial assets held at amortised cost. Financial assets are subsequently measured at amortised cost or FVTPL based on a business model assessment and the extent to which the contractual cash flows associated with the financial assets are solely payments of principal and interest (SPPI). The Company measures financial assets at FVTPL if they do not meet the SPPI criteria or if they are held within a business model where they are managed and evaluated on a fair value basis resulting from the Company's management of capital on a regulatory basis. A financial asset is classified at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are SPPI on the principal amount outstanding.

On initial recognition, the Company may irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company has designated certain cash balances at FVTPL to reduce an accounting mismatch when these balances form part of the risk mitigation for insurance contracts measured under the VFA and to which the risk mitigation option is applied under IFRS 17. These cash balances would otherwise be measured at amortised cost.

The Company measures equity instruments at FVTPL, with subsequent changes in fair value recognised in the income statement, as it did not make an irrevocable election on initial recognition to measure equity instruments at fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its objectives for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period.

(U) Impairment of financial assets

Financial assets held at amortised cost and lease receivables are in the scope of expected credit loss requirements under IFRS 9. This includes financial assets held at amortised cost such as loans to banks, other loans, and receivables.

Expected credit loss is an unbiased, probability-weighted estimate of credit losses. It considers all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes.

Expected credit losses are calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition, except where the Company uses the simplified approach to apply lifetime expected credit losses to trade receivables that do not contain a significant financing component.

The gross carrying amount of a financial asset is written off to the extent that there is no reasonable expectation of recovery. Subsequent recoveries in excess of the financial asset's written-down carrying value are credited to the income statement.

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

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is extinguished (that is when the obligation is discharged, or cancelled or expires). The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

If the terms of a financial asset or financial liability measured at amortised cost are substantially modified, then the contractual rights to cash flows from the original financial asset or financial liability are deemed to have expired or extinguished. The original financial asset or financial liability is derecognised, and a new financial asset or financial liability is recognised at fair value.

A financial asset measured at amortised cost is not derecognised if the contractual terms are not substantially modified and a modification gain or loss is recognised in profit or loss.

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

(W) Financial investments

The Company classifies financial investments at FVTPL using the business model assessment as described in accounting policy T. The FVTPL category has two subcategories – those that meet the definition as being held for trading and those that are held at FVTPL based on the business model assessment. Debt securities and equity securities, which the Company acquires with the intention to resell in the short term and derivatives are classified as trading. All other investments are classified as other than trading.

The fair value of investments is based on the quoted price within the bid-ask spread that is most representative of fair value or based on the cash flow models using market observable inputs or unobservable inputs. Changes in the fair value of investments are included in the income statement in the period in which they arise.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair values.

(X) Receivables

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

(Y) Payables and other financial liabilities

Payables and other financial liabilities, excluding derivatives, are initially recognised at fair value. Subsequent to initial measurement they are measured at amortised cost which, given the short term nature of these items, is considered a reasonable approximation of fair value.

(Z) Financial guarantees

Financial guarantees are recognised initially at their fair value and are subsequently amortised over the duration of the contract. A liability is recognised for amounts payable under the guarantee if it is more likely than not that the guarantee will be called upon.

(AA) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, equity futures and options, currency and interest rate swaps, swaptions, inflation linked swaps, credit default swaps and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, inflation rates, credit or equity indices.

All derivatives are initially recognised in the Statement of financial position at their fair value, which usually represents their cost. They are subsequently remeasured at their fair value, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. The Company has not designated any derivatives as hedging instruments and they are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment income. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset in the Statement of financial position at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter (“OTC”). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, and swaps. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association master agreements or their equivalent, which are designed to provide legally enforceable set off in the event of default, reducing the Company’s exposure to credit risk.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the Statement of financial position as they do not represent the fair value of these transactions. These amounts are disclosed in note 41.

The Company has collateral agreements in place with relevant counterparties. Accounting policy AA below covers collateral, both received and pledged, in respect of these derivatives.

(a) Interest rate, inflation rate and currency swaps

Interest rate and inflation rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest by means of periodic payments, calculated on a specified notional amount and defined interest or inflation rates. Most interest and inflation rate swap payments are netted against each other, with the difference between the fixed and floating rate interest payments paid by one party. Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Both types of swap contracts may include the net exchange of principal. Exposure to gains or losses on these contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, and the timing of payments.

(b) Interest rate futures, forwards and options contracts

Interest rate futures are exchange-traded instruments and represent commitments to purchase or sell a designated security or money market instrument at a specified future date and price. Interest rate forward agreements are OTC contracts in which two parties agree on an interest rate and other terms that will become a reference point in determining, in concert with an agreed notional principal amount, a net payment to be made by one party to the other, depending upon what rate in fact prevails at a future point in time. Interest rate options, which consist primarily of caps and floors, are interest rate protection instruments that involve the potential obligation of the seller to pay the buyer an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current rate and an agreed rate applied to a notional amount. Exposure to gains or losses on all interest rate contracts will increase or decrease over their respective lives as interest rates fluctuate. Certain contracts, known as swaptions, contain features which can act as swaps or options. These contracts are categorised according to the type of contract they most closely resemble in practice.

(c) Foreign exchange contracts

Foreign exchange contracts, which include spot and forward and futures contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Foreign exchange option contracts are similar to interest rate option contracts, except that they are based on currencies, rather than interest rates. Exposure to gains or losses on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

(AB) Loans

Loans with fixed maturities, mortgage loans on investment property, securitised mortgages and collateral loans, are recognised when cash is advanced to borrowers. Certain loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method.

As described in accounting policy T, loans are classified and measured at either amortised cost or FVTPL based on the outcome of an assessment of the business model for managing financial assets and the extent to which the financial assets' contractual cash flows are solely payment of principal and interest.

The majority of mortgage loans, including commercial property, healthcare, Private Finance Initiative ("PFI") and Equity release mortgage loans, are measured at fair value since they're managed and evaluated on a fair value basis. Certain loans and advances to banks and infrastructure loans are also valued at fair value. The fair values of these are estimated using discounted cash flow models, based on a risk-adjusted discount rate which reflects the risks associated with these products. They are revalued at each period end, with movements in their fair values being taken to the income statement.

The impairment policy is described in accounting policy U for loans measured at amortised cost.

(AC) Collateral

The Company receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, certain derivative contracts and loans, in order to reduce the credit risk of

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these transactions. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, which is not legally segregated from the Company, is recognised as an asset in the Statement of financial position with a corresponding liability for the repayment in financial liabilities. However, where the Company has a currently enforceable legal right of set-off and the ability and intent to net settle, the collateral liability and associated derivative balances are shown net. Non-cash collateral received is not recognised in the Statement of financial position unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor. Such collateral is typically recognised when the Company either (a) sells or re-pledges these assets in the absence of a default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Collateral pledged in the form of cash which is legally segregated from the Company is derecognised from the Statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the Statement of financial position unless the Company defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the Statement of financial position within the financial investments.

(AD) Deferred acquisition costs for non-participating investment contracts and other assets

For non-participating investment contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are deferred.

These deferred acquisition costs are amortised over the period in which the service is provided.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written-off where they are no longer considered to be recoverable.

(AE) Statement of cash flows

(a) Cash and cash equivalents

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

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

(b) Operating cash flows

Purchases and sales of investment property, loans and financial investments are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims.

(AF) Leases

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

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

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

(AG) Provisions and contingent liabilities

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

The Company recognises provisions under a variety of circumstances including for product governance rectification, which may include customer redress, and for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Discounting is applied to the provision where the effect of the time value of money is material. Provisions are not recognised for future operating losses.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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.

(AH) 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.

Accounting policies

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

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

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

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, except for the tax consequences of distributions from certain equity instruments, to be recognised in the income statement.

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.

In addition to paying tax on shareholders' profits, the Company pays tax on policyholders' investment returns ('policyholder tax') on certain products at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense.

(AI) Share capital and treasury shares

(a) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

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

(b) Dividends

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

(AJ) Pensions

The Company has no employees, however, it is one of a number of companies in the Group being charged for staff participating in pension schemes in the UK and Ireland, and its contributions are affected by the financial position of these schemes. In the absence of any contractual arrangements to allocate the net defined benefit cost for these schemes, measured in accordance with IAS 19, to individual businesses, it is the Group policy to allocate this cost fully to the main trading companies. Full disclosure of the Group's pension schemes is given in the Annual report and accounts of the Group.

Income statement

For the year ended 31 December 2023

	Note	2023 £m	Restated[1] 2022 £m
Insurance revenue	3	**7,211**	6,526
Insurance service expense	6	**(6,219)**	(6,126)
Net expense from reinsurance contracts		**(421)**	(391)
Insurance service result		**571**	9
Investment return	4	**19,366**	(35,130)
Net finance (expense)/income from insurance contracts and participating investment contracts	4	**(6,369)**	22,963
Net finance income/(expense) from reinsurance contracts	4	**114**	(972)
Movement in non-participating investment contract liabilities	4	**(12,753)**	11,664
Net financial result	4	**358**	(1,475)
Fee and commission income	5	**728**	739
(Loss)/profit on the disposal of subsidiaries, joint ventures and associates		**(6)**	—
Other operating expenses	6	**(648)**	(628)
Other finance costs	7	**(65)**	(65)
Profit/(loss) before tax		**938**	(1,420)
Tax (expense)/credit	11	**(383)**	938
Profit/(loss) for the year		**555**	**(482)**

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

The Company has no (2022: no) other comprehensive income.

The above income statement should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Statement of changes in equity

For the year ended 31 December 2023

	Ordinary share capital Note 25 £m	Capital contribution reserve Note 26 £m	Other reserves £m	Retained earnings Note 26 £m	Total equity £m
Balance at 1 January	3	1,200	—	3,739	4,942
Profit for the year	—	—	—	555	555
Dividends paid	—	—	—	(1,242)	(1,242)
Balance at 31 December	3	1,200	—	3,052	4,255

For the year ended 31 December 2022 restated[1]

	Ordinary share capital Note 25 £m	Capital contribution reserve Note 26 £m	Other reserves £m	Retained earnings Note 26 £m	Total equity £m
Balance at 31 December 2021 as previously reported	343	—	965	5,234	6,542
Total change relating to IFRS 17 transition	—	—	—	(953)	(953)
Prior period correction for with-profits funds	—	—	—	(241)	(241)
Balance at 1 January 2022 restated for transition to IFRS17 and prior period correction	343	—	965	4,040	5,348
Loss for the year	—	—	—	(482)	(482)
Dividends paid	—	—	—	(593)	(593)
Interest paid on other equity instruments	—	—	—	(36)	(36)
Issue of share capital	470	—	—	—	470
Share capital reduction	(810)	—	—	810	—
Capital contribution	—	1,200	—	—	1,200
Repayment of other equity	—	—	(965)	—	(965)
Balance at 31 December	3	1,200	—	3,739	4,942

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The above statement of changes in equity should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Statement of financial position

As at 31 December 2023

	Note	2023 £m	Restated[1] 2022 £m	Restated[1] 1 January 2022 £m
Assets				
Acquired value of in-force business and intangible assets	P,13	**72**	18	13
Investments in subsidiaries	C,14	**1,740**	2,037	1,893
Investments in joint ventures & associates	D,15	**749**	1,019	961
Property and equipment	Q,16	**29**	20	26
Investment property	R,17	**3,903**	4,416	5,365
Loans	AB,20	**25,264**	23,804	28,477
Financial investments	W,22	**206,130**	185,003	211,524
Reinsurance contract assets	M,27	**4,950**	4,168	5,582
Reinsurance assets for non-participating investment contracts	O,28	**4,740**	5,318	5,156
Deferred tax assets	AH,30	**537**	872	363
Current tax assets		**79**	106	108
Receivables	X,23	**1,756**	1,789	2,023
Deferred acquisition costs	AD,24	**628**	702	811
Prepayments and accrued income	24(a)	**2,012**	1,761	1,384
Cash and cash equivalents	AE,39(b)	**17,273**	21,311	23,331
Total assets		**269,862**	252,344	287,017
Equity				
Ordinary share capital	AJ	**3**	3	343
Capital redemption reserve	26	**1,200**	1,200	—
Other equity	25	**—**	—	965
Retained earnings	26	**3,052**	3,739	4,040
Total equity		**4,255**	4,942	5,348
Liabilities				
Insurance contract and participating investment contract liabilities	M,27	**103,927**	100,489	126,821
Reinsurance contract liabilities	M,27	**570**	484	958
Non-participating investment contract liabilities	N,28	**149,800**	133,204	142,740
Provisions	AG,31	**152**	165	275
Deferred tax liabilities	AH,30	**49**	61	502
Current tax liabilities	AH,30	**2**	7	428
Borrowings	AI,33	**—**	—	700
Payables and other financial liabilities	Y,34	**10,241**	12,445	8,768
Other liabilities	P,35	**866**	547	477
Total liabilities		**265,607**	247,402	281,669
Total equity and liabilities		**269,862**	252,344	287,017

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The financial statements were approved by the Board of directors on March 27, 2024 and signed on its behalf by Iain Pearce :

Iain Pearce, Director

The above statement of financial position should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Statement of cash flows

For the year ended 31 December 2023

The cash flows presented in this statement cover all the Company's activities and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Company.

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash used in operating activities	39(a)	**(3,021)**	(600)
Tax paid		**(38)**	(431)
Total net cash used in operating activities		**(3,059)**	(1,031)
Cash flows from investing activities			
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired	14,15	**(260)**	(380)
Disposals of subsidiaries, joint ventures and associates, net of cash transferred	14,15	**665**	17
Purchases of property and equipment		**(18)**	—
Purchases of intangible assets		**(62)**	(18)
Total net cash from/(used in) investing activities		**325**	(381)
Cash flows from financing activities			
Proceeds from issue of ordinary shares and capital contributions	25	**—**	1,670
Interest paid on other equity instruments		**—**	(36)
Repayment of other equity instruments to parent		**—**	(970)
Repayment of borrowings to parent	33	**—**	(200)
Repayment of borrowings to fellow subsidiary	33	**—**	(500)
Net (repayment) of borrowings		**—**	(700)
Repayment of leases		**(19)**	(14)
Ordinary dividends paid	12	**(1,242)**	(593)
Total net cash used in financing activities		**(1,261)**	(643)
Total net decrease in cash and cash equivalents		**(3,995)**	(2,055)
Cash and cash equivalents at 1 January		**21,099**	23,154
Effect of exchange rate changes on cash and cash equivalents		**—**	—
Cash and cash equivalents at 31 December	39(a)	**17,104**	21,099

The above statement of cash flows should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Notes to the financial statements

1 – Changes to comparative amounts

Changes to comparative amounts impact the 1 January 2022 opening statement of financial position, the income statement for the year ended 31 December 2022 and the statement of financial position at 31 December 2022.

(a) Changes to 1 January 2022 opening statement of financial position

The financial impacts on transition to IFRS 17 and IFRS 9 and a prior period correction for with-profits funds in respect of an historic accounting issue are summarised in the table below, with further explanation in note 1(a)(i) and note 1(a)(ii).

	31 December 2021 As previously reported £m	Reclassification and derecognition £m	IFRS 17 measurement £m	Total change relating to IFRS 17 transition £m	1 January 2022 Restated for transition to IFRS 17 £m	Prior period correction for with-profits funds £m	1 January 2022 Restated for transition to IFRS 17 and prior period correction £m
Assets							
Acquired value of in-force business and intangible assets	25	(12)	—	(12)	13	—	13
Investments in subsidiaries	1,893	—	—	—	1,893	—	1,893
Investments in joint ventures and associates	961	—	—	—	961	—	961
Property and equipment	26	—	—	—	26	—	26
Investment property	5,365	—	—	—	5,365	—	5,365
Loans	28,490	(13)	—	(13)	28,477	—	28,477
Financial investments	211,524	—	—	—	211,524	—	211,524
Reinsurance assets	76,842	(70,093)	(1,200)	(71,293)	5,549	33	5,582
Reinsurance assets for non-participating investment contracts	N/A	5,156	—	5,156	5,156	—	5,156
Receivables	2,603	(580)	—	(580)	2,023	—	2,023
Deferred acquisition costs	1,408	(597)	—	(597)	811	—	811
Prepayments and accrued income	1,384	—	—	—	1,384	—	1,384
Deferred tax assets	—	—	325	325	325	38	363
Current tax assets	108	—	—	—	108	—	108
Cash and cash equivalents	23,331	—	—	—	23,331	—	23,331
Total assets	353,960	(66,139)	(875)	(67,014)	286,946	71	287,017
Equity							
Ordinary share capital	343	—	—	—	343	—	343
Other equity	965	—	—	—	965	—	965
Retained earnings	5,234	1,217	(2,170)	(953)	4,281	(241)	4,040
Total equity	6,542	1,217	(2,170)	(953)	5,589	(241)	5,348
Liabilities							
Insurance contract and participating investment contract liabilities (formerly gross insurance liabilities)	104,455	20,645	1,409	22,054	126,509	312	126,821
Reinsurance contract liabilities	N/A	958	—	958	958	—	958
Non-participating investment contract liabilities	163,402	(20,662)	—	(20,662)	142,740	—	142,740
Unallocated divisible surplus	1,826	(1,826)	—	(1,826)	—	—	—
Deferred tax liabilities	616	—	(114)	(114)	502	—	502
Current tax liabilities	428	—	—	—	428	—	428
Borrowings	700	—	—	—	700	—	700
Payables and other financial liabilities	75,239	(66,471)	—	(66,471)	8,768	—	8,768
Provisions	275	—	—	—	275	—	275
Other liabilities	477	—	—	—	477	—	477
Total liabilities	347,418	(67,356)	1,295	(66,061)	281,357	312	281,669
Total equity and liabilities	353,960	(66,139)	(875)	(67,014)	286,946	71	287,017

(i)Transition to IFRS 17 and IFRS 9

The Company has adopted IFRS 17 Insurance Contracts from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. A restated opening statement of financial position is shown above.

IFRS 17 Insurance Contracts provides a comprehensive and consistent approach to accounting for insurance contracts. It replaces IFRS 4, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies.

The Company has also adopted IFRS 9 Financial Instruments from 1 January 2023 and comparatives have been retrospectively restated. IFRS 9 incorporates new classification and measurement requirements for financial assets, introduces a new expected credit loss impairment model to replace the IAS 39 incurred loss model and new hedge accounting requirements. The Company had previously deferred the application of IFRS 9 to align with the implementation of IFRS 17. IFRS 9 has not resulted on any measurement differences on adoption by the Company, but does impact the disclosure of financial instruments as described in note 1(d).

Accounting policies that have been revised as a result of adoption of IFRS 17 and IFRS 9 are presented in Accounting Policies. Significant methods, judgements and assumptions applied in measurement of insurance contracts are set out in note 27(e). This note focuses on the changes made on transition to IFRS 17 and IFRS 9. Further information in respect of the adoption of IFRS 17 is provided in note 1 (c).

Financial impacts of transition to IFRS 17

Notes to the financial statements (continued)

Total equity attributable to shareholders, has reduced by £953 million relative to the £6,542 million reported on an IFRS 4 basis at 31 December 2021 as a result of transition to IFRS 17. The value of the CSM liability recognised is £3,156 million(gross of tax). The £17 million additional impact of the prior period correction for with-profits funds on this CSM is explained in note 1(a)(ii).

The material components of the total impact are explained below.

Reclassification and derecognition in the restated opening statement of financial position
Under IFRS 17, the concepts of acquired value in force (AVIF), deferred acquisition costs (DAC) and unallocated divisible surplus (UDS) are no longer applied to produce separately recognised assets and liabilities in relation to insurance and participating investment contracts, instead they are implicitly included in the measurement of insurance contract assets and liabilities. £12 million AVIF, £597 million DAC and £1,826 million UDS on long-term insurance and participating investment contracts has been derecognised on transition. AVIF and DAC in respect of non-participating investment contracts are unchanged.

There are also changes in presentation and content of the following financial statement line items:

- Non-participating investment contract liabilities and related reinsurance assets, to which IFRS 9 applies, are now presented in separate line items;
- Participating investment contracts, to which IFRS 17 applies, are presented within insurance and participating investment contract assets or liabilities;
- Receivables, payables and other liabilities in respect of insurance contracts, to which IFRS 17 now applies, are now included within insurance and participating investment contract assets or liabilities; and
- Deposits received under reinsurance arrangements with Aviva International Insurance Limited (AIIL), previously presented in payables, are now offset against the related reinsurance asset balances and presented as reinsurance contract liabilities.
- Policy loans in scope of IFRS 17 have been reallocated from loans to insurance contract and participating investment contract liabilities.

Remeasurement in the restated opening balance sheet
There has been a decrease of £2,170 million in equity attributable to shareholders as a result of remeasurement adjustments arising from the adoption of IFRS 17.

The drivers of remeasurements in the restated opening statement of financial position include the following:

Drivers	Description	Remeasurement £m
Differences in the valuation of future cash flows	The primary differences in measurement of the future cash flows are: • Inclusion of future shareholder profits from unit-linked and with-profits business, that are not fully recognised under IFRS 4; • Change in discount rate for life insurance business, most materially for annuities. • Removal of IFRS 4 prudent margins as IFRS 17 fulfilment cash flows are measured on a best estimate basis with a separate explicit adjustment for risk	1,613
Contractual Service Margin	This IFRS 17 liability represents the unearned profit of the insurance contracts which will be recognised in profit or loss over the coverage period in line with the service provided to customers.	(3,156)
Risk Adjustment	The risk adjustment is an explicit allowance for risk recognised under IFRS 17, replacing some of the IFRS 4 margins.	(1,066)
Change in deferred tax due to increase in liabilities	Taxable profits are generally based on an accounting profit and the adoption of IFRS 17 will impact current tax liabilities. The principles of deferred tax mean that the total tax (current and deferred) remains aligned to the reported profits. The transition CSM includes profits that were previously reported in accordance with IFRS 4 and subject to tax. The reduction in net assets on adoption of IFRS 17, including the CSM recognition, gives rise to a deferred tax asset as tax on profits is only paid once. The deferred tax asset will reverse as the CSM unwinds and profits are recognised in future.	439
Total		(2,170)

The impact on transition to IFRS 17 is most significant for the Company's annuity and protection business where the deferral of profit in the CSM is the most material. A significant proportion of the CSM on transition arises from the Company's existing immediate annuity portfolio, the unwind of which will become a material driver of the contribution to future profits. Offsetting this, the majority of profits on new annuity and protection business will now be deferred. In addition, under IFRS 17, the impact of changes in non-financial assumptions on future cash flows will be adjusted through the CSM and spread forward rather than being recognised immediately in profit as under IFRS 4.

There are more limited impacts from the Company's other lines of insurance business, with no impact for non-participating investment contracts which are out of scope under IFRS 17.

Financial impacts of transition to IFRS 9
The adoption of IFRS 9 has no financial impact on the opening 1 January 2022 statement of financial position or the income statement for the year ended 31 December 2022 as it has not changed the measurement of the Company's financial instruments. Further information in respect of the adoption of IFRS 9 is set out in note 1(d).

(ii) Accounting for with-profits funds

Notes to the financial statements (continued)

A review of accounting processes for with-profits funds has identified corrections to previous reported values on the statement of financial position and comparative amounts have been restated. The costs of providing policyholders with certain annuity benefits were incorrectly allocated between shareholder and with-profits funds. Correction of the cumulative misallocation from the shareholder funds to with-profits funds has resulted in an increase in participating with-profits insurance contract liabilities of £312 million (including an increase in participating CSM of £17 million) and a decrease in shareholder equity of £241 million, net of reinsurance recoveries and tax on the statement of financial position as at 1 January 2022.

The income statement for the period ended 31 December 2022 has not been restated for this matter, as the impact on profit for the year was insignificant, as was the impact on the income statement for the period ended 31 December 2023 and previously reported periods.

(b) Changes to the income statement for the year ended 31 December 2022

IFRS 17 also introduces significant changes in the presentation of the income statement:

- The insurance service result separately presents the result, before the effects of financial risks, for insurance and participating investment contracts, and comprises insurance revenue and insurance service expenses.
- Insurance revenue, the composition of which is set out in accounting policy H, represents the allocation over the life of the insurance contract of premiums received (excluding investment components as set out in accounting policy M(i)). Insurance revenue replaces net earned premiums.
- Insurance service expense separately presents the claims and expenses incurred in fulfilling insurance and participating investment contracts, including losses and reversals of losses on onerous contracts. Costs incurred in relation to other types of business, including non-participating investment contracts, continue to be presented within other operating expenses.
- The net financial result comprises investment return, the finance income/expense on insurance and participating investment contracts that arises from discounting, changes in financial risk and changes in the fair value of underlying items, and the previously presented movement in non-participating investment contract liabilities.
- Other income and expense items are presented in a similar manner as previously reported.

(c) Further information in respect of adoption of IFRS 17 Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, participating investment contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk (the fulfilment cash flows) and a CSM representing the unearned profit to be recognised in profit or loss over the service period (coverage period).

Losses on contracts that are onerous at inception are recognised immediately. The core of IFRS 17 is the GMM, supplemented by the VFA which is a specific adaptation for contracts with direct participation features, and the Premium Allocation Approach which is a simplified model for short duration contracts that is not applied by the Company.

The application of IFRS 17 significantly impacts the measurement and presentation of insurance and participating investment contracts, and reinsurance contracts. Investment contracts with no significant insurance risk or discretionary participation features are out of scope and therefore not impacted by the new standard.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the income statement is based on the concept of insurance services provided during the period. Extensive disclosures provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts. Our disclosures will be aligned to three major groupings: life risk and life participating, which broadly align with the IFRS 17 measurement models GMM and VFA, with a final product group recognised for internal reinsurance ceded to AIIL. Further details of these groupings are provided in note 27.

Changes in accounting policies resulting from the implementation of IFRS 17 have been applied in accordance with the transitional provisions of the standard, which impact the measurement of the CSM at the transition date. The CSM represents a liability for unearned profit, hence will be recognised in the income statement over the remaining life of the contract as insurance and investment related services are provided to the customer.

The fully retrospective approach (FRA) has been used where practicable, calculating the CSM at the date of transition as if the standard had always applied. Where FRA is not practicable for a particular group of insurance contracts the Company has elected to apply the fair value approach (FVA).

The Company has applied judgement when determining whether the FRA is practicable. The following approaches have been applied on transition to IFRS 17:

- The FRA has been used for the majority of business written or acquired since 2016 including reinsurance ceded to AIIL, as prior to this date the risk adjustment is considered indeterminable without the benefit of hindsight due to the multiple views of risk that were reported at that time;
- The FVA has been used for all other business written prior to 2016, including annuities.

On transition, 32% of the gross of reinsurance CSM is calculated under the FRA and 68% under the FVA.

Application of the FVA

Under the FVA, the CSM recognised at the transition date has been determined as the fair value of the group of contracts less the fulfilment cash flows at the transition date. Unlike the FRA, no pre-transition information is required to calculate the FVA CSM. The FVA measures the value of the CSM at the date of transition to IFRS 17, 1 January 2022, the start of the comparative period. Subsequent to the transition date, the CSM is remeasured for movements since the date of transition according to the general (non-transition) requirements of IFRS 17, however the initial fair value as at 1 January 2022 is a point in time assessment that will not be reassessed for future reporting.

Notes to the financial statements (continued)

Where FVA has been applied to determine the value at transition, the fair value has been derived in accordance with IFRS 13 Fair Value Measurement (except a demand deposit floor was not applied) and represents the price a market participant would require to assume the insurance contract liabilities in an orderly transaction. As quoted market prices are not available for groups of insurance contracts, valuation models have been used to calculate the fair value of each group at the transition date. The choice of model and inputs to the model involves judgement and this gives rise to a range of plausible fair values at the transition date. Whilst the fair value at transition impacts the size of the CSM that will subsequently be recognised in profit over the remaining life of the contracts applying the accounting policy set out in accounting policy M(g), the fair value model and inputs to that model will not be applied to, or result in adjustment to, any subsequent measurement of the CSM.

The valuation models determine the fair value using a cost of capital approach. Expected cash flows and the required capital to run the business are projected forward, applying an appropriate weighted average cost of capital (WACC). Inputs have been calibrated to those Aviva would expect market participants to use had they priced the insurance contracts for transfer to them at the transition date.

This is based on a number of actuarial assumptions, including discount rates, and involves consideration of:

- The most appropriate assumptions for use by a third party in the principal market.
- The specifics of the group of insurance contracts being valued, such as the insurance cover and policyholder benefits provided and any legal requirements for its administration.
- Benchmarking against market transactions, where these exist.

Valuation inputs reference market information where available, with unobservable inputs otherwise used to estimate those that a third party would have applied as at the transition date of 1 January 2022. The most significant judgements for each portfolio were as follows:

- Identification of the principal market;
- The return on assets backing the insurance contracts and the consequential impact on the discount rate, particularly for annuities where the Solvency II capital regime was assumed to apply to market participants;
- The level of regulatory capital required to support the group of insurance contracts, which reflected Aviva's total Group working range for the Solvency II cover ratio of 160%-180%, adjusted to reflect differences in market participants for specific types of insurance contracts. It was assumed that a third party would require a higher level of regulatory capital for certain with-profits business aligned to the legal commitments made following the reattribution of the inherited estate in 2009; and
- The required rate of return on capital deployed, which reflected the characteristics of the group of contracts being measured.

All other material assumptions were aligned to the Aviva Solvency II valuation basis.

The FVA CSM on annuities is included within the life risk product group (total CSM at transition of £4,607 million), whilst the FVA CSM on with-profits business measured in accordance with the VFA is included in the life participating product group (total CSM at transition of £872 million). For business transitioning under the FVA, the Company has taken advantage of the simplification permitting contracts in different annual cohorts to be placed into a single group of contracts.

(d) Further information in respect of adoption of IFRS 9 Financial Instruments

IFRS 9 introduces new classification and measurement requirements for financial assets, resulting in the Company's financial assets being measured at FVTPL or amortised cost. The basis of classification depends on the business model for managing the cash flows from these assets and their contractual cash flow characteristics, as set out in accounting policy T. The IFRS 9 expected credit loss model for impairment is applied to any financial assets held at amortised cost and lease receivables. The outcome for financial liabilities remains unchanged as the Company has elected to recognise fair value changes attributable to own credit risk in the income statement for financial liabilities designated at FVTPL.

Changes in accounting policies as a result of adopting IFRS 9 have been implemented retrospectively with the exception of:

- Assessments that have been made on the basis of facts and circumstances that existed at the date of initial application of 1 January 2023, as follows:
  - The determination of the business model within which a financial asset is held.
  - The designation (and revocation of previous designations) of certain financial assets and financial liabilities measured at FVTPL.

The retrospective restatement of comparatives has resulted in no material adjustments to the measurement of financial instruments in the financial statements.

Notes to the financial statements (continued)

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company's financial assets as at the transition date of 1 January 2022. The classification overlay is applied to financial assets derecognised in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets at the transition date. The table presents the carrying amount of loans as previously reported, before the reclassification of £13 million policy loans to insurance contract liabilities under IFRS 17 as set out in note 1(a).

				IFRS 9			IAS 39
	Mandatorily held at FVTPL	Designated at FVTPL	Amortised cost	Total carrying amount	Designated at FVTPL	Amortised cost	Total carrying amount
At 1 January 2022	£m	£m	£m	£m	£m	£m	£m
Financial assets							
Loans	26,890	—	1,600	28,490	26,890	1,600	28,490
Cash and cash equivalents	—	1,855	21,476	23,331	—	23,331	23,331
Financial investments	211,524	—	—	211,524	211,524	—	211,524
Reinsurance assets for non-participating investment contracts	5,156	—	—	5,156	5,156	—	5,156

There were no impacts on the categorisation or measurement of financial liabilities.

2 – Exchange rates

Assets and liabilities have been translated at the following year end rates:

	2023	2022
Euro	1.1532	1.1298
US Dollar	1.2731	1.2097

3 – Insurance revenue

			2023			2022
	Life Risk	Participating	Total	Life Risk	Participating	Total
	£m	£m	£m	£m	£m	£m
Amounts relating to changes in liabilities for remaining coverage						
CSM recognised for services provided	**685**	**109**	**794**	549	119	668
Change in risk adjustment for non-financial risk for risk expired	**93**	**3**	**96**	166	5	171
Expected incurred claims and other insurance service expenses	**5,593**	**431**	**6,024**	5,545	231	5,776
Other[1]	**—**	**36**	**36**	1	(410)	(409)
Recovery of insurance acquisition cashflows	**261**	**—**	**261**	311	9	320
Total insurance revenue	**6,632**	**579**	**7,211**	6,572	(46)	6,526

1. Other for participating business includes revenue recognised for incurred policyholder tax expenses, this was materially negative for YE22 due to yield increases

Notes to the financial statements (continued)

4 – Net financial result

The following table analyses the Company's net financial results in profit or loss. This analysis is provided by reportable product groups, which are explained in note 27(a).

					2023
	Insurance and participating investment contracts			Non-participating investment contracts	Total
	Life Risk £m	Participating £m	Internal reinsurance ceded £m	£m	Total £m
Interest and similar income	600	360	—	1,860	2,820
Dividend income	704	380	—	1,962	3,046
Net gains /(losses)	2,806	1,817	—	9,053	13,676
Net (expense)/income from investment properties	(15)	2	—	11	(2)
Other	—	(10)	—	(164)	(174)
Total investment return	**4,095**	**2,549**	**—**	**12,722**	**19,366**
Net finance (expense)/income from insurance contracts and participating investment contracts					
Changes in fair value of underlying items	(204)	(2,421)	—	—	(2,625)
Effects of risk mitigation option	—	5	—	—	5
Interest accreted on contractual service margin	(210)	—	—	—	(210)
Effect of, and changes in, interest rates and other financial assumptions	(3,261)	—	—	—	(3,261)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(284)	6	—	—	(278)
Total net finance expense from insurance contracts and participating investment contracts	**(3,959)**	**(2,410)**	**—**	**—**	**(6,369)**
Net finance income/(expense) from reinsurance contracts					
Interest accreted	20	—	51	—	71
Other	480	—	(437)	—	43
Net finance income/(expense) from reinsurance contracts	**500**	**—**	**(386)**	**—**	**114**
Movement in non-participating investment contract liabilities					
Investment income allocated to non-participating investment contracts	—	—	—	(12,753)	(12,753)
Changes in non-participating investment contract provisions	—	—	—	—	—
Change in reinsurance asset for non-participating investment contract provisions	—	—	—	—	—
Movement in non-participating investment contract liabilities	**—**	**—**	**—**	**(12,753)**	**(12,753)**
Net financial result	**636**	**139**	**(386)**	**(31)**	**358**

Underlying items comprise financial instruments and other assets and liabilities held within unit-linked and with-profits funds whose value determines some of the amounts payable to policyholders. For policyholders invested in with-profits funds with a policyholder estate the underlying items may include non-profit insurance contracts written within the funds.

Other than exchange differences on financial instruments measured at FVTPL, in 2023 the Company recognised a net exchange loss of £58 million (2022: £1,080 million profit) in profit or loss. Exchange differences on insurance and reinsurance contracts are included in insurance finance income and expenses above. Exchange differences on financial liabilities are included in other finance costs (see note 7).

Notes to the financial statements (continued)

	Insurance and participating investment contracts			Non-participating investment contracts	Restated[1] 2022 Total
	Life Risk £m	Participating £m	Internal reinsurance ceded £m	£m	Total £m
Investment return					
Interest and similar income	1,425	328	—	1,019	2,772
Dividend income	1,456	294	—	913	2,663
Net gains /(losses)	(22,188)	(4,545)	—	(14,083)	(40,816)
Net (expense)/income from investment properties	(697)	—	—	—	(697)
Other	1,122	(42)	—	(132)	948
Total investment return	(18,882)	(3,965)	—	(12,283)	(35,130)
Net finance (expense)/income from insurance contracts and participating investment contracts				—	
Changes in fair value of underlying items	1,219	3,557	—	—	4,776
Effects of risk mitigation option	—	532	—	—	532
Interest accreted on contractual service margin	(165)	—	—	—	(165)
Effect of, and changes in, interest rates and other financial assumptions	17,366	14	—	—	17,380
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	439	1	—	—	440
Total net finance expense from insurance contracts and participating investment contracts	18,859	4,104	—	—	22,963
Net finance income/(expense) from reinsurance contracts					
Interest accreted	48	—	43	—	91
Other[2]	(1,674)	—	611	—	(1,063)
Net finance income/(expense) from reinsurance contracts	(1,626)	—	654	—	(972)
Movement in non-participating investment contract liabilities					
Investment income allocated to non-participating investment contracts	—	—	—	11,654	11,654
Changes in non-participating investment contract provisions	—	—	—	10	10
Change in reinsurance asset for non-participating investment contract provisions	—	—	—	—	—
Movement in non-participating investment contract liabilities	—	—	—	11,664	11,664
Net financial result	(1,649)	139	654	(619)	(1,475)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

2. Other net finance income/(expense) from reinsurance contracts includes the effect of, and changes in, interest rates and other financial assumptions (including changes in the fair value of funds withheld) and the effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition, in relation to reinsurance contracts held.

(a) Other investment income

	2023 £m	Restated[1] 2022 £m
Dividend income	**3,046**	2,663
Net gains/losses	**13,676**	(40,816)
From financial assets mandatorily held at FVTPL	**17,011**	(49,823)
From financial assets held at amortised cost	**(94)**	(14)
From financial liabilities mandatorily held at FVTPL	**(3,241)**	9,021
Net income from investment properties	**(2)**	(697)
Rent	**225**	220
Expenses relating to these properties	**(20)**	(20)
Realised gains on disposal	**(5)**	(1)
Fair value losses on investment properties	**(202)**	(896)
Other	**(174)**	948
Total other investment income	**16,546**	(37,902)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and IFRS9 (see note 1).

Notes to the financial statements (continued)

5 – Fee and commission income

	2023 £m	Restated[1] 2022 £m
Fee income from non-participating investment contract business	**651**	672
Other fee income	**73**	45
Net change in deferred revenue	**4**	22
Total fee and commission income	**728**	739

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

6 – Expenses

	2023 £m	Restated[1] 2022 £m
Claims and benefits incurred		
Claims and benefits on long term business		
Insurance contracts and participating investment contracts	**5,629**	5,317
Claim recoveries from reinsurers		
Insurance contracts and participating investment contracts	**(3,663)**	(3,231)
Claims and benefits incurred, net of recoveries from reinsurers	**1,966**	2,086
Losses and reversal of losses on onerous insurance and participating investment contracts	**107**	102
Fee and commission expense		
Acquisition costs		
Commission expenses	**332**	303
Other acquisition costs	**186**	262
Amount attributed to insurance acquisition cash flows incurred during the year	**(443)**	(495)
Acquisition costs for non-participating investment contacts	**75**	70
Amortisation of insurance acquisition cash flows	**261**	321
Change in deferred acquisition costs for non-participating investment contracts	**75**	108
Reinsurance commissions and other fee and commission expense	**(9)**	(78)
Fee and commission expense	**402**	421
Other expenses		
Central costs	**6**	10
Depreciation	**9**	5
Impairment of goodwill on subsidiaries	**—**	3
Amortisation of acquired value of in-force business on non-participating investment contracts	**—**	2
Amortisation of intangible assets	**8**	11
Other expenses	**908**	765
Total expenses	**3,406**	3,405
Represented by expenses included within the income statement:		
Insurance service expense	**6,219**	6,126
Expense recovery from reinsurance contracts[2]	**(3,461)**	(3,349)
Other operating expenses	**648**	628
Total expenses	**3,406**	3,405

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).
2. Expense recovery from reinsurance contracts is presented in the income statement within net expense from reinsurance contracts, which comprises an allocation of premiums paid to reinsurers of £(3,882) million (2022: £(3,744) million) and amount recovered from reinsurers of £3,461 million (2022: £3,349 million).

Other expenses were £931 million (2022: £796 million) which mainly included costs relating to staff, property and IT.

7 – Other finance costs

This note analyses the interest costs on our borrowings (which are described in note 33) and similar charges. Other finance costs comprise:

	2023 £m	2022 £m
Interest on collateral received	**39**	12
Interest on lease liabilities	**—**	1
Other similar charges	**26**	52
Total finance costs	**65**	65

Notes to the financial statements (continued)

8 – Employee information

The Company has no employees (2022: nil). All the Group employees are employed by AESL. Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of AESL. The Company is recharged with the costs of the staff provided by AESL however the associated costs and average number of persons employed can not be accurately disclosed.

9 – Directors' remuneration

Mr Brown, Mr Pearce and Ms Jones were remunerated by AESL, a fellow subsidiary of the Group.

All the directors' remuneration is also disclosed within the aggregate of key management compensation in note 43.

The fees for Ms Agius, Mr McConville, Ms Curtis, Mr Howe, Mr Harris and Mr Trickett were paid for and borne by the Company, with the exception of additional fees paid by the ultimate parent Company, Aviva plc, to Ms Agius and Mr Trickett where they represented the Company on certain group matters. In addition, Mr Trickett, Mr Harris and Ms Agius received fees in respect of services as Non-Executive Directors of Aviva Wrap UK Limited, Succession Group Limited and Aviva Equity Release UK Limited respectively, which are also subsidiaries of the Group, and these are disclosed in the financial statements of those companies. Mr Kellard is not included within the list as he was not appointed during 2023.

The emoluments of the directors are shown in the table below:

	2023 £'000	2022 £'000
Aggregate emoluments	**4,899**	3,953

Where directors had multiple directorships and their services as a director for the Company were not incidental to their roles across the Group, it is not possible to accurately apportion their emoluments to individual companies. The emoluments of these directors reported in the above table are in respect of qualifying services performed for the Group, which may also be disclosed within the financial statements of other Group companies.

Pension contributions consist of employer contributions into the money purchase section of the Aviva Staff Pension Scheme, excluding salary exchange contributions made by the employees. There were no (2022: no) employer contributions made in respect of Directors' during the year. Where Directors' have received payments in lieu of pension above the lifetime or annual allowance caps, including the highest paid director, this has been disclosed within aggregate emoluments.

During the year, none of the directors (2022: none) accrued retirement benefits under money purchase pension schemes in respect of qualifying services.

During the year, none of the directors (2022: none) exercised share options, and three of the directors (2022: three), including the highest paid director, were granted shares under long-term incentive schemes in relation to shares of the Company's ultimate parent company, Aviva plc.

The details of the highest paid director are as follows:

	2023 £'000	2022 £'000
Aggregate emoluments	**1,710**	1,548

10 – Auditors' remuneration

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

	2023 £'000	2022 £'000
Fees payable to PricewaterhouseCoopers LLP for the statutory audit of the Company's financial statements	**5,445**	4,011
Audit related assurance services	**1,757**	1,674
Total auditors' remuneration	**7,202**	5,685

Fees payable for audit related assurance include fees in relation to the audit of the Solvency II regulatory returns and Stakeholder engagement for 2023 and 2022.

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'Other services' as the Company is a subsidiary of the Group, which prepares consolidated financial statements. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit and audit related assurance services of the Company and other Group undertakings are disclosed in the consolidated accounts of the Group.

Notes to the financial statements (continued)

11 – Tax

(a) Tax charged/(credited) to the income statement

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

	2023 £m	Restated[1] 2022 £m
Current tax		
For the period	**83**	26
Adjustments in respect of prior years	**(23)**	(14)
Total current tax	**60**	12
Deferred tax		
Origination and reversal of temporary differences	**323**	(950)
Total deferred tax	**323**	(950)
Total tax charged/(credited) to the Income statement	**383**	(938)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Current tax prior year adjustments includes a credit of £nil (2022: credit of £27 million) for current year losses carried back against profits of the prior year.

(ii) Deferred tax charged/(credited) to the Income statement represents movements on the following items:

	2023 £m	Restated[1] 2022 £m
Deferred acquisition costs	**(16)**	(19)
Unrealised gains/(losses) on investments	**51**	(303)
Unused losses and tax credits	**58**	(29)
Life insurance policyholder fund expenses	**200**	(469)
Long term business technical provisions and other insurance items	**29**	(130)
Provisions and other temporary differences	**1**	—
Total deferred tax charged/(credited) to the Income statement	**323**	(950)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

(b) Tax reconciliation

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

	2023 £m	Restated[1] 2022 £m
Profit/(loss) before tax	**938**	(1,420)
Tax calculated at standard UK corporation tax rate of 23.5% (2022: 19%)	**221**	(270)
Different basis of tax - policyholders	**187**	(626)
Adjustment to tax charge in respect of prior years	**(6)**	(1)
Non-assessable income and items not taxed at full statutory rate	**(23)**	(4)
Movement in valuation of deferred tax	**4**	(30)
Tax on interest amounts charged directly to equity	**—**	(7)
Total tax charge/(credit) to the Income statement	**383**	(938)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. This rate has been used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2022 and 31 December 2023.

During 2023, legislation on The Organisation for Economic Co-operation and Development proposals to reform the international tax system and introduce a global minimum effective rate of corporation tax of 15% was enacted in the UK, to take effect from 31 December 2023. The Company (as part of the Aviva Group) has assessed its potential exposure, based on the available information, and does not anticipate any exposure to additional tax under these provisions.

Notes to the financial statements (continued)

12 – Dividends

	2023 £m	2022 £m
Ordinary dividends declared and charged to equity in the year:		
Interim 2023 - 22,875.66 pence per share, paid on 27 September 2023	625	—
Final 2022 - 22,582.85 pence per share, paid on 11 May 2023	617	—
Final 2021 - 172.89 pence per share, paid on 12 May 2022	—	593
Total dividends	**1,242**	593

13 – Acquired value of in-force business (AVIF) and intangible assets

This note shows the movements in cost, amortisation and impairment of the acquired value of in-force business and intangible assets during the year. Note in accordance with IFRS 17 we no longer separately identify acquired value of in-force associated with contracts in scope of IFRS 17.

			2023			Restated[1] 2022
	AVIF on investment contracts £m	Internally generated intangibles assets £m	Total £m	AVIF on investment contracts £m	Internally generated intangibles assets £m	Total £m
Gross amount						
At 1 January	95	143	238	95	125	220
Acquisitions and additions	—	62	62	—	18	18
Derecognition of fully amortised assets	—	(125)	(125)	—	—	—
At 31 December	95	80	175	95	143	238
Accumulated amortisation						
At 1 January	(61)	(66)	(127)	(59)	(55)	(114)
Amortisation for the year	—	(8)	(8)	(2)	(11)	(13)
Derecognition of fully amortised assets	—	57	57	—	—	—
At 31 December	(61)	(17)	(78)	(61)	(66)	(127)
Accumulated Impairment						
At 1 January	(25)	(68)	(93)	(25)	(68)	(93)
Derecognition of fully amortised assets	—	68	68	—	—	—
At 31 December	(25)	—	(25)	(25)	(68)	(93)
Carrying amount at 1 January	9	9	18	11	2	13
Carrying amount at 31 December	9	63	72	9	9	18

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Internally generated intangibles assets consist primarily of costs relating to capitalised software which are being amortised over three to five years.

AVIF on non-participating investment contracts is generally recoverable in more than one year. Of the total carrying value of AVIF of £9 million (2022 restated: £9 million), £9 million (2022 restated: £7 million) is expected to be recovered more than one year after the statement of financial position date.

14 – Investments in subsidiaries

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

	2023 £m	2022 £m
At 1 January	2,037	1,893
Additions	98	286
Disposals	(316)	(5)
Fair value losses	(79)	(137)
At 31 December	1,740	2,037

Distributions received from subsidiaries during the year amounted to £154 million (2022: £84 million).

(b) Material movements

Additions

During the year the Company made further investment of £79 million (2022: £286 million) in property limited partnerships including purchasing 100% ownership in Lekker Bolt Unit Trust for £58 million. In 2022 the company purchased 85% ownership in Realm Social

Notes to the financial statements (continued)

Housing for £190 million and 100% in 1 Liverpool Street (Unit Trust) and 101 Moorgate (Unit Trust) for £55 million and £31 million respectively.

Disposals

During the year the Company made disposals of property limited partnerships totalling £303 million (2022: £5 million) including the £241 million sale of ownership in Designer Retail Outlet UT that was replaced with a holding in a collective investment vehicle, which invests in property partnerships and direct property (disclosed in 'Unit trusts and other investment vehicles' in note 22).

(c) Related undertakings

Refer to note 44 for details of all related undertakings.

15 – Investments in joint ventures & associates

Movements in the Company's investments in joint ventures and associates are as follows:

	2023 £m	2022 £m
At 1 January	**1,019**	961
Transfer from financial investments	**146**	—
Additions	**16**	94
Disposals	**(349)**	(12)
Impairment of investments held at cost	**—**	(10)
Fair value losses	**(83)**	(14)
At 31 December	**749**	1,019

A full list of joint ventures and associates is included within the list of significant holdings in undertakings other than subsidiary undertakings in note 44. Distributions received from joint ventures and associates during the year amounted to £36 million (2022: £28 million).

During the year the Company made transfers of £146 million (2022: £nil) from financial investments to associates in Balanced Commercial Property Trust. The Company also made disposals of property limited partnerships totalling £349 million (2022: £12 million) including the £193 million sale of ownership in Ascot Real Estate and £103 million sale of ownership in Chesterford Park that were replaced with a holding in a collective investment vehicle, which invests in property partnerships and direct property (disclosed in 'Unit trusts and other investment vehicles' in note 22).

The joint ventures have no significant contingent liabilities to which the Company is exposed, nor has the Company any significant contingent liabilities in relation to its interest in the joint ventures.

Most of the PLPs have raised external debt, secured on their respective property portfolios. The lenders are only entitled to obtain payment, of both interest and principal, to the extent that there are sufficient resources in the respective PLPs. The lenders have no recourse whatsoever to the Company.

16 – Property and equipment

	Owner occupied properties
	Leasehold £m
Cost or valuation	
At 1 January 2022 and 31 December 2022	203
Additions	**18**
At 31 December 2023	**221**
Depreciation and impairment	
At 1 January 2022	(177)
Depreciation charge for the year	(5)
Impairment charge	(1)
At 31 December 2022	(183)
Depreciation charge for the year	**(9)**
At 31 December 2023	**(192)**
Carrying amount	
At 31 December 2022	20
At 31 December 2023	**29**

Owner-occupied properties held under lease arrangements are stated at amortised cost and are amortised on a straight-line basis over the lease term. For further information on the Company's lease arrangements see note 18.

Notes to the financial statements (continued)

17 – Investment property

This note gives details of the properties we hold for long-term rental yields or capital appreciation.

			2023			2022
	Freehold £m	**Leasehold £m**	**Total £m**	Freehold £m	Leasehold £m	Total £m
Carrying value						
At 1 January (restated)	**3,274**	**1,142**	**4,416**	4,010	1,355	5,365
Additions	**590**	**23**	**613**	65	12	77
Capitalised expenditure on existing properties	**130**	**52**	**182**	52	49	101
Fair value losses	**(181)**	**(22)**	**(203)**	(672)	(225)	(897)
Disposals	**(805)**	**(300)**	**(1,105)**	(181)	(49)	(230)
At 31 December	**3,008**	**895**	**3,903**	3,274	1,142	4,416

18 – Lease assets and liabilities

The Company's leased assets primarily consist of properties occupied by Group companies carried at amortised cost (see note 16) and leasehold investment properties carried at fair value (see note 17) which are sublet to third parties and real estate long income finance leases (see note 18(v)).

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

(i) The following amounts in respect of leased assets have been recognised in the Company's Income statement.

	2023 £m	2022 £m
Interest expense on lease liabilities	**—**	1
Total lease expenses recognised in the income statement	**—**	1

Total cash outflows recognised in the period in relation to leases were £19 million (2022:£14 million).

(ii) The following table analyses the right-of-use assets relating to leased properties occupied by the company.

	2023 £m	2022 £m
Balance at 1 January	**20**	26
Additions	**18**	—
Impairment of right of assets	**—**	(1)
Depreciation	**(9)**	(5)
Balance at 31 December	**29**	20

There were no gains (2022: £nil) arising from sale and leaseback transactions during the year. Included within the Income statement is £nil (2022: £nil) of income in respect of sublets of right of use assets.

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

	2023 £m	2022 £m
Within 1 year	**17**	8
Later than 1 year and not later than 5 years	**54**	25
Later than 5 years	**10**	14
Total undiscounted lease liabilities	**81**	47

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

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(iv) Future contractual aggregate minimum lease rentals receivable under non-cancellable operating leases are as follows:

Notes to the financial statements (continued)

	2023 £m	2022 £m
Within 1 year	**155**	184
Between 1 and 2 years	**138**	164
Between 2 and 3 years	**124**	145
Between 3 and 4 years	**103**	127
Between 4 and 5 years	**91**	105
Later than 5 years	**864**	1,022
Total undiscounted lease payments receivable	**1,475**	1,747

(v) Future contractual aggregate minimum lease rentals receivable under non-cancellable finance leases are as follows:

	2023 £m	2022 £m
Within 1 year	**4**	3
Between 1 and 2 years	**4**	3
Between 2 and 3 years	**4**	4
Between 3 and 4 years	**4**	4
Between 4 and 5 years	**4**	4
Later than 5 years	**155**	158
Total undiscounted lease payments receivable	**175**	176

Finance income on the net investment in finance leases during the period was £3 million (2022: £nil).

Unearned finance income in respect of finance leases at 31 December 2023, representing the difference between the gross and net investments in the lease, was £20 million (2022: £33 million). Unguaranteed residual value in respect of finance leases was £nil (2022: £nil).

19 – Fair value methodology

This note explains the methodology for valuing our assets and liabilities measured at fair value and for fair value disclosures. It also provides an analysis of these amounts according to a fair value hierarchy, determined by the market observability of valuation inputs. The fair value methodology used to support the fair value approach to IFRS transition for IFRS 9 and 17 is set out in Note 1.

(a) Basis for determining fair value hierarchy of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can access at the measurement date. Level 1 inputs already reflect market participant views of climate change impacts and no further adjustments are made to these values.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active market;
- quoted prices for identical or similar assets and liabilities 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 are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads); and
- market-corroborated inputs.

Where broker quotes are used and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- where the broker price is validated by using internal models with market observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. 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 or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability. Examples are equity release and

Notes to the financial statements (continued)

commercial mortgages, as well as private equity investments and private placements. Climate risks are factored into the inputs to Level 3 fair values as described in note 19(g).

The majority of the Company's assets and liabilities measured at fair value are based on quoted market information or observable market data. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

Investments in subsidiaries and associates recorded at fair value are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible.

(b) Changes to valuation techniques

There were no changes in the valuation techniques during the year compared to those described in the 2022 Annual report and financial statements.

(c) Carrying amount and fair values of financial instruments

The carrying amounts of financial assets and financial liabilities are set out in the following table:

								Restated[1]
				31 December 2023				31 December 2022
	Mandatorily held at FVTPL	Designated at FVTPL	Amortised cost	Total carrying amount	Mandatorily held at FVTPL	Designated at FVTPL	Amortised cost	Total carrying amount
	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets								
Loans (note 20)	**24,705**	**—**	**559**	**25,264**	23,236	—	568	23,804
Cash and cash equivalents	**—**	**959**	**16,314**	**17,273**	—	1,064	21,624	22,688
Financial investments (note 22)	**206,130**	**—**	**—**	**206,130**	184,641	—	—	184,641
Fixed maturity securities	**44,851**	**—**	**—**	**44,851**	40,681	—	—	40,681
Equity securities	**37,249**	**—**	**—**	**37,249**	31,146	—	—	31,146
Other investments (including derivatives)	**124,030**	**—**	**—**	**124,030**	112,814	—	—	112,814
Financial liabilities								
Non-participating investment contracts	**—**	**149,800**	**—**	**149,800**	—	133,204	—	133,204
Derivative liabilities (note 41)2	**6,130**	**—**	**—**	**6,130**	8,167	—	—	8,167

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and IFRS 9, as described in note 1.
2. Derivative financial liabilities meet the definition of held for trading

Fair value of the following assets and liabilities approximate to their carrying amounts:

- Receivables
- Prepayments and accrued income
- Cash and cash equivalents
- Payables and other financial liabilities

Notes to the financial statements (continued)

(d) Fair value hierarchy

An analysis of assets and liabilities measured at fair value categorised by fair value hierarchy is given below:

31 December 2023	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Sub-total Fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment property (note 17)	—	—	3,903	3,903	—	3,903
Loans (note 20)	—	—	24,705	24,705	559	25,264
Cash and cash equivalents	959	—	—	959	16,314	17,273
Financial investments measured at fair value (note 22(b))						
Debt securities	13,295	25,210	6,346	44,851	—	44,851
Equity securities	37,225	—	24	37,249	—	37,249
Other investments (including derivatives)	121,086	2,157	787	124,030	—	124,030
Reinsurance assets for non-participating investment contracts (note 28)	4,740	—	—	4,740	—	4,740
Investments in subsidiaries (note 14)	—	—	881	881	859	1,740
Investments in joint ventures & associates (note 15)	—	—	749	749	—	749
Total	176,346	27,367	37,395	241,108	559	242,526
Financial liabilities measured at fair value						
Non-participating investment contracts (note 28)	149,800	—	—	149,800	—	149,800
Derivative liabilities (note 41)	48	6,039	43	6,130	—	6,130
Total	149,848	6,039	43	155,930	—	155,930

Restated[1] 31 December 2022	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment property (note 17)	—	—	4,416	4,416	—	4,416
Loans (note 20)	—	—	23,236	23,236	568	23,804
Cash and cash equivalents	1,064	—	—	1,064	21,624	22,688
Financial investments measured at fair value (note 22(b))						
Debt securities	10,685	22,714	7,702	41,101	—	41,101
Equity securities	31,143	—	3	31,146	—	31,146
Other investments (including derivatives)	109,508	2,484	764	112,756	—	112,756
Reinsurance assets for non-participating investment contracts (note 28)	5,318	—	—	5,318	—	5,318
Investments in subsidiaries	—	—	1,186	1,186	851	2,037
Investments in joint ventures & associates	—	—	1,019	1,019	—	1,019
Total	156,654	25,198	38,326	220,178	1,419	221,597
Financial liabilities measured at fair value						
Non-participating investment contracts (note 28)	133,204	—	—	133,204	—	133,204
Derivative liabilities (note 41)	155	7,914	98	8,167	—	8,167
Total	133,359	7,914	98	141,371	—	141,371

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and IFRS 9 (see note 1).

(e) Transfers between levels of the fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting year.

Transfers to/from level 3

Transfers to fair value hierarchy Level 3 from Level 2 in respect of debt securities amounted to £67 million (2022: £666 million).

Transfers to fair value hierarchy Level 3 from Level 1 in respect of equity security investments amounted to £22 million (2022: £6 million).

Transfers to fair value hierarchy Level 3 from Level 2 in respect of other investments amounted to £37 million (2022: £nil million).

Transfers to fair value hierarchy Level 3 from Level 1 in respect of other investments amounted to £25 million (2022: £nil million).

Transfers to fair value hierarchy Level 3 from Level 1 in respect of investments in joint ventures and associates amounted to £146 million (2022: £nil million).

Transfers from fair value hierarchy Level 3 to Level 2 in respect of debt securities amounted to £2,569 million (2022: £508 million)

Notes to the financial statements (continued)

Net transfers from fair value hierarchy Level 3 to Level 2 in respect of derivative liabilities amounted to £38 million (2022: £nil million).

These reclassifications arose as the result of changes in observable market conditions. Assets are moved to Level 3 if the Refinitiv pricing score is less than 6/10 which indicates a lower quantity and quality of market inputs used in calculating the price.

(f) Valuation approach for fair value assets and liabilities classified as Level 2

Please see note 19(a) for a description of typical Level 2 inputs.

Debt securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances and stale price reviews. Pricing services, where available, are used to obtain the third-party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers. Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Unit trusts and other investment funds included under the other investments category are valued using net asset values which are not subject to a significant adjustment for restrictions on redemption or for limited trading activity.

(g) Further information on Level 3 financial instruments

The table below shows movement in the Level 3 assets and liabilities measured at fair value.

							Assets	Liabilities
2023	Investment Property £m	Loans £m	Debt securities £m	Equity securities £m	Other investments (including derivatives) £m	Investments in subsidiaries £m	Investments in joint ventures & associates £m	Derivative liabilities £m
Opening balance at 1 January	**4,416**	**23,236**	**7,702**	**3**	**764**	**1,186**	**1,019**	**(98)**
Total net (losses)/gains recognised in the income statement[1]	**(203)**	**258**	**101**	**(2)**	**1**	**(78)**	**(83)**	**(40)**
Total net (losses)/gains recognised in other comprehensive income	—	—	—	—	—	—	—	—
Purchases	**795**	**2,725**	**1,507**	**3**	**85**	**79**	**16**	**(10)**
Issuances	—	—	—	—	—	—	—	—
Disposals	**(1,105)**	**(1,514)**	**(462)**	**(2)**	**(125)**	**(306)**	**(349)**	**64**
Settlements	—	—	—	—	—	—	—	—
Transfers into Level 3	—	—	**67**	**22**	**62**	—	**146**	**(16)**
Transfers out of Level 3	—	—	**(2,569)**	—	—	—	—	**54**
Foreign exchange rate movements	—	—	—	—	—	—	—	**3**
Balance at 31 December	**3,903**	**24,705**	**6,346**	**24**	**787**	**881**	**749**	**(43)**

							Assets	Liabilities
Restated[1] 2022	Investment Property £m	Loans £m	Debt securities £m	Equity securities £m	Other investments (including derivatives) £m	Investments in subsidiaries £m	Investments in joint ventures & associates £m	Derivative liabilities £m
Opening balance at 1 January	5,365	26,890	8,810	5	1,027	1,042	961	(167)
Total net gains/(losses) recognised in the income statement	(897)	(6,128)	(1,852)	(7)	(158)	(137)	(24)	(4)
Purchases	178	4,741	2,235	—	49	286	94	(1)
Disposals	(230)	(2,267)	(1,649)	(1)	(153)	(5)	(12)	74
Transfers into Level 3	—	—	666	6	—	—	—	—
Transfers out of Level 3	—	—	(508)	—	(1)	—	—	—
Balance at 31 December	4,416	23,236	7,702	3	764	1,186	1,019	(98)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1(i)).

The principal assets classified as Level 3, and the valuation techniques applied to them, are described below.

(i) Investment in subsidiaries, JVs and associates

Investments in subsidiaries (note 14), joint ventures and associates (note 15) are valued at cost, with the exception of those backing policyholder liabilities which are stated at their fair values. To value private equity investment funds the Company relies on quarterly investment valuation reports received from the fund manager as well as fully audited accounts received on an annual basis. Adjustments to fair values are made to reflect draw downs and distributions made between the date of the most recent valuation report received from the fund manager and the reporting date. In accordance with Solvency II requirements, the Company also undertakes an annual assessment to estimate the extent of uncertainty inherent in the valuation of private equity funds. For valuation of property partnerships refer to note (ii) below.

Notes to the financial statements (continued)

(ii) Investment in property

Investment property is valued in the UK at least annually by external chartered surveyors in accordance with guidance issued by The Royal Institution of Chartered Surveyors and using estimates during the intervening period.

Outside the UK, valuations are produced by external qualified professional appraisers in the countries concerned. The Group's methodology requires external valuers in the UK to apply the 'Sustainability and ESG in commercial property valuation and strategic advice' guidance note issued by The Royal Institution of Chartered Surveyors in December 2021. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations.

Investment properties are valued on an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated rental value of the property. The uplift and discount rates are derived from rates implied by recent market transactions on similar properties. These inputs are deemed unobservable. The yield used to value investment property can vary significantly depending on a number of factors including location, type of property and sector. The yield used to value the portfolio ranges from 242bps to 2620bps (2022: 100bps to 2160bps) with higher yields predominately relating to properties in the retail and leisure sectors. Over 95% of the portfolio is valued using spreads within the range from 242bps to 849bps (2022: 100bps to 810bps).

(iii) Loans

Mortgage loans including commercial property, healthcare, and Private Finance Initiative ("PFI") are valued using a Portfolio Credit Risk Model ("PCRM"). This model calculates a Credit Risk Adjusted Value ("CRAV") for each loan. The contractual cash flows are adjusted for credit risk and discounted using a swap curve and global assumptions for the liquidity premium. The model explicitly calculates the additional return that would be demanded by investors due to uncertainties in the asset cash flows. The mortgage loans have been classified as Level 3 as the liquidity premium is not deemed to be market observable. The liquidity premium used in the discount rate ranges between 140bps to 170bps bps (2022: 110 bps to 115 bps), depending on the type of mortgage, as at 31 December 2023. Future capital expenditure costs of 0.9% per annum (2022: 0.9%) are included in the modelling to address climate change actions, including potential climate-related legislation changes.

Equity release mortgage loans are valued using an internal model, with fair value initially being equal to the transaction price. The value of these loans is dependent on the expected term of the mortgage and the forecast property value at the end of the term, and is calculated by adjusting future cash flows for credit risk and discounting using a yield curve plus an allowance for illiquidity. At 31 December 2023 the illiquidity premium used in the discount rate was 205bps bps (2022: 155 bps). An implicit allowance for the potential impact of climate change is also incorporated in the future property growth rate assumption used to calculate the forecast property value at the end of the term.

The mortgages have a no negative equity guarantee ("NNEG") such that the cost of any potential shortfall between the value of the loan and the realised value of the property, at the end of the term, is recognised by a deduction to the value of the loan. Property valuations at the reporting date are obtained by taking the most recent valuation for the property and indexing using an internal house price index based on published Land Registry data.

NNEG is calculated using base property growth rates reduced for the cost of potential dilapidations, using a stochastic model. In addition, a cost of capital charge is applied to reflect the variability in these cash flows. The base property growth rate assumption is Retail Price Index ("RPI") +0.75% (2022: +0.75%) which includes a reduction to the growth rate of 0.75% (2022: 0.5%) for the potential impact of climate change actions. The modelled growth rates include an adjustment for the 5-year period 2024-2028 to reflect the market view of short-term growth being lower than long-term average growth. The combination of the adjusted rate over the first five years and the base property growth rate equates to a long-term average growth rate of 3.0% per annum at 31 December 2023 (2022: 3.1%) over a twenty-five year projection. After applying the cost of capital charge, dilapidations and the stochastic distribution, the effective net long-term growth rate equates to 0.8% pa (2022: 0.4% pa). An allowance of 0.75% per annum (2022: 0.50%) is included for the potential impact of climate change actions.

Loans and advances to banks are valued using a discounted cash flow ("DCF") methodology whereby risk adjusted cash-flows are discounted to give the present value. The model considers the likelihood of the counterparty defaulting along with the performance of the underlying collateral in the event of counterparty default. Losses occur in scenarios where the counterparty defaults and the value of the collateral is below the loan advanced.

A portfolio of non-PFI infrastructure loans are valued using a DCF methodology. The discount rate is risk free plus a spread above the risk free rate reflecting both credit and illiquidity risk. Credit spreads are assessed based on the rating of each loan and the expected recovery in the event of default.

A portfolio of UK Commercial Real Estate loans are valued using a DCF methodology. The discount rate is risk free plus a spread above the risk free rate reflecting the market rate for new mortgages of comparable credit risk.

(iv) Debt and equity securities

Private, fixed maturity securities held by the Company amounted to £5,888 million (2022: £4,488 million). Comprising a range of different structures and exposures, these assets are all illiquid and are valued using mark to model approaches, which typically discount future cash flows at risk free, plus spreads reflecting credit and illiquidity risk

Marked to market debt is valued using consensus prices or evaluated prices sourced from Refinitiv. Assets are moved to Level 3 if the Refinitiv pricing score is less than 6/10 which indicates a lower quantity and quality of market inputs used in calculating the price.

Notes to the financial statements (continued)

Sensitivities

The valuation of Level 3 assets involves a high degree of judgement and estimation uncertainty due to the reliance of valuation models on unobservable inputs. Where possible, the Company tests the sensitivity of the fair values of Level 3 assets to changes in unobservable inputs to reasonable alternatives. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation. On the basis of the methodology outlined in the table below, the Company is able to perform sensitivity analysis for £37,395 million (2022: £38,326 million) of the Company's Level 3 assets.

The tables below show the sensitivity of the fair value of Level 3 assets and liabilities to changes in unobservable inputs to a reasonable alternative:

2023	Fair value £m	Most significant unobservable input	Reasonable alternative	Sensitivities Positive impact £m	Sensitivities Negative impact £m
Investments in subsidiaries (note 14)					
PLPs and other subsidiaries	**881**	Multiple of IFRS net asset value	±5% of NAV	**44**	**(44)**
Investments in joint ventures and associates (note 15)	**749**	Multiple of IFRS net asset value	±5% of NAV	**37**	**(37)**
Investment property	**3,903**	Expected rental yields	±5%	**195**	**(195)**
Loans					
Commercial mortgages	**6,384**	Illiquidity premium	±20bps	**78**	**(76)**
PFI commercial mortgages	**1,094**	Illiquidity premium	±20bps	**22**	**(22)**
Equity release mortgages	**7,723**	Current property market values	±10%	**133**	**(139)**
		Base property growth rate	+/- 40 bps p.a.	**210**	**(259)**
Loans and advances to banks	**1,050**	Discounts spreads and collateral values	±25bps	**6**	**(6)**
Loans to subsidiaries	**180**	Illiquidity premium	±50bps	**—**	**—**
Infrastructure loans	**8,274**	Illiquidity premium	±20bps / ±25bps	**129**	**(122)**
Debt securities	**6,346**	Credit and liquidity spreads	±25bps on discount spread	**204**	**(204)**
Equity securities					
Unlisted/private equities directly held	**24**	Multiple of IFRS net asset value	+30%/-20%	**7**	**(5)**
Other investments (including derivatives)	**787**	Multiple of IFRS net asset value	+30%/-20%	**236**	**(157)**
Total Level 3 investments	**37,395**			**1,301**	**(1,266)**

Notes to the financial statements (continued)

Restated[1] 2022	Fair value £m	Most significant unobservable input	Reasonable alternative	Sensitivities Positive impact £m	Negative impact £m
Investments in subsidiaries (note 14)					
PLPs and other subsidiaries	1,186	Multiple of IFRS net asset value	±5% of NAV	59	(59)
Investments in joint ventures and associates (note 15)	1,019	Multiple of IFRS net asset value	±5% of NAV	51	(51)
Investment property	4,416	Expected rental yields	±5%	221	(221)
Loans					
Commercial mortgages	6,619	Illiquidity premium	±20bps	85	(83)
PFI commercial mortgages	1,231	Illiquidity premium	±20bps	23	(23)
Equity release mortgages	7,284	Current property market values	±10%	236	(291)
		Base property growth rate	+/- 40 bps p.a.	153	(159)
Loans and advances to banks	1,568	Discounts spreads and collateral values	±25bps	19	(4)
Loans to subsidiaries	160	Illiquidity premium	±50bps	—	—
Infrastructure loans	6,374	Illiquidity premium	±20bps / ±25bps	154	(149)
Debt securities	7,702	Credit and liquidity spreads	±25bps on discount spread	196	(118)
Equity securities					
Unlisted/private equities directly held	3	Multiple of IFRS net asset value	+40%/-10%	—	—
Other investments (including derivatives)	764	Multiple of IFRS net asset value	±10-40%	68	(36)
Total Level 3 investments	38,326			1,265	(1,194)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

The above tables demonstrate the effect of a change in one unobservable input while other assumptions remain unchanged. In reality, there may be a correlation between the unobservable inputs and other factors. It should also be noted that some of these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

(h) Assets and liabilities not carried at fair value for which fair value is disclosed

The table below shows the fair value and fair value hierarchy for those assets and liabilities not carried at fair value.

2023	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Assets and liabilities not carried at fair value				
Loans	—	—	**559**	**559**

Restated[1] 2022	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Assets and liabilities not carried at fair value				
Loans	—	—	568	568

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Notes to the financial statements (continued)

20 – Loans

Carrying amounts

The carrying amounts of loans at 31 December 2023 and 2022 were as follows:

	2023			Restated[1] 2022		
	Mandatorily held at FVTPL £m	At amortised cost £m	Total £m	Mandatorily held at FVTPL £m	At amortised cost £m	Total £m
Loans to banks	**1,050**	**—**	**1,050**	1,568	—	1,568
PFI commercial mortgages	**1,094**	**—**	**1,094**	1,231	—	1,231
Mortgage loans	**14,107**	**—**	**14,107**	13,903	—	13,903
Loans to parent	**—**	**487**	**487**	—	487	487
Loans to subsidiaries	**180**	**72**	**252**	160	81	241
Infrastructure and other loans	**8,274**	**—**	**8,274**	6,374	—	6,374
Total	**24,705**	**559**	**25,264**	23,236	568	23,804

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Of the above total loans, £23,472 million (2022 restated: £21,410 million) are due to be recovered in more than one year after the statement of financial position date.

Loans at fair value
£7,478 million (2022: £7,850 million) of the above mortgage loans and PFI commercial mortgages are Commercial Mortgages. Further details of the fair value methodology are given in note 19.

Further information regarding collateral received on the loans can be found in note 42.

Loans at amortised cost
The carrying amount of these loans at both 31 December 2023 and 31 December 2022 was a reasonable approximation for their fair value.

No impairment provisions were held in respect of these loans (2022: £nil).

21 – 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 holds redeemable shares or units in investment vehicles, which consist of:

							2023
	Interest in Subsidiaries £m	Interest in joint ventures £m	Interest in associates £m	Financial investments £m	Loans £m	Real Estate Long Income £m	Total assets £m
Structured debt securities	**—**	**—**	**—**	**3,620**	**—**	**—**	**3,620**
Other investments and equity securities analysed as:							
Unit trust and other investment vehicles	**—**	**—**	**—**	**121,227**	**—**	**—**	**121,227**
Liquidity funds	**—**	**—**	**—**	**13,742**	**—**	**—**	**13,742**
Property Limited Partnerships ("PLPs") and property funds	**651**	**593**	**156**	**95**	**72**	**—**	**1,567**
Other (including other funds and equity securities)	**208**	**—**	**—**	**319**	**—**	**—**	**527**
Finance Lease	**—**	**—**	**—**	**—**	**—**	**153**	**153**
Loans	**—**	**—**	**—**	**—**	**10,380**	**—**	**10,380**
Total	**859**	**593**	**156**	**139,003**	**10,452**	**153**	**151,216**

Notes to the financial statements (continued)

	Interest in Subsidiaries £m	Interest in joint ventures £m	Interest in associates £m	Financial investments £m	Loans £m	Interest in associates £m	2022 Total assets £m
Structured debt securities	—	—	—	3,379	—	—	3,379
Other investments and equity securities analysed as:							
Unit trust and other investment vehicles	—	—	—	109,760	—	—	109,760
Liquidity funds	—	—	—	16,371	—	—	16,371
Property Limited Partnerships ("PLPs") and property funds	1,132	982	37	96	81	—	2,328
Other (including other funds and equity securities)	279	—	—	136	—	—	415
Finance Lease	—	—	—	—	—	143	143
Loans	—	—	—	—	9,173	—	9,173
Total	1,411	982	37	129,742	9,254	143	141,569

Debt securities which comprise securitisation vehicles that the Company does not originate and those issued by a wholly owned subsidiary Aviva ERFA 15 UK Limited. These securities include debt issued via an SPV, Residential Mortgage-Backed Securities, Commercial Mortgage-Backed Securities, Asset Backed Securities, Asset Backed Commercial Papers, Wrapped Credits Securities and Collateralised Loan Obligation securities.

Unit trust and other investment vehicles which include: private equity funds, unit trusts, Open Ended Investment Companies, Sociétés d'Investissement à Capital Variables, and Tax Transparent Funds.

Other (including other funds and equity securities) which include: a limited liability partnership and derivative assets/liabilities.

The Company's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. The investment manager makes investment decisions after extensive due diligence of the underlying investment vehicle including consideration of its strategy and the overall quality of the underlying investment vehicle's manager. All of the investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance- based incentive fee, and is reflected in the valuation of the investment vehicles.

As permitted under IAS 27, Separate Financial Statements, and under Section 400 of the Companies Act 2006, the Company has elected not to present consolidated financial statements and as such all holdings in structured entities are unconsolidated. The Company does not sponsor any of the unconsolidated structured entities.

As at 31 December , a summary of the Company's interest in unconsolidated structured entities is as follows:

- The maximum exposure to loss of the interests presented above is the carrying amount of the investments and the majority of debt securities above are investment grade securities. Based on the different structures of the securities, in some cases the Company may be required to absorb losses from an unconsolidated structured entity before other parties. Those cases occur when and if the Company's interest is more subordinated with respect to other owners of the same security;
- The Company has granted loans to PLPs classified as subsidiaries, joint ventures and associates for a total of £72 million (2022: £81 million). This amount has been provided for the purpose of short term liquidity funding for commitments to property management joint ventures. In relation to risk management, disclosures on debt securities and investment vehicles are given in note 40;
- The Company has provided letters of support in respect of a number of its investments in PLPs amounting to £28 million (2022: £73 million). The Company has not provided any other financial or other support in addition to that described above as at the reporting date, and there are no intentions to provide support in relation to other unconsolidated structured entities in the foreseeable future; and
- In November 2021 the Company entered into an agreement to provide a liquidity facility to Aviva ERFA 15 UK Limited. Further information on this facility can be found in note 29.

Notes to the financial statements (continued)

22 – Financial investments

(a) Carrying amount

Financial investments comprise:

	2023 £m	2022 £m
Fixed maturity securities		
Debt securities		
UK government	**14,679**	12,849
UK local authorities	**12**	88
Non-UK government (note 22(e))	**5,824**	6,089
Corporate bonds		
Public utilities	**3,531**	3,784
Other corporate	**18,096**	15,805
Other	**1,843**	1,786
	43,985	40,401
Certificates of deposit	**866**	700
	44,851	41,101
Equity securities		
Ordinary shares		
Public utilities	**1,184**	3,182
Banks, trusts and insurance companies	**7,711**	4,637
Industrial miscellaneous and all other	**28,348**	23,284
	37,243	31,103
Non-redeemable preference shares	**6**	43
	37,249	31,146
Other investments		
Unit trusts and other investment vehicles	**121,227**	109,760
Derivative financial instruments (note 41)	**2,708**	2,901
Minority holdings in property management undertakings	**95**	95
	124,030	112,756
Total financial investments	**206,130**	185,003

Financial investments are held mandatorily at fair value through profit or loss (FVTPL) as the investments are managed and their performance evaluated on a fair value basis to support the Company in managing its capital on a regulatory basis (Solvency II).

Of the above financial investments £463 million (2022:£535 million), £116 million(2022:£136 million), £232 million (2022:£288 million) and £396 million (2022: £443 million) are held in Trust on behalf of the Trustees of Friends Provident, West Ferry Printers, John Laing and Pearson Bulk Annuity Schemes respectively. Amounts become payable to the Trustees in the event that the Company is in breach of its payments obligations in respect of policyholder benefits.

Of the above total, £44,133 million (2022: £41,835 million) is due to be recovered in more than one year after the statement of financial position date.

Financial investments include £3,465 million (2022: £3,940 million) in respect of non-cash collateral pledged to third parties where the economic rights are retained by the Company.

(b) Cost, unrealised gains and fair value

The following is a summary of the cost/amortised cost, gross unrealised gains and losses and fair value of financial investments:

	2023				2022			
	Cost/ amortised cost £m	Unrealised gains £m	Unrealised losses and impairments £m	Fair value £m	Cost/amortised cost £m	Unrealised gains £m	Unrealised losses and impairments £m	Fair value £m
Debt securities	**51,153**	**651**	**(6,953)**	**44,851**	49,708	309	(8,916)	41,101
Equity securities	**31,394**	**7,176**	**(1,321)**	**37,249**	26,211	6,805	(1,870)	31,146
Other investments								
Unit trusts and other investment vehicles	**110,047**	**13,514**	**(2,334)**	**121,227**	106,035	3,725	—	109,760
Derivative financial instruments	**(276)**	**3,908**	**(924)**	**2,708**	(72)	2,973	—	2,901
Minority interests	**127**	**10**	**(42)**	**95**	95	—	—	95
	192,445	**25,259**	**(11,574)**	**206,130**	181,977	13,812	(10,786)	185,003

All unrealised gains and losses and impairments on financial investments classified as fair value through profit or loss have been recognised in the income statement.

Unrealised gains and losses on financial investments classified as fair value through profit or loss, recognised in the income statement in the year, were a net gain of £13,639 million (2022: £40,366 million net loss). Of this net gain, £10,631 million net gain (2022: £33 million net loss) related to investments designated as other than trading and £3,008 million net gain (2022: £6,993 net loss) related to financial

Notes to the financial statements (continued)

investments designated as trading. The net loss is primarily driven by a significant increase in interest rates reducing the value of the fixed maturity securities.

(c) Financial investment arrangements

Debt Securities issued by a wholly owned subsidiary Aviva ERFA 15 UK Limited ("ERFA 15") amounting to £402 million (2022: £420 million) have been included in the total value of debt securities. These loan notes were issued by ERFA 15 to the Company as a result of the securitisation of certain equity release mortgages ("ERM"). As the Company was the ultimate beneficial owner of the ERM both before and after the securitisation, the requirements of IFRS 9 do not permit the Company to derecognise the ERM assets which continue to be recognised as loans (see note 20) As a result of non derecognition of the ERM, the Company recognised an inter company liability to ERFA 15, which has been offset against the value of the loan notes, with the net balance being included in the value of debt securities as follows:

	Debt securities £m	Inter company loan £m	Net debt security £m
At 1 January 2023	**7,389**	**(6,969)**	**420**
Additions	**573**	**(573)**	**—**
Repayments	**(482)**	**450**	**(32)**
Fair value gains / (losses)	**445**	**(431)**	**14**
At 31 December 2023	**7,925**	**(7,523)**	**402**

	Debt securities £m	Inter company loan £m	Net debt security £m
At 1 January 2022	8,948	(8,715)	233
Additions	730	(729)	1
Repayments	(472)	445	(27)
Fair value (losses) / gains	(1,817)	2,030	213
At 31 December 2022	7,389	(6,969)	420

(d) Stock lending arrangements

The Company has entered into stock lending arrangements during the year in accordance with established market conventions. The majority of the Company's stock lending transactions occur in the UK, where investments are lent to European Economic Area ("EEA")-regulated, locally domiciled counterparties and governed by agreements written under English law.

The Company receives collateral in order to reduce the credit risk of these arrangements, either in the form of securities or cash. See note 42 for further discussion regarding collateral positions held by the Company.

(e) Non-UK government Debt Securities

The following is a summary of non-UK government debt by issuer as at 31 December 2023 and 31 December 2022, analysed by policyholder, participating and shareholder funds.

	Policyholder		Participating		Shareholder		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Austria	**—**	—	**—**	—	**54**	53	**54**	53
Belgium	**1**	1	**—**	—	**466**	244	**467**	245
France	**5**	5	**—**	5	**2**	324	**7**	334
Germany	**5**	15	**8**	83	**107**	119	**120**	217
Ireland	**—**	—	**—**	22	**—**	—	**—**	22
Italy	**3**	3	**—**	—	**11**	10	**14**	13
Netherlands	**—**	10	**—**	—	**43**	184	**43**	194
Norway	**—**	—	**—**	3	**—**	284	**—**	287
European supranational debt	**3**	13	**57**	120	**942**	1,265	**1,002**	1,398
Other European countries	**4**	3	**251**	299	**843**	263	**1,098**	565
Europe	**21**	50	**316**	532	**2,468**	2,746	**2,805**	3,328
Canada	**1**	1	**6**	7	**190**	212	**197**	220
United States	**32**	30	**1**	1	**580**	540	**613**	571
North America	**33**	31	**7**	8	**770**	752	**810**	791
Asia Pacific and other	**13**	9	**238**	673	**1,958**	1,288	**2,209**	1,970
Total	**67**	90	**561**	1,213	**5,196**	4,786	**5,824**	6,089

Notes to the financial statements (continued)

23 – Receivables

	2023 £m	Restated[1] 2022 £m
Amounts due from parent company	**5**	5
Amounts due from subsidiaries	**27**	18
Amounts due from fellow subsidiaries	**47**	54
Amounts due from brokers for investment sales	**224**	460
Amounts receivable for collateral pledged	**137**	185
Amounts due from government, social security and taxes	**661**	544
Finance lease receivables	**153**	143
Other receivables	**502**	380
Total	**1,756**	1,789

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Of the total receivables, £1,603 million (2022 restated: £1,646 million) is expected to be recovered in less than one year after the statement of financial position date.

24 – Deferred acquisition costs on non-participating investment contracts, other assets, prepayments and accrued income

(a) Carrying amount

The carrying amount comprises :

	2023 £m	Restated[1] 2022 £m
Non-participating investment contracts	**628**	702
Prepayments and accrued income	**2,012**	1,761
Total	**2,640**	2,463

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

(b) Deferred acquisition costs – movements in the year

The movements in deferred acquisition costs during the year were:

	2023 Total £m	Restated[1] 2022 Total £m
Carrying amount at 1 January	**702**	811
Acquisition costs deferred during the year	**21**	19
Amortisation	**(63)**	(111)
Impact of assumption changes	**(32)**	(17)
Carrying amount at 31 December	**628**	702

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Deferred acquisition costs (DAC) on non-participating investment contracts are generally recoverable in more than one year. Of the above total, £573 million (2022 restated: £639 million) is expected to be recovered in more than one year after the statement of financial position date. Where amortisation of the DAC balance depends on projected profits, the amount expected to be recovered is estimated and actual experience will differ.

(c) Other assets, prepayments and accrued income

Of the total other assets, prepayments and accrued income of £2,012 million (2022: £1,761 million) is expected to be recovered in less than one year after the statement of financial position date.

25 – Ordinary share capital

	2023 £m	2022 £m
Allotted, called up and fully paid		
Ordinary shares of £1 each	**3**	3

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

The ordinary shares in issue were reduced to 2,732,162 after the completion of the following share transactions during the prior year:

- In August 2022 £340m share capital was cancelled (340,000,000 ordinary shares of £1 each)

Notes to the financial statements (continued)

- In August 2022 £470m share capital was issued (469,866,387 ordinary shares of £1 each)
- In October 2022 £470m share capital was cancelled (469,866,387 ordinary shares of £1 each)

26 – Retained earnings and capital contribution reserve

	2023			Restated[1] 2022		
	Capital contribution reserve £m	Retained earnings £m	Total £m	Capital contribution reserve £m	Retained earnings £m	Total £m
Balance at 1 January	**1,200**	**3,739**	**4,939**	—	4,040	4,040
Profit/(loss) for the year	—	**555**	**555**	—	(482)	(482)
Dividends paid (note 12)	—	**(1,242)**	**(1,242)**	—	(593)	(593)
Interest paid on other equity instruments	—	—	—	—	(36)	(36)
Capital contribution	—	—	—	1,200	—	1,200
Share capital reduction	—	—	—	—	810	810
Balance at 31 December	**1,200**	**3,052**	**4,252**	1,200	3,739	4,939

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for correction in respect of historic accounting for with profits funds (see note 1).

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to insurance companies under the requirements of Solvency II. Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of regulatory capital requirements. See note 38.

27 – Insurance and reinsurance contracts

For the purpose of this note, all references to insurance contracts include participating investment contracts.

The Company has presented the information about insurance and reinsurance contracts using the following product groups.

Reportable product group	Products and services	Measurement model
Life risk	• Annuities (bulk purchase and individual), term assurance, income protection and critical illness • Includes participating pension saving contracts with guaranteed annuity terms as these contracts are expected to convert to annuity contracts and the predominant characteristics are life risk • Life risk reinsurance excluding reinsurance ceded to other Group companies	GMM
Participating	• With profits savings contracts, unit linked insurance and unit linked participating contracts	Predominantly measured using the VFA. There is some participating business which is measured using the GMM.
Internal reinsurance ceded	• Quota share reinsurance of insurance, participating investment and non-participating investment contracts in the non-profit fund to AIIL.	GMM

This note analyses the following in respect of these insurance and reinsurance contracts:

(a) Carrying amount

(b) Movements in the year

(c) Effect of contracts initially recognised in the year

(d) Contractual service margin emergence

(e) Significant judgements, estimates and assumptions

Notes to the financial statements (continued)

(a) Carrying amount

Insurance and reinsurance contracts at 31 December comprised:

	Note	2023 Life risk £m	2023 Participating £m	2023 Internal reinsurance ceded £m	2023 Total £m	Restated[1] 2022 Life risk £m	Restated[1] 2022 Participating £m	Restated[1] 2022 Internal reinsurance ceded £m	Restated[1] 2022 Total £m
Insurance contracts									
Insurance contract liabilities	27 (b)	**65,796**	**38,131**	**—**	**103,927**	61,049	39,440	—	100,489
Reinsurance contracts									
Reinsurance contract assets	27 (b)	**(4,950)**	**—**	**—**	**(4,950)**	(4,168)	—	—	(4,168)
Reinsurance contract liabilities	27 (b)	**—**	**—**	**570**	**570**	—	—	484	484

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be (recovered)/settled more than 12 months after the reporting date:

	2023 £m	Restated[1] 2022 £m
Insurance contract and participating investment contract liabilities	**97,269**	94,007
Reinsurance contract assets	**(4,520)**	(3,738)
Reinsurance contract liabilities	**626**	532

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

At 31 December 2023 , the maximum exposure to credit risk from insurance contracts is £730 million (2022: £355 million), which primarily relates to premiums receivable for services that the Company has already provided, and the maximum exposure to credit risk from reinsurance contracts is £3,785 million (2022: £3,674 million).

(b) Movements in insurance and reinsurance contract balances

The following movements have occurred in gross insurance contract balances during the year:

	2023 £m	Restated[1] 2022 £m
Carrying amount at 1 January	**100,489**	126,821
Insurance revenue	**(7,211)**	(6,526)
Insurance service expenses	**6,219**	6,126
Insurance finance expense/(income)	**6,369**	(22,963)
Premiums received	**9,043**	7,820
Claims and expenses paid, including investment component	**(10,539)**	(10,294)
Acquisition cash flows	**(443)**	(495)
Carrying amount at 31 December	**103,927**	**100,489**

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Included within the carrying amounts are: the present value of expected future cashflows, representing a best estimate view; risk adjustment for non-financial risk; and CSM representing the unearned profit for future service.

The carrying amount for reinsurance contracts are recognised separately from insurance contract balances. Detailed movements on both are included in sections 27(b)(i) to 27(b)(iii).

The following summarises movements in CSM that have occurred during the year:

	2023 Life risk £m	2023 Participating £m	2023 Internal reinsurance ceded £m	2023 Total £m	Restated[1] 2022 Life risk £m	Restated[1] 2022 Participating £m	Restated[1] 2022 Internal reinsurance ceded £m	Restated[1] 2022 Total £m
CSM in respect of insurance contracts								
At 1 January	**5,386**	**862**	**—**	**6,248**	4,607	872	—	5,479
CSM recognised for services provided	**(685)**	**(109)**	**—**	**(794)**	(549)	(119)	—	(668)
Other movements in CSM	**2,355**	**(18)**	**—**	**2,337**	1,328	109	—	1,437
At 31 December	**7,056**	**735**	**—**	**7,791**	5,386	862	—	6,248
CSM in respect of reinsurance contracts								
At 1 January	**(461)**	**—**	**(2,296)**	**(2,757)**	(69)	—	(2,237)	(2,306)
CSM recognised for services received	**77**	**—**	**265**	**342**	65	—	225	290
Other movements in CSM	**(747)**	**—**	**(198)**	**(945)**	(457)	—	(284)	(741)
At 31 December	**(1,131)**	**—**	**(2,229)**	**(3,360)**	(461)	—	(2,296)	(2,757)
Net CSM at 1 January	**4,925**	**862**	**(2,296)**	**3,491**	4,538	872	(2,237)	3,173
Net CSM at 31 December	**5,925**	**735**	**(2,229)**	**4,431**	4,925	862	(2,296)	3,491

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Notes to the financial statements (continued)

Other movements in CSM include:

- Recognition of additional CSM in respect of new insurance and reinsurance contracts recognised in the year;
- Remeasurement of existing contracts (covering non-financial assumption changes and experience variances for all contracts, plus financial assumption changes and experience variances for contracts in scope of the VFA); and
- For contracts in scope of the GMM, interest accretion on the CSM balance which is recognised within net finance expense/income from insurance contracts.

Each of these items can be seen in more detail in the respective tables in section 27(b)(i) for life risk, 27(b)(ii) for participating and 27 (b)(iii) for internal reinsurance ceded.

For insurance contracts the largest driver of the movement in CSM for both 2022 and 2023 is longevity assumption changes on annuity contracts.

The CSM recognised for services provided on insurance contracts in the year of £794 million (2022: £668 million) is a key component of insurance revenue.

The CSM asset in respect of reinsurance contracts has also increased primarily reflecting lower expected reinsurance recoveries due to longevity assumption changes in the underlying insurance contracts.

The CSM is different to those seen in Group results due to the different Transition approaches between bases. CSM is lower on Entity as no contracts are measured on MRA, and instead more are measured on FVA or FRA approaches.

The following summarises movements in the risk adjustment that have occurred during the year:

				2023				Restated[1] 2022
	Life risk	Participating	Internal reinsurance ceded	Total	Life risk	Participating	Internal reinsurance ceded	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Risk adjustment in respect of insurance contracts								
At 1 January	**1,306**	**60**	**—**	**1,366**	2,534	77	—	2,611
Change in risk adjustment for risk expired	**(93)**	**(3)**	**—**	**(96)**	(166)	(5)	—	(171)
Other movements in risk adjustment	**37**	**2**	**—**	**39**	(1,062)	(12)	—	(1,074)
At 31 December	**1,250**	**59**	**—**	**1,309**	1,306	60	—	1,366
Risk adjustment in respect of reinsurance contracts								
At 1 January	**(499)**	**—**	**(363)**	**(862)**	(971)	—	(574)	(1,545)
Change in risk adjustment for risk expired	**31**	**—**	**32**	**63**	84	—	45	129
Other movements in risk adjustment	**(120)**	**—**	**(96)**	**(216)**	388	—	166	554
At 31 December	**(588)**	**—**	**(427)**	**(1,015)**	(499)	—	(363)	(862)
Net risk adjustment at 1 January	**807**	**60**	**(363)**	**504**	1,563	77	(574)	1,066
Net risk adjustment at 31 December	**662**	**59**	**(427)**	**294**	807	60	(363)	504

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

The change in risk adjustment for risk expired in respect of insurance contracts is recognised in insurance revenue.

The net risk adjustment has decreased in the year. Other movements in risk adjustment include the risk adjustment established on new business (details of which can be seen in note 27(c)), the impact of movements in discount rates, a reduction in the risk adjustment due to changes in longevity assumptions, and for 2023 the impact of reforms to the Solvency II risk margin in the UK.

During 2022, there was a significant fall in net risk adjustment, driven by the large rise in discount rates.

Movements in carrying amounts of insurance and reinsurance contracts

The following reconciliations present the movements in the carrying amounts of insurance and reinsurance contracts in each product group.

For each product group, each table presents a different analysis of the movements in both insurance and reinsurance balances. The first disclosure, split by remaining coverage and incurred claims, presents the income statement items that constitute insurance revenue, insurance service expenses and net expenses from reinsurance contracts. The sum of these items represents the contribution to insurance service result. Movements in the balances relating to finance expenses and cash flows are shown below the insurance service result.

In the second disclosure, split by measurement component (present value of expected future cash flows, risk adjustment and CSM), the movements are presented by driver of change. The insurance service result and subsequent movements have consistent totals across the two disclosure tables.

Notes to the financial statements (continued)

(i) Life risk

Insurance contracts

The following table shows life risk insurance contracts analysed by remaining coverage and incurred claims:

	Note	2023 Liabilities for remaining coverage Excluding loss component £m	2023 Liabilities for remaining coverage Loss component £m	2023 Liabilities for incurred claims £m	2023 Total £m	Restated[1] 2022 Liabilities for remaining coverage Excluding loss component £m	Restated[1] 2022 Liabilities for remaining coverage Loss component £m	Restated[1] 2022 Liabilities for incurred claims £m	Restated[1] 2022 Total £m
Opening liabilities		**59,436**	**519**	**1,094**	**61,049**	78,487	409	966	79,862
Changes in comprehensive income									
Insurance revenue	3	**(6,632)**	**—**	**—**	**(6,632)**	(6,572)	—	—	(6,572)
Contracts under the fair value transition approach		**(4,347)**	**—**	**—**	**(4,347)**	(4,624)	—	—	(4,624)
Other contracts		**(2,285)**	**—**	**—**	**(2,285)**	(1,948)	—	—	(1,948)
Insurance service expenses		**261**	**(145)**	**5,714**	**5,830**	311	103	5,480	5,894
Incurred claims and other insurance service expenses		**—**	**(34)**	**5,714**	**5,680**	—	(52)	5,480	5,428
Amortisation of insurance acquisition cash flows		**261**	**—**	**—**	**261**	311	—	—	311
Losses and reversals of losses on onerous contracts		**—**	**(111)**	**—**	**(111)**	—	155	—	155
Investment components and premium refunds		**(852)**	**—**	**852**	**—**	(1,022)	—	1,022	—
Insurance service result		**(7,223)**	**(145)**	**6,566**	**(802)**	(7,283)	103	6,502	(678)
Net finance expenses/(income) from insurance contracts	4	**3,938**	**21**	**—**	**3,959**	(18,865)	7	—	(18,858)
Total changes in the income statement		**(3,285)**	**(124)**	**6,566**	**3,157**	(26,148)	110	6,502	(19,536)
Cash flows									
Premiums received		**8,658**	**—**	**—**	**8,658**	7,582	—	—	7,582
Claims and other insurance service expenses paid, including investment component		**—**	**—**	**(6,642)**	**(6,642)**	—	—	(6,374)	(6,374)
Insurance acquisition cash flows		**(426)**	**—**	**—**	**(426)**	(485)	—	—	(485)
Total cash flows		**8,232**	**—**	**(6,642)**	**1,590**	7,097	—	(6,374)	723
Closing liabilities		**64,383**	**395**	**1,018**	**65,796**	59,436	519	1,094	61,049

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Notes to the financial statements (continued)

The following table shows life risk insurance contracts analysed by measurement component (contracts measured under the GMM):

2023	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under fair value transition approach £m	Contractual service margin (CSM) Other contracts £m	Contractual service margin (CSM) CSM Total £m	Total £m
Opening liabilities		**54,357**	**1,306**	**3,117**	**2,269**	**5,386**	**61,049**
Changes in comprehensive income							
Changes that relate to current services							
CSM recognised for services provided	3	**—**	**—**	**(363)**	**(322)**	**(685)**	**(685)**
Change in risk adjustment for risk expired		**—**	**(93)**	**—**	**—**	**—**	**(93)**
Experience adjustments		**87**	**—**	**—**	**—**	**—**	**87**
Changes that relate to future services							
Contracts initially recognised in the period		**(590)**	**175**	**—**	**416**	**416**	**1**
Changes in estimates that adjust the CSM		**(1,597)**	**(132)**	**693**	**1,036**	**1,729**	**—**
Changes in estimates that result in losses and reversal of losses on onerous contracts		**(112)**	**—**	**—**	**—**	**—**	**(112)**
Insurance service result		**(2,212)**	**(50)**	**330**	**1,130**	**1,460**	**(802)**
Net finance expenses/(income) from insurance contracts	4	**3,755**	**(6)**	**152**	**58**	**210**	**3,959**
Total changes in comprehensive income		**1,543**	**(56)**	**482**	**1,188**	**1,670**	**3,157**
Premiums received		**8,658**	**—**	**—**	**—**	**—**	**8,658**
Claims and other insurance service expense paid, including investment components		**(6,642)**	**—**	**—**	**—**	**—**	**(6,642)**
Insurance acquisition cashflows		**(426)**	**—**	**—**	**—**	**—**	**(426)**
Total cash flows		**1,590**	**—**	**—**	**—**	**—**	**1,590**
Closing liabilities		**57,490**	**1,250**	**3,599**	**3,457**	**7,056**	**65,796**

Restated[1] 2022	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under fair value transition approach £m	Contractual service margin (CSM) Other contracts £m	Contractual service margin (CSM) CSM Total £m	Total £m
Opening liabilities		72,721	2,534	2,829	1,778	4,607	79,862
Changes in comprehensive income							
Changes that relate to current services							
CSM recognised for services provided	3	—	—	(285)	(264)	(549)	(549)
Change in risk adjustment for risk expired		—	(166)	—	—	—	(166)
Experience adjustments		(118)	—	—	—	—	(118)
Changes that relate to future services							
Contracts initially recognised in the year	c(ii)	(513)	178	—	372	372	37
Changes in estimates that adjust the CSM		(738)	(90)	540	288	828	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		123	(5)	—	—	—	118
Insurance service result		(1,246)	(83)	255	396	651	(678)
Net finance (income) / expense from insurance contracts	4	(17,842)	(1,145)	33	95	128	(18,859)
Total changes in comprehensive income		(19,088)	(1,228)	288	491	779	(19,537)
Premiums received		7,582	—	—	—	—	7,582
Claims and other insurance service expense paid, including investment components		(6,374)	—	—	—	—	(6,374)
Insurance acquisition cashflows		(484)	—	—	—	—	(484)
Total cash flows		724	—	—	—	—	724
Closing liabilities		54,357	1,306	3,117	2,269	5,386	61,049

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Key changes that impact the income statement include the release of CSM for services provided and the release of risk adjustment for expired risks.

Changes that relate to future service include:

• New contracts initially recognised in the year which give rise to a CSM liability representing unearned future profit on service yet to be provided;

Notes to the financial statements (continued)

• Experience variances and assumption changes on profitable contracts that impact the expected fulfilment cash flows and adjust the CSM liability; and

• Recognition of new onerous contracts and experience variances or assumption changes on onerous contracts impacting the income statement immediately.

The changes in estimates that increase the CSM include the effect of both experience variances and assumption changes on expected future cash flows. Assumption changes included in the changes in estimates that adjust the CSM at 31 December 2023 of £1,729 million relate primarily to spouses of BPA scheme members and changes to longevity assumptions. The changes in estimates that increase the CSM at 31 December 2022 of £828m, primarily reflects a change to longevity assumptions.

The net finance expenses from insurance contracts of £3,959 million (2022: £(18,859) million net finance income) recognised in the income statement includes the impact of the change in financial assumptions, the unwind of discounting on the fulfilment cash flows and interest accretion on the CSM. Total movements are driven by discount rate changes in both 2022 and 2023, there were significant increases in discount rates during 2022 with smaller changes in discount rates during 2023.

Reinsurance contracts
The following table shows life risk reinsurance contracts, excluding internal reinsurance ceded to AIIL, analysed by remaining coverage and incurred claims:

		2023				Restated[1] 2022			
		Assets for remaining coverage				Assets for remaining coverage			
	Note	Excluding loss recovery component £m	Loss recovery component £m	Assets for incurred claims £m	Total £m	Excluding loss recovery component £m	Loss recovery component £m	Assets for incurred claims £m	Total £m
Opening assets		**3,750**	**6**	**412**	**4,168**	5,258	(88)	412	5,582
Changes in comprehensive income									
Allocation of reinsurance premiums paid		**(2,576)**	**—**	**—**	**(2,576)**	(2,450)	—	—	(2,450)
Amounts recoverable from reinsurers									
Recoveries of incurred claims and other insurance service expenses		**—**	**3**	**2,453**	**2,456**	14	8	2,210	2,232
Recoveries and reversals of recoveries of losses on onerous underlying contracts		**—**	**(202)**	**—**	**(202)**	—	**88**	—	**88**
Net expenses from reinsurance contracts		**(2,576)**	**(199)**	**2,453**	**(322)**	(2,436)	96	2,210	(130)
Net finance income/(expense) from reinsurance contracts	4	**501**	**—**	**—**	**501**	(1,624)	(2)	—	(1,626)
Effect of movements in exchange rates		**—**	**—**	**—**	**—**	—	—	—	—
Total changes in comprehensive income		**(2,075)**	**(199)**	**2,453**	**179**	(4,060)	94	2,210	(1,756)
Cash flows									
Premiums paid		**3,077**	**—**	**—**	**3,077**	2,493	—	—	2,493
Amounts received		**—**	**—**	**(2,474)**	**(2,474)**	59	—	(2,210)	(2,151)
Total cash flows		**3,077**	**—**	**(2,474)**	**603**	2,552	—	(2,210)	342
Closing assets		**4,752**	**(193)**	**391**	**4,950**	3,750	6	412	4,168

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Notes to the financial statements (continued)

The following table shows life risk reinsurance contracts, excluding internal reinsurance ceded, analysed by measurement component (contracts measured under the GMM):

				Contractual Service Margin (CSM)			
2023	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m	Total £m
Opening assets		**3,208**	**499**	**336**	**125**	**461**	**4,168**
Changes in comprehensive income							
Changes that relate to current services							
CSM recognised for services received	3	**—**	**—**	**(40)**	**(37)**	**(77)**	**(77)**
Change in risk adjustment for risk expired		**—**	**(31)**	**—**	**—**	**—**	**(31)**
Experience adjustments		**(14)**	**—**	**—**	**—**	**—**	**(14)**
Changes that relate to future services							
Contracts initially recognised in the period	c(ii)	**(148)**	**160**	**—**	**(12)**	**(12)**	**—**
Changes in estimates that adjust the CSM		**(669)**	**(71)**	**54**	**686**	**740**	**—**
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts		**(202)**	**—**	**—**	**—**	**—**	**(202)**
Net (expenses) / income from reinsurance contracts		**(1,033)**	**58**	**14**	**637**	**651**	**(324)**
Net finance income from reinsurance contracts	4	**451**	**31**	**15**	**4**	**19**	**501**
Effect of movements in exchange rates		**—**	**—**	**—**	**—**	**—**	**—**
Total changes in comprehensive income		**(582)**	**89**	**29**	**641**	**670**	**177**
Total cash flows		**605**	**—**	**—**	**—**	**—**	**605**
Closing assets		**3,231**	**588**	**365**	**766**	**1,131**	**4,950**

Restated[1]				Contractual service margin (CSM)			
2022	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m	Total £m
Opening assets		4,542	971	177	(108)	69	5,582
Changes in comprehensive income							
Changes that relate to current services							
CSM recognised for services received	3	—	—	(34)	(31)	(65)	(65)
Change in risk adjustment for risk expired		—	(84)	—	—	—	(84)
Experience adjustments		(69)	—	—	—	—	(69)
Changes that relate to future services							
Contracts initially recognised in the year	c(ii)	(152)	152	—	—	—	—
Changes in estimates that adjust the CSM		(359)	(89)	184	264	448	—
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts		88	—	—	—	—	88
Net (expenses) / income from reinsurance contracts		(492)	(21)	150	233	383	(130)
Net finance (expenses) / income from reinsurance contracts	4	(1,184)	(451)	9	—	9	(1,626)
Effect of movements in exchange rates		—	—	—	—	—	—
Total changes in comprehensive income		(1,676)	(472)	159	233	392	(1,756)
Total cash flows		342	—	—	—	—	342
Closing assets		3,208	499	336	125	461	4,168

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The movements in the life risk reinsurance contract assets have the same key drivers as the underlying insurance contracts and are also particularly impacted by the longevity assumption changes, as many of the reinsurance contracts held are in respect of bulk purchase annuities.

Some gross onerous contracts do not have reinsurance in place so movements in the gross loss component occur without a corresponding movement being seen in the reinsurance loss recovery component.

Notes to the financial statements (continued)

(ii) Participating

The following table shows participating insurance contracts analysed by remaining coverage and incurred claims:

		2023				Restated[1] 2022			
		Liabilities for remaining coverage		Liabilities for incurred claims		Liabilities for remaining coverage			
	Note	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening liabilities		**38,886**	**29**	**525**	**39,440**	46,200	(1)	760	46,959
Changes in comprehensive income									
Insurance revenue		**(579)**	**—**	**—**	**(579)**	46	—	—	46
Contracts under the fair value transition approach		**(580)**	**—**	**—**	**(580)**	46	—	—	46
Other contracts		**1**	**—**	**—**	**1**	—	—	—	—
Insurance service expenses		**—**	**13**	**377**	**390**	10	30	192	232
Incurred claims and other insurance service expenses		**—**	**(3)**	**377**	**374**	—	(1)	192	191
Amortisation of insurance acquisition cash flows		**—**	**—**	**—**	**—**	10	—	—	10
Losses and reversals of losses on onerous contracts		**—**	**16**	**—**	**16**	—	31	—	31
Investment components and premium refunds		**(3,835)**	**—**	**3,835**	**—**	(3,493)	—	3,493	—
Insurance service result		**(4,414)**	**13**	**4,212**	**(189)**	(3,437)	30	3,685	278
Net finance expenses / (income) from insurance contracts		**2,410**	**—**	**—**	**2,410**	(4,105)	—	—	(4,105)
Total changes in comprehensive income		**(2,004)**	**13**	**4,212**	**2,221**	(7,542)	30	3,685	(3,827)
Cash flows									
Premiums received		**384**	**—**	**—**	**384**	238	—	—	238
Claims and other insurance service expenses paid, including investment component		**—**	**—**	**(3,898)**	**(3,898)**	—	—	(3,920)	(3,920)
Insurance acquisition cash flows		**(16)**	**—**	**—**	**(16)**	(10)	—	—	(10)
Total cash flows		**368**	**—**	**(3,898)**	**(3,530)**	228	—	(3,920)	(3,692)
Closing liabilities		**37,250**	**42**	**839**	**38,131**	38,886	29	525	39,440

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Notes to the financial statements (continued)

The following table shows participating insurance contracts analysed by measurement component (contracts measured under the VFA):

2023	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m	Total £m
Opening liabilities		**38,518**	**60**	**862**	**—**	**862**	**39,440**
Changes in comprehensive income							
Changes that relate to current services							
CSM recognised for services provided		**—**	**—**	**(109)**	**—**	**(109)**	**(109)**
Change in risk adjustment for risk expired		**—**	**(3)**	**—**	**—**	**—**	**(3)**
Experience adjustments		**(57)**	**—**	**—**	**—**	**—**	**(57)**
Revenue recognised for incurred policyholder tax expenses		**(36)**	**—**	**—**	**—**	**—**	**(36)**
Changes that relate to future services							
Contracts initially recognised in the period		**—**	**—**	**—**	**—**	**—**	**—**
Changes in estimates that adjust the CSM		**20**	**(2)**	**(19)**	**1**	**(18)**	**—**
Changes in estimates that relate to losses and reversal of losses on onerous contracts		**16**	**—**	**—**	**—**	**—**	**16**
Insurance service result		**(57)**	**(5)**	**(128)**	**1**	**(127)**	**(189)**
Net finance expenses from insurance contracts		**2,406**	**4**	**—**	**—**	**—**	**2,410**
Effect of movements in exchange rates		**—**	**—**	**—**	**—**	**—**	**—**
Total changes in comprehensive income		**2,349**	**(1)**	**(128)**	**1**	**(127)**	**2,221**
Premiums received		**384**	**—**	**—**	**—**	**—**	**384**
Claims and other insurance service expense paid, including investment components		**(3,898)**	**—**	**—**	**—**	**—**	**(3,898)**
Insurance acquisition cash flows		**(16)**	**—**	**—**	**—**	**—**	**(16)**
Total cash flows		**(3,530)**	**—**	**—**	**—**	**—**	**(3,530)**
Closing liabilities		**37,337**	**59**	**734**	**1**	**735**	**38,131**

Restated[1] 2022	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m	Total £m
Opening liabilities		46,010	77	872	—	872	46,959
Changes in comprehensive income							
Changes that relate to current services							
CSM recognised for services provided		—	—	(119)	—	(119)	(119)
Change in risk adjustment for risk expired		—	(5)	—	—	—	(5)
Experience adjustments		(78)	—	—	—	—	(78)
Revenue recognised for incurred policyholder tax expenses		449	—	—	—	—	449
Changes that relate to future services							
Contracts initially recognised in the year		—	—	—	—	—	—
Changes in estimates that adjust the CSM		(39)	(11)	50	—	50	—
Changes in estimates that result to losses and reversal of losses on onerous contracts		30	1	—	—	—	31
Insurance service result		362	(15)	(69)	—	(69)	278
Net finance (income) / expense from insurance contracts		(4,162)	(2)	59	—	59	(4,105)
Effect of movements in exchange rates		—	—	—	—	—	—
Total changes in comprehensive income		(3,800)	(17)	(10)	—	(10)	(3,827)
Premiums received		238	—	—	—	—	238
Claims and other insurance service expense paid, including investment components		(3,920)	—	—	—	—	(3,920)
Insurance acquisition cashflows		(10)	—	—	—	—	(10)
Total cash flows		(3,692)	—	—	—	—	(3,692)
Closing liabilities		38,518	60	862	—	862	39,440

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Key changes that impact the income statement include the release of CSM for services provided and experience variances for the period. Other changes that relate to current services include revenue recognised for policyholder tax expenses, representing income tax on policyholders' investment return, charged to the policyholder funds.

Net finance income / expenses mainly represents investment returns on the net assets held in policyholder funds.

There are no Participating Reinsurance contracts.

Notes to the financial statements (continued)

(iii) Internal reinsurance ceded

The internal reinsurance ceded is a liability due to offsetting deposits received from the reinsurer against the other expected future cashflows. These liabilities are shown as negative and assets are shown as positive, consistent with presentation of other reinsurance ceded. The following table shows internal reinsurance ceded contracts analysed by remaining coverage and incurred claims e:

		2023				Restated[1] 2022			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
	Note	Excluding loss recovery component £m	Loss recovery component £m	Assets for incurred claims £m	Total £m	Excluding loss recovery component £m	Loss recovery component £m	Liabilities for incurred claims £m	Total £m
Opening liabilities		**(484)**	—	—	**(484)**	(958)	—	—	(958)
Changes in comprehensive income									
Allocation of reinsurance premiums paid		**(1,306)**	—	—	**(1,306)**	(1,294)	—	—	(1,294)
Amounts recoverable from reinsurers									
Recoveries of incurred claims and other insurance service expenses		—	—	**1,208**	**1,208**	—	—	1,033	1,033
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	—	—	—	—	—	—	—
Adjustments to assets for incurred claims		—	—	—	—	—	—	—	—
Investment components and premium refunds		**(3,669)**	—	**3,669**	—	(2,906)	—	2,906	—
Effect of changes in non-performance risk of reinsurers		—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts		**(4,975)**	—	**4,877**	**(98)**	(4,200)	—	3,939	(261)
Net finance (expense) / income from reinsurance contracts	5	**(387)**	—	—	**(387)**	654	—	—	654
Effect of movements in exchange rates		—	—	—	—	—	—		—
Total changes in comprehensive income		**(5,362)**	—	**4,877**	**(485)**	(3,546)	—	3,939	393
Cash flows									
Premiums paid		—	—	—	—	—	—	—	—
Amounts paid / (received)		**4,877**	—	**(4,877)**	—	4,020	—	(3,939)	81
Settlement of funds withheld balances		**399**	—	—	**399**	—	—	—	—
Total cash flows		**5,276**	—	**(4,877)**	**399**	4,020	—	(3,939)	81
Closing liabilities		**(570)**	—	—	**(570)**	(484)	—	—	(484)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Notes to the financial statements (continued)

The following table shows internal reinsurance ceded contracts analysed by measurement component (contracts measured under the GMM);

	Note	2023 Estimates of present value of future cash flows £m	2023 Risk adjustment for non-financial risk £m	2023 CSM Other contracts £m	2023 Total £m	Restated[1] 2022 Estimates of present value of future cash flows £m	2022 Risk adjustment for non-financial risk £m	2022 CSM Other contracts £m	2022 Total £m
Opening liabilities at 1 January		**(3,143)**	**363**	**2,296**	**(484)**	(3,769)	574	2,237	(958)
Changes in comprehensive income									
Changes that relate to current services									
CSM recognised for services received		—	—	(265)	(265)	—	—	(225)	(225)
Change in risk adjustment for non-financial risk for risk expired		—	(32)	—	(32)	—	(45)	—	(45)
Experience adjustments		199	—	—	199	9	—	—	9
Changes that relate to future services									
Contracts initially recognised in the year		(186)	31	155	—	(127)	11	116	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM		(15)	23	(8)	—	(109)	(16)	125	—
Adjustments to assets for incurred claims		—	—	—	—	—	—	—	—
Effect of changes in non-performance risk of reinsurers		—	—	—	—	—	—	—	—
Net (expense) / income from reinsurance contracts		(2)	22	(118)	(98)	(227)	(50)	16	(261)
Net finance (expense) / income from reinsurance contracts		(480)	42	51	(387)	772	(161)	43	654
Effect of movements in exchange rates		—	—	—	—	—	—	—	—
Total changes in comprehensive income		(482)	64	(67)	(485)	545	(211)	59	393
Premiums paid		—	—	—	—	—	—	—	—
Amounts received		—	—	—	—	81	—	—	81
Settlement of funds withheld balances		399	—	—	399	—	—	—	—
Total cash flows		399	—	—	399	81	—	—	81
Closing liabilities at 31 December		(3,226)	427	2,229	(570)	(3,143)	363	2,296	(484)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

(c) Effect of contracts initially recognised in the year

	2023 Life risk £m	2023 Participating £m	2023 Total £m	2022 Life risk £m	2022 Participating £m	2022 Total £m
Expected premiums from new insurance contracts	8,103	—	8,103	6,955	—	6,955

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts in the year.

(i) Life risk

Insurance contracts

	2023 Profitable contracts issued £m	2023 Onerous contracts issued £m	2023 Total £m	Restated[1] 2022 Profitable contracts issued £m	2022 Onerous contracts issued £m	2022 Total £m
Claims and other insurance service expenses payable	6,772	257	7,029	5,234	714	5,948
Insurance acquisition cash flows	480	5	485	478	16	494
Estimates of present value of cash outflows	7,252	262	7,514	5,712	730	6,442
Estimates of present value of cash inflows	(7,835)	(269)	(8,104)	(6,241)	(714)	(6,955)
Risk adjustment	167	8	175	157	21	178
CSM	416	—	416	372	—	372
Losses recognised on initial recognition	—	1	1	—	37	37

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Notes to the financial statements (continued)

Reinsurance contracts

	2023			Restated[1] 2022		
	Contracts initiated without loss recovery component £m	Contracts initiated with loss recovery component £m	Total £m	Contracts initiated without loss recovery component £m	Contracts initiated with loss recovery component £m	Total £m
Estimates of present value of cash inflows	**4,884**	**499**	**5,383**	4,126	—	4,126
Estimates of present value of cash outflows	**(5,026)**	**(505)**	**(5,531)**	(4,278)	—	(4,278)
Risk adjustment	**146**	**14**	**160**	152	—	152
CSM	**(4)**	**(8)**	**(12)**	—	—	—
Income recognised on initial recognition	**—**	**—**	**—**	—	—	—

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

(ii) Internal reinsurance ceded

	2023			Restated1 2022		
	Contracts initiated without loss recovery component £m	Contracts initiated with loss recovery component £m	Total £m	Contracts initiated without loss recovery component £m	Contracts initiated with loss recovery component £m	Total £m
Estimates of present value of cash inflows	**1,752**	**—**	**1,752**	1,369	—	1,369
Estimates of present value of cash outflows	**(1,566)**	**—**	**(1,566)**	(1,242)	—	(1,242)
Risk adjustment	**(31)**	**—**	**(31)**	(11)	—	(11)
CSM	**(155)**	**—**	**(155)**	(116)	—	(116)
Income recognised on initial recognition	**—**	**—**	**—**	—	—	—

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

(iii) Participating

There is no CSM or Loss Recovery Component effect on Participating business from contracts initially recognised in the year

(d) Contractual service margin emergence

The following table sets out when the Company expects to recognise the remaining CSM in profit or loss after the reporting date for contracts measured under the GMM and VFA, after allowing for future accretion of interest on the CSM for GMM contracts. The amounts presented represent the net impact in each period of expected release of the CSM recognised in revenue less the accretion of interest on the CSM recognised in insurance finance expenses.:

	1 year or less £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5 to 10 years £m	10-15 years £m	15-20 years £m	Greater than 20 years £m	Total £m
31 December 2023										
Insurance contracts										
Life risk	**429**	**373**	**337**	**325**	**313**	**1,386**	**1,122**	**890**	**1,881**	**7,056**
Participating	**67**	**64**	**60**	**56**	**52**	**204**	**115**	**58**	**59**	**735**
	496	**437**	**397**	**381**	**365**	**1,590**	**1,237**	**948**	**1,940**	**7,791**
Reinsurance contracts										
Life risk	**40**	**43**	**43**	**43**	**43**	**196**	**171**	**153**	**399**	**1,131**
Internal reinsurance ceded	**214**	**169**	**146**	**135**	**127**	**525**	**358**	**210**	**345**	**2,229**
	254	**212**	**189**	**178**	**170**	**721**	**529**	**363**	**744**	**3,360**
31 December 2022										
Insurance contracts										
Life risk	325	294	261	251	245	1,098	897	714	1,301	5,386
Participating	60	57	55	53	51	212	143	90	141	862
	385	351	316	304	296	1,310	1,040	804	1,442	6,248
Reinsurance contracts										
Life risk	11	4	7	6	9	51	61	71	241	461
Internal reinsurance ceded	211	197	184	171	157	610	376	218	172	2,296
	222	201	191	177	166	661	437	289	413	2,757

(e) Significant judgements and estimates

This note gives details of the significant judgements made in applying IFRS 17, explaining the inputs, assumptions, methods and estimation techniques used to measure insurance, participating investment and reinsurance contracts. Accounting policy B sets out the critical accounting judgements and the material accounting estimates that are considered particularly susceptible to changes in estimates and assumptions. This note provides further detail of how these are applied in the context of IFRS 17.

Notes to the financial statements (continued)

(i) Business description

The Company underwrites life business in the UK. This is mainly written in the 'Non-Profit' funds and in a number of 'With-Profits' sub-funds. In the 'Non-Profit' funds shareholders are entitled to 100% of the distributed profits. In the 'With-Profits' sub-funds the with-profits policyholders are entitled to between 40% and 100% of distributed profits, depending on the fund rules. There is also the Reattributed Inherited Estate External Support Account (RIEESA), which does not itself underwrite any business, but provides capital support to one of the 'With-Profits' sub-funds and receives any surplus or deficit emerging from it. In the RIEESA, shareholders are entitled to 100% of the distributed profits, but these can only be distributed in line with the criteria set by the Reattribution Scheme.

Significant judgments, estimates and assumptions associated with measuring insurance products and associated reinsurance are outlined below.

(ii) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment (discount rate) to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. A deterministic approach, producing point estimates based on best estimate assumptions, is used for valuing most of the Company's business. The exception is for contracts with embedded options and guarantees, in particular with-profits participation business, where a stochastic approach based on the average of a number of scenarios is used. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, using market variables consistent with observable market prices, where applicable.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. For cashflows which are contractually linked to an index of prices or wages, the Company derives an assumption for future RPI from RPI swap curves, and adjusts this to derive future inflation assumptions for other price and wage indices.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. This includes initial and recurring commissions payable on instalment premiums receivable within the contract boundary. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- costs that the Company will incur in providing investment services;
- costs that the Company will incur in performing investment activities to the extent that the Company performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

Insurance contracts

Group protection policies issued by the Company have terms that are guaranteed for two or three years. The Company determines that the cash flows related to future renewals (i.e. the guaranteed renewable terms) of these contracts are outside the contract boundary. This is because the premium charged for the period reflects the Company's expectation of its exposure to risk for that period and, on renewal, the Company can reprice the premium to reflect the reassessed risks for the next period based on claims experience and expectations for the

Notes to the financial statements (continued)

respective portfolio. Any renewal of the contract is treated as a new contract and is recognised, separately from the initial contract, when the recognition criteria are met.

Pension savings contracts with guaranteed annuity terms allow the policyholder to convert, on maturity of the stated term, the maturity benefit into an immediately starting life-contingent annuity at a predetermined rate. The Company has assessed the contract boundary for the entire contract, including the option, and concluded that the cash flows related to the fulfilment of the annuity option fall within the boundary of the contract. This is because the Company does not have the practical ability to reprice the contract on maturity of the stated term.

Reinsurance contracts
External quota share - The Company manages risks arising from Life insurance contracts through external quota share reinsurance contracts. These reinsurance contracts cover underlying contracts issued within the term on a risk-attaching basis and provides unilateral rights to both the Company and the reinsurer to terminate the cession of new business subject to giving notice to the other party. Notice can usually be given at any time, with termination to new business effective three months from notice being given, albeit a limited number of the Company's quota share reinsurance contract currently stipulate a different notice period. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Company expects to issue and cede under the reinsurance contract within the next three months. Subsequently risks expected to attach beyond the end of this initial notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within the rolling three-month notice period.

Internal quota share - The Company reinsures 30% of liabilities (net of external reinsurance) arising on insurance and investment contracts outside the with-profit funds, to Aviva International Insurance (AIIL) on a quota share basis. The notice period is a year, and notice can be given at any time. The treaty commenced on 1st January 2020, and all future cashflows arising on underlying contracts issued up until the financial reporting date are determined to be within the contract boundary.

Life risk and participating contracts
Death and other claim benefits
Death and other claim benefits are projected using decrements appropriate to each class of business, including persistency, mortality and morbidity.

Mortality assumptions are set with regard to recent Company experience and general industry trends. Local, generally accepted, published standard mortality tables are used for different categories of business as appropriate. The mortality tables used in the valuation for the most material lines of business are summarised below:

Mortality tables used	31 December 2023	31 December 2022
UK business		
Life protection	**AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements**	AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements
Pure endowments and deferred annuities before vesting	**AM00/AF00 adjusted with allowance for improvements**	AM00/AF00 adjusted with allowance for improvements
Ireland business (reinsurance accepted)		
Life protection	**TMS08/TMN08/TFS08/TFN08 adjusted plus allowance for future mortality improvement**	N/A

Annuity payments
The conventional immediate and deferred annuity business is valued by discounting future benefit payments with an allowance for mortality, including future improvements in mortality. Mortality assumptions are set with regard to Company experience and general industry trends. The mortality tables used in the valuation for the most material lines of business are summarised below:

Mortality tables used	31 December 2023	31 December 2022
UK business		
Pensions business and general annuity business	**PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement**	PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement
Bulk purchase annuities	**CV3 plus allowance for future mortality improvement**	CV3 plus allowance for future mortality improvement

For the largest portfolio of pensions annuity business, the underlying mortality assumptions, before risk adjustment for males are 106.6% of PMA16_IND with base year 2016 (2022 restated: 104.1% of PMA16_IND with base year 2016). For females the underlying mortality assumptions, before risk adjustment, are 101.3% of PFA16_IND with base year 2016 (2022 restated: 100.3% of PFA16_IND with base year 2016). The base rates on some contracts are adjusted for lifestyle, medical, and other factors.

Improvements before risk adjustment are based on 'CMI_2022 (S=7.25) Advanced with adjustments' (2022 restated: 'CMI_2021 (S=7.25) Advanced with adjustments') with zero weight on 2022 data within the model. Instead of placing weight on 2022 data within the CMI improvements model, a separate adjustment is made to reflect the impact that the drivers of excess mortality in 2022 and 2023 are expected to have in future years. We use a long-term improvement rate of 1.5% for both males and females (31 December 2022 restated: 1.5% for both

Notes to the financial statements (continued)

males and females) . An allowance has been made to adjust for greater mortality improvements in the annuitant population relative to the general population on which CMI_2022 is based, using a parameter of 0.15% for males and 0.20% for females, tapering to zero between ages 90 and 110 (for 2022 the same approach was taken with respect to CMI_2021). Long-term improvement rates are set to taper to zero between ages 85 and 110 (2022 restated: between 85 and 110).

Expenses
Maintenance expense assumptions for life business are generally expressed as a per policy charge set with regards to an allocation of current year expense levels by category of business and using the policy counts for in-force business. Expenses are generally charged to with-profits funds using a fixed per policy charge in line with a memorandum of understanding between the with-profits funds and the non-profit fund within the company. Any difference between that and the total charge for each policy accrues to the non-profit fund and is also included in the fulfilment cash flows. The assumptions also include an allowance for future expense inflation over the lifetime of each contract, which is assumed to be in line with RPI. An additional liability is held if projected policy expenses in future years are expected to exceed current assumptions. A further allowance is made for non-discretionary project costs that typically relate to mandatory requirements. Investment expense assumptions are generally expressed as a proportion of the assets backing the liabilities.

Discount rates
All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. For the risk-free yield curves, the Company generally uses the risk-free interest rate curves published by the PRA and EIOPA for regulatory reporting, which are based on swap rates and in the UK based on SONIA (Sterling Over Night Index Average). Where necessary, yield curves are interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

The Company uses a bottom-up discount rate for all life insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities are subject to lapse risk or where cashflows depend on underlying asset performance (such as unit-linked and with-profits), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Under the top-down approach, the discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liabilities. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

For the measurement of new annuity business at inception only, the discount rates are based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds.The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 75% for with profits contracts where the value of guarantees on death and maturity means policyholders are less likely to surrender their contracts and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies:

						31 December 2023						31 December 2022
	1 year	5 years	10 years	15 years	20 years	40 years	1 year	5 years	10 years	15 years	20 years	40 years
Life contracts												
Immediate and deferred annuities												
GBP	6.5 %	5.1 %	5.0 %	5.2 %	5.2 %	4.9 %	6.1 %	5.7 %	5.3 %	5.2 %	5.1 %	4.7 %
EUR	4.3 %	3.2 %	3.3 %	3.4 %	3.3 %	3.6 %	3.7 %	3.7 %	3.6 %	3.6 %	3.3 %	3.4 %
Life protection contracts												
GBP	5.1 %	3.7 %	3.6 %	3.7 %	3.8 %	3.5 %	5.0 %	4.6 %	4.2 %	4.1 %	4.0 %	3.6 %
EUR	3.6 %	2.5 %	2.6 %	2.7 %	2.6 %	2.8 %	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
With-profits contracts												
GBP	5.2 %	3.8 %	3.8 %	3.9 %	3.9 %	3.6 %	5.2 %	4.8 %	4.5 %	4.4 %	4.3 %	3.9 %
EUR	3.6 %	2.5 %	2.6 %	2.7 %	2.6 %	2.8 %	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
Unit-linked contracts												
GBP	4.7 %	3.4 %	3.3 %	3.4 %	3.4 %	3.2 %	4.5 %	4.1 %	3.7 %	3.6 %	3.5 %	3.2 %
EUR	3.6 %	2.5 %	2.6 %	2.7 %	2.6 %	2.8 %	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %

The yields used are after a reduction for risk, but before allowance for investment expenses (which are included in the expected future cash flows).

For annuity business, the allowance for risk comprises long-term assumptions for defaults or, in the case of equity release assets, expected losses arising from the No-Negative-Equity Guarantee. These allowances vary by asset category and for some asset classes by rating.

Notes to the financial statements (continued)

The risk allowances made for corporate bonds (including overseas government bonds and structured finance assets), mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets), and equity release equated to 36bps, 25bps, and 89bps respectively at 31 December 2023 (restated 31 December 2022: 35bps, 26bps, and 83bps respectively).

For With-Profits business, the liabilities associated with guarantees and options are measured using a market-consistent stochastic model. The cash flows are discounted at scenario-specific rates calibrated, on average, to be the bottom-up discount rates. Volatility assumptions are set with reference to implied volatility data on traded market instruments, where available, or on a best estimate basis where not.

Volatility	31 December 2023	Restated[1] 31 December 2022
Equity returns	**17.8 %**	19.3 %
Property returns	**15.0 %**	15.0 %

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

The equity volatility used depends on term, moneyness and region. The figure shown is for a sample UK equity, at the money, with a ten-year term.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk reflect the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated with reference to the Company's pricing and capital allocation framework. The calibration leverages the Solvency II view of non-financial risk, considering a lifetime view, and includes diversification between portfolios using correlation matrix techniques.

The risk adjustment for the Company is allocated to the individual contract level, including reinsurance contracts, using provisions for adverse deviation (PADs) applied to the best estimate non-financial assumptions.

For with-profits contracts the risk adjustment reflects the shareholder's interest in the with-profits fund. However, for non-profit contracts in the with-profit funds, the fund is treated as the entity and the risk adjustment reflects a 100% share of the risk, as for other non-profit business.

The Company estimates the Risk Adjustment's corresponding confidence level by comparing the combined value of best estimate cash flows and Risk Adjustment with a distribution of possible outcomes on an ultimate horizon. For life and participating contracts the confidence interval, net of reinsurance corresponds to the 68th percentile (2022: 70th percentile). This is the confidence level that the liabilities recognised and associated reinsurance balances, excluding CSM, are sufficient to cover the ultimate cost of in-force insurance liabilities applying period end assumptions.

Factors which could cause them to change include variations in the Company's risk profile or quantification thereof, for example as might arise from economic factors such as changes in risk-free discount rates or changes in the composition of insurance liabilities. The movements in the value of the net risk adjustment required to move the confidence level by 2.5 percentage points can be seen in the table below. The figures assume that there are no changes in estimate of future cashflows when in reality a lot of factors which influence the risk adjustment calibration will also impact the estimate of future cashflows.

	2023	2022
Movement in net risk adjustment required for 2.5pp confidence level increase	**65**	75
Movement in net risk adjustment required for 2.5pp confidence level reduction	**(65)**	(75)

(iii) Contractual service margin

Determination of coverage units

The amount of CSM recognised in profit or loss to reflect services provided in each year is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. The coverage units are reviewed and updated at each reporting date.

The coverage units used by major product lines are:

Product line	Coverage units
Immediate annuity	Annuity outgo
Deferred annuity	Annuity outgo for insurance service post retirement and weighted expected investment return for the investment return service provided prior to retirement
Individual and Group Protection	Sum assured
Individual and Group Income Protection	Benefit amount payable
Unit linked insurance	Sum assured including unit value
With-profits	Cost of guarantees plus asset share

For deferred annuities, judgement has been applied in determining the appropriate method for measuring coverage units and the weighting of those coverage units across the investment return service provided prior to retirement and the insurance service provided post-retirement. That judgement was supported by evidence of market pricing of these services, resulting in an approach that targets equivalence at retirement with the CSM for immediate annuities (when pricing in an active market) that provide an insurance service equivalent to that provided by the deferred annuities post-retirement.

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The coverage units for the investment return service combine the expected investment return with the weighting that produces the target CSM after allowing for expected retirement date, transfers and commutations. There is limited estimation uncertainty arising when applying this approach, not least because the weighting of services does not directly impact on the measurement of the CSM, instead it impacts on the pattern of CSM release over the long life of these contracts. Expected investment return is calculated using the locked in discount rate throughout the life of the contract, to represent the investment return that policyholders benefit from through the pricing of their contract. Expected rates of transfers taken by retirement date and take up rates for tax free cash (the main commutations taken at retirement in the UK) are not typically subject to significant fluctuations.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

Risk mitigation option
The Company uses derivatives and financial investments to mitigate the financial risk arising from equity and interest rate exposures in UK with-profit funds, in accordance with its documented risk management objective and strategy for mitigating financial risk. An economic offset exists between the insurance contracts and the risk-mitigating items (derivatives and financial investments held at FVTPL), and credit risk does not dominate the economic offset.

For the with-profit sub-fund supported by the RIEESA, the Company has chosen to recognise changes in fulfilment cash flows due to changes in the effect of financial risk not arising from underlying items that are mitigated by the use of derivatives and financial investments held at FVTPL in profit or loss and not to adjust the CSM.

(iv) Investment components
The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components and rights to withdraw are both excluded from insurance revenue and insurance service expenses, and variances between actual and expected cash flows adjust the CSM.

Participating and some non-participating whole-life contracts have explicit surrender values. The non-distinct investment component excluded from insurance revenue and insurance service expenses is determined as the surrender value specified in the contractual terms.

Immediate annuities with a guarantee period contain a non-distinct investment component equal to the value of those guaranteed payments.

Deferred annuities include a non-distinct investment component if all of the following features are present:

- transfer value in the deferral period;
- death benefit in the deferral period; and
- guarantee period once the annuity is in payment.

The investment component excluded from insurance revenue and insurance service expenses is determined as the lower of the present value of each of those possible payments. Any amounts in excess of the investment component, or any payments made under those features that do not qualify as an investment component, are treated as rights to withdraw. In either case, transfer values paid during the deferral period are presented as premium refunds.

(v) Fair value of insurance contracts and measurement of contracts on transition to IFRS 17
The Company has measured the fair value of insurance contracts when it acquired contracts in a business combination and when it applied the fair value approach on transition to IFRS 17.

For further details on the measurement of contracts on transition to IFRS 17, see note 1.

28 – Non-participating investment contracts

This note analyses our liabilities for non-participating investment contracts by type of product and describes the calculation of these liabilities.

(a) Carrying amount

Non-participating investment contracts at 31 December 2023 and at 31 December 2022 comprised:

	2023 £m	Restated[1] 2022 £m
Liabilities for non-participating investment contracts	**149,800**	133,204
Reinsurance assets for non-participating investment contracts	**(4,740)**	(5,318)
Net	**145,060**	127,886

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

(b) Company practice

Investment contracts are those that do not transfer significant insurance risk from the contract holder to the issuer and if they do not contain a significant discretionary participation feature they are treated as financial instruments in scope of IFRS 9.

Many investment contracts contain a discretionary participation feature in which the contract holder has a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts and are measured according to the methodology as prescribed by IFRS 17 insurance contracts.

Notes to the financial statements (continued)

Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at fair value. For non-participating investment contracts designated at FVTPL, the Company elects to present the change in fair value attributable to a change in the credit risk of the contracts in the income statement.

Of the non-participating investment contracts measured at fair value, £149,726 million at 31 December 2023 (2022: £133,174 million) are unit-linked in structure and the fair value liability is equal to the current unit fund value, including any unfunded units, plus if required, additional non-unit reserves based on a discounted cash flow analysis.

These contracts are generally classified as Level 1 in the fair value hierarchy, as the unit reserve is calculated as the publicly quoted unit price multiplied by the number of units in issue, and any non-unit reserve is insignificant.

For unit-linked business, a deferred acquisition cost asset and deferred income reserve liability are recognised in respect of transaction costs and front-end fees respectively, that relate to the provision of investment management services, and which are amortised on a systematic basis over the contract term. The amount of the related deferred acquisition cost asset is shown in note 24 and the deferred income liability is shown in note 35.

For non-participating investment contracts acquired in a business combination, an acquired value of in-force business asset is recognised in respect of the fair value of the investment management services component of the contracts, which is amortised on a systematic basis over the useful lifetime of the related contracts. The amount of the acquired value of in-force business asset is shown in note 13.

(c) Movements in the year

The following movements have occurred in the gross provisions for non-participating investment contracts in the year:

	2023 £m	Restated[1] 2022 £m
Carrying amount at 1 January	**133,204**	142,740
Liabilities in respect of new business	**3,305**	3,436
Expected change in existing business	**(2,324)**	(1,569)
Variance between actual and expected experience	**15,627**	(11,405)
Other movements recognised as an expense	**—**	2
Change in liability	**16,608**	(9,536)
Effect of portfolio transfers, acquisitions and disposals	**(46)**	—
Other movements	**34**	—
Carrying amount at 31 December	**149,800**	133,204

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The variance between actual and expected experience in 2023 of £15.6 billion is largely due to increases in global equity markets.

The following movements have occurred in the reinsurance asset for non-participating investment contracts in the year:

	2023 £m	Restated[1] 2022 £m
Carrying amount at 1 January	**5,318**	5,156
Assets in respect of new business	**88**	409
Expected change in existing business assets	**(261)**	(179)
Variance between actual and expected experience	**(371)**	(66)
Other movements recognised as an expense	**—**	—
Change in asset	**(544)**	164
Effect of portfolio transfers, acquisitions and disposals	**(46)**	—
Other movements	**12**	(2)
Carrying amount at 31 December	**4,740**	5,318

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

29 – Financial guarantees and options

This note details the financial guarantees and options inherent in some of our insurance and investment contracts.

As a normal part of operating activities, the Company has given guarantees and options, including investment return guarantees, in respect of certain long-term insurance products.

For insurance and participating investment contracts, the Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. For contracts with embedded options and guarantees, in particular with-profits business, a stochastic approach based on the average of a number of scenarios is typically used. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

(a) With-profits business

The material guarantees and options relating to with profits business are:

(i) Maturity value guarantees ("MVG") – Substantially all of the conventional With-profits business and a significant proportion of unitised With-profits business have minimum maturity values reflecting the sums assured plus declared annual bonus. For some unitised With-

Notes to the financial statements (continued)

profits life contracts the amount paid after the fifth anniversary is guaranteed to be at least as high as the premium paid increased in line with the rise in RPI or CPI.

(ii) No MVR guarantees – For unitised business, there are a number of circumstances where a 'no MVR' guarantee is applied, for example on certain policy anniversaries, guaranteeing that no market value reduction will be applied to reflect the difference between the accumulated value of units and the market value of the underlying assets.

(iii) Guaranteed annuity options ("GAO") – The Company's With-profits funds have written individual and group pension contracts which contain GAO where the policyholder has the option to take the benefits from a policy in the form of an annuity based on guaranteed conversion rates.

(iv) Guaranteed minimum pension ("GMP") – The Company's With-profits funds also have certain policies which contain a guaranteed minimum level of pension as part of the condition of the original transfer from state benefits to the policy.

(v) In addition, the Company has made promises to certain policyholders in relation to their With-profits mortgage endowments. Top up payments will be made on these policies at maturity to meet the mortgage value up to a maximum of the 31 December 1999 illustrated shortfall.

(b) Non-profit business in the With-profits funds
The material guarantees and options relating to non profit business in the With profits funds are:

(i) Guaranteed unit price on certain products – Certain unit-linked pension products linked to long-term life insurance funds provide policyholders with guaranteed benefits at retirement or death. No provision is required for other guarantees because the investment management strategy for these funds is designed to ensure that the guarantee can be met from the fund, mitigating the impact of large falls in investment values and interest rates.

(c) Non-profit business
The material guarantees and options relating to non profit business are:

(i) GAO – Similar options to those written in the With-profits funds have been written in relation to Non-profit products. Provision for these guarantees does not materially differ from a provision based on a market-consistent stochastic model, and amounts to £24 million at 31 December 2023 *(2022 restated: £28.7 million)*.

(ii) Guaranteed unit price on certain products – Certain unit-linked pension products linked to long-term life insurance funds provide policyholders with guaranteed benefits at retirement or death. Provision is made for guarantees, except where the investment management strategy for these funds is designed to ensure that the guarantee can be met from the fund, mitigating the impact of large falls in investment values and interest rates. An additional provision is made for guarantees in the unit-linked Guarantee Fund.

(iii) Mortgage Protection Guarantee - Some mortgage protection policies include a guarantee that the policy will make up any shortfall between the sum assured on the policy schedule and the amount owed to the mortgage provider in the event of a claim, if certain eligibility conditions are met. Provisions are held to meet the potential shortfall.

(iv) Maturity Value Guarantees - One of the linked funds has offered maturity value guarantees on certain unit-linked products.

(v) Return of Premium guarantees - German Pension products sold in Friends Life between 2006 and 2014 are subject to a Return of Premium guarantee whereby the product guarantees to return the maximum of the unit fund value or total premiums paid (before deductions). Provisions for this guarantee are calculated using a market-consistent stochastic model and amount to £88 million at 31 December 2023 *(2022 restated: £85 million)*.

(d) Sensitivity
In providing these guarantees and options, the Company's capital position is sensitive to fluctuations in financial variables including foreign currency exchange rates, interest rates, real estate prices and equity prices. Interest rate guaranteed returns, such as those available on GAOs, are sensitive to interest rates falling below the guaranteed level. Other guarantees, such as maturity value guarantees and guarantees in relation to minimum rates of return, are sensitive to fluctuations in the investment return below the level assumed when the guarantee was made.

(e) Subsidiaries
On 30 November 2021, the Company entered into an agreement to provide a liquidity facility to its subsidiary Aviva ERFA 15 UK Limited. At 31 December 2023 the total amount available to draw under the facility was £468 million (2022: £479 million), of which £nil million (2022: £nil million) had been drawn by ERFA 15.

Notes to the financial statements (continued)

30 – Tax assets and liabilities

(a) Current tax

Current tax assets recoverable and liabilities payable in more than one year are £79 million and £16 million (2022: £106 million and £16 million respectively).

Current tax assets recoverable in more than one year relate to the claims under the CFC & Dividend Group Litigation Order, to which the Company is a party. This challenged the tax treatment of dividends received from non-UK entities before 2009. The Company is attempting to recover claims from HMRC covered by this judgement. A recoverable balance of £79 million *(2022: £106 million)* is included within current tax assets.

(b) Deferred tax

(i) The balances at 31 December comprise:

	2023 £m	Restated[1] 2022 £m
Deferred tax assets	**537**	872
Deferred tax liabilities	**(49)**	(61)
Net deferred tax asset	**488**	811

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

(ii) The net deferred tax asset/(liability) arises on the following items:

	2023 £m	Restated[1] 2022 £m
Long term business technical provisions and other insurance items	**428**	457
Deferred acquisition costs	**(52)**	(68)
Unrealised gains / (losses) on investments	**(232)**	(181)
Unused losses and tax credits	**11**	69
Life insurance policyholder fund expenses	**321**	521
Provisions and other temporary differences	**12**	13
Net deferred tax asset	**488**	811

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

(iii) The movement in the net deferred tax asset/(liability) was as follows:

	2023 £m	Restated[1] 2022 £m
Net deferred tax asset/(liability) at 1 January	**811**	(139)
Amounts (charged)/credited to the Income statement (note 11(a))	**(323)**	950
Net deferred tax asset at 31 December	**488**	811

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The company has unrecognised temporary differences of £102 million (2022: £102 million) to carry forward against future taxable income. This comprises £102 million of non-trade losses (2022: £102 million).

Deferred tax assets in respect of UK tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. In assessing future profitability, the directors have relied on board approved business plans and profit forecasts for up to 5 years, and the Group history of taxable profits in the UK. Deferred tax assets in respect of the reduction in net assets on the adoption of IFRS 17 are recognised against the expected future profits from the unwind of CSM.

The net deferred tax assets of £488 million (2022: £811million) includes a £232 million deferred tax liability (2022: £181 million deferred tax liability) in respect of unrealised gains on investments and a £321 million deferred tax asset (2022: £521 million deferred tax asset) in respect of expenses deductible in future periods. These deferred tax positions arose as a result of significant market volatility during 2022. These positions reverse as the market recovers. The deferred tax asset relates to UK tax losses which carry forward indefinitely and is recognised based on probable future taxable investment income and gains within 5 years. Assumed investment returns are consistent with actuarial assumptions used in reserving and alternative assumptions modelled by the Company also show full recovery of the deferred tax asset over this period.

Notes to the financial statements (continued)

31 – Provisions

(a) Carrying amounts

	2023 £m	2022 £m
Other provisions	**152**	165
Total provisions	**152**	165

Other provisions includes amounts set aside relating to product governance rectification.

(b) Movements on other provisions

	2023 Total £m	2022 Total £m
At 1 January	**165**	275
Additional provisions	**89**	113
Provisions released during the year	**(49)**	(86)
Charge to income statement	**40**	27
Utilised during the year	**(53)**	(137)
At 31 December	**152**	165

Of the total other provisions, £27 million (2022: £29 million) is expected to be settled more than one year after the statement of financial position date.

32 – Pension obligations

(a) Introduction

The Group operates a number of defined benefit and defined contribution pension schemes. Staff whose costs are recharged to the Company are either members of the Aviva Staff Pension Scheme ("ASPS") or the Friends Provident Pension Scheme ("FPPS") in the UK. They receive benefits on either a defined benefit or defined contribution basis. New entrants join the defined contribution section of the scheme, as the defined benefit scheme is now closed.

Full details of the ASPS are given in note 46 of the Aviva Group Annual Report and Accounts 2023.

The Company makes monthly deficit recovery contributions into the FPPS, a defined benefit pension scheme.

The FPPS has been closed to new members since 1 July 2007 and was closed to active membership on 31 December 2012. The assets of FPPS are held in separate trustee-administered funds to meet long-term pension liabilities to past and present employees. The appointment of trustees is determined by trust documentation. Trustees are required to act in the best interests of the scheme's beneficiaries. The long-term investment objectives of the trustees and the employer are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the scheme. The scheme operates within the UK pensions' regulatory framework.

In the absence of any contractual arrangements or stated policy to allocate the net defined benefit cost for the FPPS, measured in accordance with IAS 19 Employee Benefits, to individual businesses it is the Group's policy to allocate this cost fully to AESL (the statutory employer of the FPPS). The pension surplus/deficit, calculated in accordance with IAS 19, is reflected within the balance sheet of AESL. The cost recognised by the Company is equal to its contribution payable for the period.

The disclosures required by IAS 19 in respect of group pension plans where there is no contractual arrangement or stated policy to allocate the net defined benefit cost are set out in this note.

(b) IAS 19 disclosures

Full details of the ASPS are given in note 46 of the Group Annual Report and Accounts 2023.

The details for the FPPS are given below.

(i) Movements in the scheme's surplus

Movements in the pension scheme's surplus comprise:

Notes to the financial statements (continued)

	Scheme assets £m	Scheme liabilities £m	2023 Pension scheme surplus £m
Net surplus in the Scheme at 1 January	**1,327**	**(1,152)**	**175**
Past service costs – amendments	**—**	**—**	**—**
Administrative expenses	**(4)**	**—**	**(4)**
Net interest on the pension scheme	**63**	**(54)**	**9**
Total recognised income	**59**	**(54)**	**5**
Remeasurements			
Return on scheme assets excluding interest income	**(49)**	**—**	**(49)**
Losses from change in financial assumptions	**—**	**(29)**	**(29)**
Gains from change in demographic assumption	**—**	**14**	**14**
Experience losses	**—**	**(5)**	**(5)**
Total remeasurements recognised in other comprehensive income	**(49)**	**(20)**	**(69)**
Employer contributions	**12**	**—**	**12**
Benefits paid	**(46)**	**46**	**—**
Net surplus in the Scheme at 31 December	**1,303**	**(1,180)**	**123**

	Scheme assets £m	Scheme liabilities £m	2022 Pension scheme surplus £m
Net surplus in the Scheme at 1 January	2,318	(1,969)	349
Past service costs – amendments	—	—	—
Administrative expenses	(4)	—	(4)
Net interest on the pension scheme	43	(36)	7
Total recognised income	39	(36)	3
Remeasurements			
Return on scheme assets excluding interest income	(976)	—	(976)
Gains from change in financial assumptions	—	725	725
Gains from change in demographic assumption	—	97	97
Experience losses	—	(26)	(26)
Total remeasurements recognised in other comprehensive income	(976)	796	(180)
Employer contributions	3	—	3
Benefits paid	(57)	57	—
Net surplus in the Scheme at 31 December	1,327	(1,152)	175

(ii) Scheme assets

Total scheme assets are analysed by those that have a quoted market price in an active market and other, as follows:

	Total quoted £m	Total other £m	2023 Total £m
Bonds			
Fixed interest	**339**	**—**	**339**
Index linked	**615**	**—**	**615**
Pooled investment vehicles	**—**	**328**	**328**
Insurance policies	**—**	**431**	**431**
Repurchase agreements	**—**	**(388)**	**(388)**
Cash and other[1]	**(23)**	**1**	**(22)**
Total fair value of assets at 31 December	**931**	**372**	**1,303**

	Total quoted £m	Total other £m	2022 Total £m
Bonds			
Fixed interest	283	—	283
Index linked	728	—	728
Pooled investment vehicles	—	316	316
Insurance policies	—	432	432
Repurchase agreements	—	(371)	(371)
Cash and other[1]	(36)	(25)	(61)
Total fair value of assets at 31 December	975	352	1,327

1. Cash and other assets comprise cash at bank, receivables and payables.

There are no significant judgements involved in the valuation of the scheme assets.

(iii) Assumptions on scheme liabilities

Notes to the financial statements (continued)

The valuations used for accounting under IAS 19 have been based on the most recent full actuarial valuations, updated to take account of the standard's requirements in order to assess the liabilities of the material schemes at 31 December 2023.

The projected unit credit method
The inherent uncertainties affecting the measurement of scheme liabilities require these to be measured on an actuarial basis. This involves discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. This is an accrued benefits valuation method which calculates the past service liability to members and makes allowance for their projected future earnings. It is based on a number of actuarial assumptions, which vary according to the economic conditions. Changes in these assumptions can materially affect the measurement of the pension obligations.

Financial assumptions
The main financial assumptions used to calculate scheme liabilities under IAS 19 are:

	2023	2022
Inflation rate*	**3.10%**	3.40%
Pension increases	**Relevant inflation assumption with Black-Scholes Model & Caps and floors**	Relevant inflation assumption with Black-Scholes Model & Caps and floors
Deferred pension increases	**RPI assumption less 1.0% over the period before 2030; less 0.0% from 2030**	RPI assumption less 1.0% over the period before 2030; less 0.0% from 2030
Discount rate for non-insured members	**4.5 %**	4.8 %
Discount rate for insured members	**4.5 %**	4.8 %
Basis of discount rate	**AA-rated Corporate Bonds**	AA-rated Corporate Bonds

*Assumptions shown are RPI / CPI single rates. For the FPPS, RPI / CPI swap curves are used, which are broadly equivalent to the single rates disclosed.

The discount rate and pension increase rate are the two assumptions that have the largest impact on the value of the liabilities, with the difference between them being known as the net discount rate. The discount rate is based on current average yields of high quality debt instruments, taking account of the maturity of the defined benefit obligation.

Mortality assumptions
Mortality assumptions are significant in measuring the sponsoring employer's obligations under its defined benefit scheme. The assumptions used are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of the scheme.

The mortality table, average life expectancy and pension duration used at 31 December 2023 for scheme members are as follows:

Mortality table 2023		Life expectancy / (pension duration) at NRA of a male		Life expectancy / (pension duration) at NRA of a female	
	Normal retirement age ("NRA")	Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
Self-Administered Pension Scheme, including allowance for future improvement	60	87.6 (27.6)	89.5 (29.5)	90.0 (30.0)	91.7 (31.7)

Mortality table 2022		Life expectancy / (pension duration) at NRA of a male		Life expectancy / (pension duration) at NRA of a female	
	Normal retirement age ("NRA")	Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
Self-Administered Pension Scheme, including allowance for future improvement	60	87.7 (27.7)	89.5 (29.6)	90.1 (30.1)	91.8 (31.8)

The table makes allowance for observed variations in such factors as age, gender, pension amount, salary and postcode-based lifestyle group, and has been adjusted to reflect recent research into mortality experience. However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption.

Maturity profile of the defined benefit obligation
The FPPS discounted scheme liabilities have an average duration of 15 years.

(iv) Risk management and asset allocation strategy

As noted above, the long-term investment objectives of the trustee and the employer are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-

Notes to the financial statements (continued)

term cost of the scheme. The investment strategy will continue to evolve over time and is expected to match to the liability profile increasingly closely.

The Group works closely with the trustee, who is required to consult with the Group on the investment strategy. Interest rate and inflation risks are managed using a combination of liability-matching assets and derivatives. The other principal risk is longevity risk which is reduced by the insurance contract the FPPS has entered into.

(v) Funding

Formal actuarial valuations normally take place every three years and where there is a deficit, the employer and the trustee would agree a deficit recovery plan. The assumptions adopted for triennial actuarial valuations are determined by the trustee and agreed with the Group and are normally more prudent than the assumptions adopted for IAS19 purposes, which are best estimate.

On 29 July 2022 the FPPS trustees and the employer signed a new deficit recovery plan and supporting schedule of contributions which requires monthly contributions of £10 million per annum increasing each year in line with RPI price inflation payable into the Contingent Capital Account (CCA) from January 2022 to September 2024 or until the scheme is fully funded on the agreed basis. Deficit contributions are payable directly into the scheme if the funding level on the agreed technical provisions basis falls below 100%. During 2023 deficit contributions of £8m were paid to the scheme.

Charges to the Income statement
The total management charge borne by the Company in relation to the ASPS is disclosed below.

	2023 £m	2022 £m
Defined contribution scheme	**24**	24
Total ASPS pension costs	**24**	24

The total management charge borne by the Company in relation to the FPPS is disclosed below.

	2023 £m	2022 £m
Defined benefit scheme	**6**	10
Total FPPS pension costs	**6**	10

33 – Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, most borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the Income statement over the period of the borrowings using the effective interest rate method.

This note shows the carrying values and contractual maturity amounts of each type, and explains their main features and movements during the year.

Movements in carrying amount during the year
All borrowings were repaid in 2022. Movements in borrowings during the year were:

	2023 £m	2022 £m
Balance at 1 January	—	700
Repayment of borrowings, excluding commercial paper	—	(700)
Net cash (outflow)	—	(700)
Movements in the year	—	(700)
Balance at 31 December	—	—

Notes to the financial statements (continued)

34 – Payables and other financial liabilities

This note analyses our payables and other financial liabilities at the end of the year.

	2023 £m	Restated[1] 2022 £m
Payables arising out of non-participating investment contracts	**522**	623
Bank overdrafts	**169**	212
Derivative financial instruments (note 41)	**6,130**	8,167
Amounts due to brokers for investment purchases	**381**	458
Obligations for repayment of cash collateral received	**1,274**	1,735
Lease liabilities	**86**	83
Amounts due to other group companies	**98**	93
Other financial liabilities[2]	**1,581**	1,074
Total	**10,241**	12,445
Expected to be settled within one year	**4,422**	9,125
Expected to be settled more than in one year	**5,819**	3,320
	10,241	12,445

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).
2. Other financial liabilities consist mainly of Interest payable on Interest rate Swaps of £995 million (2022: £615 million) and social security and similar liabilities of £583 million (2022: £450 million)

All payables and other financial liabilities are carried at cost, which approximates to fair value, except for derivative liabilities, which are carried at their fair values and lease liabilities which are carried at the present value of the outstanding lease payments.

35 – Other liabilities

This note analyses our other liabilities at the end of the year.

	2023 £m	2022 £m
Deferred income	**60**	65
Accruals	**806**	482
Total	**866**	547
Expected to be settled within one year	**866**	542
Expected to be settled in more than one year	**—**	5
Total	**866**	547

36 – Contingent liabilities and other risk factors

This note sets out the main areas of uncertainty over the calculation of our liabilities.

(a) Guarantees on long-term savings products

As a normal part of their operating activities, the Company has given guarantees and options, including interest rate guarantees, in respect of certain long-term insurance and investment products. Note 29 gives details of these guarantees and options. In providing these guarantees and options, the Company's capital position is sensitive to fluctuations in financial variables including foreign currency exchange rates, interest rates, property values and equity prices. Interest rate guaranteed returns, such as those available on guaranteed annuity options , are sensitive to interest rates falling below the guaranteed level. Other guarantees, such as maturity value guarantees and guarantees in relation to minimum rates of return, are sensitive to fluctuations in the investment return below the level assumed when the guarantee was made. The directors continue to believe that the existing provisions for such guarantees and options are sufficient.

(b) Regulatory compliance

The FCA and the PRA regulate and authorise the Company's UK business and in addition monitor the financial resources and organisation of the Company as a whole. Between them, the PRA and FCA have 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 directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted. However, all regulated financial services companies face the risk that the 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 could have a negative impact on the Company's reported results or on its relations with current or potential customers. Regulatory action against the Company could result in adverse publicity for, or negative perceptions regarding, 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.

Notes to the financial statements (continued)

(c) Other

In the course of conducting insurance and investment business, the Company receives liability claims, and becomes involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect.

The Company has indemnified the overdrafts of certain other Group companies. In the opinion of the directors, no material loss will arise in respect of these indemnities.

The Company has granted a floating charge to a fellow Group Company, AIIL, in respect of the exposure to the funds withheld by the Company under the terms of a 30% (2022: 30%) quota share reinsurance agreement. The charge, subordinate to policyholders, is issued over the Non-profit fund assets of the Company, excluding the financial investments of the BPA schemes disclosed in note 22 and those providing cover for derivative transactions as required by regulatory reporting regulations.

37 – Commitments

Capital commitments

Contractual commitments for acquisitions or capital expenditures of infrastructure loans, equity funds, investment property and property and equipment, which have not been recognised in the financial statements, are as follows:

	2023 £m	2022 £m
Investment property	**9**	13
Infrastructure loan advances	**104**	384
Equity funds	**221**	404
Property partnerships		
Associates	**—**	2
Joint ventures	**—**	—
Subsidiaries	**51**	57
Investments	**—**	10
Total capital commitments	**385**	870

38 – Capital Structure

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

(a) General

IFRS underpins the Company's capital structure and accordingly the capital structure is analysed on this basis. The Company measures its capital requirements under the Solvency II regime.

(b) Capital management

In managing its capital, the Company seeks to:

(i) match the profile of its assets and liabilities, taking account of the risks inherent in the business;

(ii) maintain financial strength to support new business growth and satisfy the requirements of its policyholders and regulators;

(iii) retain financial flexibility by maintaining strong liquidity; and

(iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company considers not only traditional sources of capital funding but alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital.

(c) Different measures of capital

The Company measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Company operates and those which the directors consider appropriate for the management of the business. The measures which the Company uses are:

(i) Accounting basis

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

(ii) Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on Solvency II which is a Europe-wide prudential regulatory framework that came into force on 1 January 2016, and which has been adopted by the PRA under the transitional approach to the UK's withdrawal from the European Union. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a risk-based capital model. The risk management note (note 40) gives further details.

Notes to the financial statements (continued)

Solvency II "own funds" represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency II regime, and is a closely monitored metric. At 31 December 2023 the Company's own funds under Solvency II were £9,561 million (2022: £10,068 million). The Company's own funds are sufficient to meet its capital requirements under Solvency II. The Company fully complied with the relevant regulatory requirements during the year.

The reconciliation below is between total IFRS funds and total own funds under Solvency II.

	2023 £m	Restated[1] 2022 £m
Total IFRS shareholders' funds	**4,255**	4,942
Adjustments onto a regulatory basis:		
Intangible assets	**(72)**	(18)
Regulatory valuation differences	**7,332**	6,751
Solvency II net assets	**11,515**	11,675
Ring fenced funds restriction	**(1,954)**	(1,607)
Estimated Solvency II shareholder own funds at 31 December	**9,561**	10,068

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1).

Notes to the financial statements (continued)

39 – Statement of cash flows

This note gives further detail behind the figures in the statement of cash flows.

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

	2023 £m	Restated[1] 2022 £m
Profit/(loss) before tax	**938**	(1,420)
Adjustments for:		
(Profit)/loss on sale of:		
Investment property	**5**	1
Subsidiaries, joint ventures and associates	**6**	—
Investments	**(65)**	(629)
	(54)	(628)
Fair value (gains)/losses on:		
Investment property	**197**	896
Investments	**(13,644)**	20,969
Subsidiaries and joint ventures	**156**	151
	(13,291)	22,016
Depreciation of property and equipment	**9**	6
Capitalised issue costs on redeemed equity instrument	**—**	5
Impairment and expensing of:		
Subsidiaries and joint ventures	**—**	10
Amortisation of:		
Premium/discount on debt securities	**384**	28
Premium/discount on non-participating investment contracts	**2**	2
Financial instruments	**—**	280
Acquired value of in-force business and intangibles	**8**	13
	394	323
Interest expense on borrowings	**4**	—
Foreign currency exchange (gains)/losses	**1**	(863)
Changes in working capital		
(Increase)/decrease in reinsurance assets	**(204)**	1,251
Decrease in deferred acquisition costs and prepayments	**74**	108
Increase/(decrease) in insurance liabilities and investment contracts	**20,034**	(35,868)
Increase/(decrease) in reinsurance liabilities	**86**	(474)
(Decrease)/increase in other assets and liabilities	**(20)**	13,554
	19,970	(21,429)
Net purchases of operating assets:		
Net purchases of investment property	**(795)**	(178)
Net proceeds on sale of investment property	**1,105**	230
Net (purchases of) / proceeds from financial investments	**(11,302)**	1,328
	(10,992)	1,380
Total cash used in operating activities	**(3,021)**	(600)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 (see note 1). There is no change in total cash generated from operating activities.

The cash flows presented in this statement cover all the Company's activities and include flows from both policyholder and shareholder activities. Operating cash flows reflect the movement in both policyholder and shareholder controlled cash and cash equivalent balances.

Purchases and sales of investment property / loans and financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims.

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

	2023 £m	2022 £m
Cash at bank and in hand	**1,201**	1,431
Cash equivalents	**16,072**	19,880
Cash and cash equivalents per the statement of financial position	**17,273**	21,311
Bank overdrafts	**(169)**	(212)
	17,104	21,099

Notes to the financial statements (continued)

40 – Risk management

(a) Risk management framework

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

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

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

The Risk Appetite Framework was refreshed during the year, with revised risk appetites considered and approved by the Board; and risk preferences and tolerances considered and approved by the Risk Committee. Since 2021, Climate Risk has been integrated and defined within the overall risk appetite framework as part of the use in risk-based decision-making.

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

Risk models are an important tool in the measurement of risks and are used to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. The Company carries out a range of stress tests (where one risk factor, such as equity returns, is assumed to vary) and scenario tests (where combinations of risk factors are assumed to vary) to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. For those risk types managed through the holding of capital, being the Company's principal risk types except for liquidity risk, the Company measures and monitors its risk profile on the basis of the Solvency II Solvency Capital Requirement ("SCR").

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

Board oversight of risk and risk management across the Company is maintained on a regular basis through its Risk Committee and Conduct Committee. Two management level committees (Executive Risk Committee and Asset Liability Committee) exist to assist executives in the discharge of their delegated authorities in relation to their regulatory responsibilities.

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

(b) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to these risks. Credit risk is taken so that the Company can provide the returns required to satisfy policyholder liabilities and to generate returns to the Company's shareholders.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposures to debt securities, structured asset investments, bank deposits, derivative counterparties, mortgage lending and reinsurance counterparties.

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

The Company did not experience a material increase in credit defaults in 2023, with pro-active management of the credit portfolio in a challenging macroeconomic environment. The Company continues to monitor closely any deterioration in the credit markets. The capital position includes an allowance for the expected potential impacts from downgrades and defaults.

The Company continues to monitor credit quality within its commercial mortgage and equity release mortgage portfolios, specific de-risking actions include phased sales and credit hedging.

(i) Financial exposures by credit ratings

Notes to the financial statements (continued)

Financial assets are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. The following table provides information regarding the aggregated credit risk exposure of the Company for financial assets with external credit ratings.

Whilst not externally rated, the risk characteristics of commercial mortgages are assessed before acquisition and are monitored thereafter.

"Not rated" assets capture assets not rated by external ratings agencies. The majority of non-rated debt securities are allocated an internal rating using a methodology consistent with that adopted by an external rating agency and are considered to be of investment grade credit quality.

The credit quality of receivables and other financial assets is monitored by the Company, and provisions for impairment are made for irrecoverable amounts. In assessing whether assets are impaired, due consideration is given to the factors outlined in accounting policies M, U and W.

As at 31 December 2023	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m	Maximum exposure £m
Debt securities	**3,883**	**19,754**	**9,332**	**5,499**	**100**	**6,283**	**44,851**
Reinsurance contract assets	**—**	**2,751**	**1,063**	**—**	**—**	**5**	**3,819**
Reinsurance assets for non-participating investment contracts	**—**	**2,401**	**2,163**	**176**	**—**	**—**	**4,740**
Other investments	**—**	**—**	**—**	**—**	**—**	**124,030**	**124,030**
Loans	**—**	**—**	**56**	**150**	**—**	**25,058**	**25,264**
Total	**3,883**	**24,906**	**12,614**	**5,825**	**100**	**155,376**	**202,704**

							Restated[1]
31 December 2022	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m	Maximum exposure £m
Debt securities	4,609	17,095	8,623	5,631	192	4,951	41,101
Reinsurance contract assets	—	2,587	1,120	—	—	—	3,707
Reinsurance assets for non-participating investment contracts	—	2,999	1,968	351	—	—	5,318
Other investments	—	—	—	—	—	112,756	112,756
Loans	—	—	44	123	—	23,637	23,804
Total	4,609	22,681	11,755	6,105	192	141,344	186,686

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and the correction in respect of historic accounting for with-profits funds (see note 1).

At 31 December 2023, a significant portion of assets remain investment grade in line with 2022. The Company has remained focused on high quality assets.

The Company's maximum exposure to credit risk of financial assets, without taking collateral into account, is represented by the carrying value of the financial instruments in the Statement of financial position plus guarantees that are set out in note 29, and the undrawn portion of an inter company loan commitment of £55 million (2022: £15 million). These comprise debt securities, reinsurance assets, derivative assets, loans and receivables. For reinsurance contract assets the maximum exposure reflects the carrying value less the value of CSM. The carrying values of these assets are disclosed in the relevant notes: financial investments (note 22), insurance and reinsurance contracts (note 27), loans (note 20), and receivables (note 23). The collateral in place for these credit exposures is disclosed in note 42; Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

To the extent that collateral held is greater than the amount receivable that it is securing, the table above shows only an amount equal to the latter. In the event of default, any over-collateralised security would be returned to the relevant counterparty.

(ii) Other investments

Other investments include: unit trusts and other investment vehicles, derivative financial instruments, representing positions to mitigate the impact of adverse market movements; and other assets includes deposits with credit institutions and minority holdings in property management undertakings.

The credit quality of the underlying debt securities within investment vehicles is managed by the safeguards built into the investment mandates for these funds which determine the funds' risk profiles. The asset quality of unit trusts and other investment vehicles is monitored against set limits.

A proportion of the assets underlying these investments are represented by equities and so credit ratings are not generally applicable. Equity exposures are managed against agreed benchmarks that are set with reference to overall appetite for market risk.

(iii) Loans

The Company's loan portfolio principally comprises:

- Policy loans which are generally collateralised by a lien or charge over the underlying policy;

Notes to the financial statements (continued)

- Loans and advances to banks which primarily relate to loans of cash collateral received in stock lending transactions. These loans are fully collateralised by other securities;
- Healthcare, infrastructure and PFI loans secured against healthcare, education, social housing and emergency services related premises; and
- Mortgage loans collateralised by property assets.

The Company uses loan-to-value; interest and debt service cover; and diversity and quality of the tenant base metrics to internally monitor its exposures to mortgage loans. The Company uses credit quality, based on dynamic market measures, and collateralisation rules to manage our stock lending activities. Policy loans are loans and advances made to policyholders, and are collateralised by the underlying policies.

(iv) Credit concentration risk
The Company is generally not exposed to significant concentrations of credit risk due to compliance with applicable regulations and the Group credit policy and limits framework, which limit investments in individual assets and asset classes.

(v) Reinsurance credit exposures
The Company is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Company operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer. Reinsurance exposures are aggregated with other exposures to ensure that the overall risk is within tolerance. Exposures are actively monitored with escalation to the Chief Financial Officer, Chief Risk Officer, Asset and Liabilities Committee ("ALCO") and the Risk Committee as appropriate.

The Company's largest intra-group reinsurance counterparty is in respect of the quota share reinsurance ceded to AIIL. At 31 December 2023 the estimate of the present value of future cash flows including the balance in respect of funds withheld is a £3,226 million liability *(2022: £3,143 million liability).* The credit exposure under the reinsurance is mitigated by agreeing to withhold a significant portion of the balance due to AIIL (see note 43).

(vi) Securities Finance
The Company has significant securities financing operations. The risks within this activity are mitigated by collateralisation and minimum counterparty credit quality requirements.

(vii) Derivative credit exposures
The Company is exposed to counterparty credit risk through derivative trades. This risk is generally mitigated through holding collateral for most trades. Residual exposures are captured within the Company's credit management framework.

(viii) Unit-linked business
In unit-linked business the policyholder bears the direct market risk and credit risk on investment assets in the unit-funds and the shareholders' exposure to credit risk is limited to the extent of the income arising from asset management charges based on the value of assets in the fund.

(ix) Impairment of financial assets
Impairment is calculated using an expected credit loss model for financial assets measured at amortised cost and lease receivables with reference to historical experience of losses adjusted for forward-looking information as discussed in accounting policy U.

(c) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, foreign currency exchange rates, equity and property prices. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held. The Company seeks some market risks as part of its investment strategy.

The Company manages market risk using its market risk framework and within regulatory constraints, including established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

The management of market risk is undertaken at business unit and at the Group level. The Group Capital team is responsible for monitoring and managing market risk at the overall Group level.

In addition, where the Company's long-term savings business has written insurance and investment products where the majority of investment risks are borne by its policyholders, these risks are managed in line with local regulations and marketing literature, in order to satisfy the policyholders' risk and reward objectives. Company shareholders' exposure to market risk on unit-linked business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

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

(i) Equity price risk
The Company is subject to direct equity price risk arising from changes in the market values of its equity securities portfolio. The Company's most material indirect equity price risk exposures are to policyholder unit-linked funds, which are exposed to a fall in the value of the fund thereby reducing the fees the Company earns on those funds, and participating contracts, which are exposed to a fall in the value of the funds thereby increasing the Company's costs for policyholder guarantees. The full list of material guarantees and options is set out in note 29. The Company also has some equity exposure in shareholder funds through equities held to match inflation-linked liabilities.

Notes to the financial statements (continued)

The Company continues to limit its direct equity exposure in line with its risk preferences. This includes investments in subsidiaries and shareholdings in strategic business partners, with regular management information presented to the Board Investment Committee. The Company's investment limits and investment regulations require that it holds diversified portfolios of assets thereby reducing exposure to individual equities. The Company does not have material holdings of unquoted equity securities.

Equity risk is also managed using a variety of derivative instruments, including futures and options. The Company actively models the performance of equities through the use of risk models, in particular to understand the impact of equity performance on guarantees, options and bonus rates.

Sensitivity of profit and shareholders' equity to changes in equity prices is given in section (g) 'risk and capital management' below.

(ii) Property price risk
The Company is subject to property price risk directly due to holdings of investment properties in a variety of locations and indirectly through investments in property investment vehicles, mortgages, and mortgage backed securities. Investment in property managed by the Company is subject to regulations on investments, liquidity requirements and the expectations of policyholders.

As at 31 December 2023, no material derivative contracts had been entered into to mitigate the effects of changes in property prices. Exposure to property risk on equity release mortgages from sustained underperformance in UK house price inflation is managed by setting suitably low loan to value levels at origination and monitoring levels of business written against agreed credit limits.

Sensitivity of profit and shareholders' equity to changes in property prices is given in section (g) 'risk and capital management' below.

(iii) Interest rate risk
Interest rate risk arises primarily from the Company's investments in long-term debt and fixed income securities and their movement relative to the value placed on the insurance liabilities. A number of policyholder product features have an influence on the Company's interest rate risk. The major features include guaranteed surrender values, GAO, and minimum surrender and maturity values. Details of material guarantees and options are given in note 29.

In respect of LIBOR, significant progress has been made, with a substantive majority of the Company's original exposure already resolved. The Company's only remaining exposure to GBP LIBOR relates to a small number of currently fixed-rate public bonds that would revert to LIBOR-referencing floating rates in the event of a non-call by the issuer at the next call date. We continue to assess the likelihood of this event. At 31 December 2023, £48 million of non-derivative financial assets had yet to transition to an alternative risk-free rate.

The Company has limited appetite for interest rate risk as it does not believe interest rate risk will be adequately rewarded. Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing. The impact of exposure to both low and elevated interest rate environment is considered within our scenario testing.

Increasing interest rates as a result of the monetary policy response to inflationary pressures will positively impact the Company's regulatory capital cover ratio. This could be offset by the negative impact of credit downgrades, counterparty defaults, claims and maintenance expenses and lapse rates if high inflation persists and the economy stagnates or falls. Conversely, rising credit spreads will adversely impact IFRS shareholders' equity, see section (g)(i) Sensitivity test analysis.

The Company typically manages interest rate risk by investing in fixed interest securities which closely match the interest rate sensitivity of the liabilities where such investments are available. In particular, a key objective is to at least match the duration of the Company's annuity liabilities with assets of the same duration, and in some cases where appropriate cash flow matching has been used. These assets include corporate bonds, residential mortgages and commercial mortgages. Should they default before maturity, it is assumed that the Company can reinvest in assets of a similar risk and return profile, which is subject to market conditions. Interest rate risk is also managed using a variety of derivative instruments, primarily interest rate swaps.

Some of the Company's products, principally participating contracts, expose it to the risk that changes in interest rates will impact on profits through a change in the interest spread (the difference between the amounts that the Company is required to pay under the contracts and the investment income the Company is able to earn on the investments supporting the Company's obligations under those contracts).

Other product lines of the Company, such as protection, are less sensitive to interest rate or market movements. For unit-linked business, the shareholder margins emerging are typically a mixture of annual management fees and risk/expense charges. Risk and expense margins will be largely unaffected by interest rates. Annual management fees will vary depending on the value of the underlying unit funds and their growth rate which can be sensitive to interest rates. For the Company's annuities business interest rate exposure is mitigated by closely matching the duration of liabilities with assets of the same duration.

The Company's participating business includes contracts with features such as guaranteed surrender values, GAO, and minimum surrender and maturity values. These liabilities are managed through duration matching of assets and liabilities and the use of derivatives, primarily interest rate swaps.

Sensitivity to changes in interest rates is given in section (g) 'risk and capital management' below.

(iv) Inflation risk
Inflation risk arises primarily from the Company's exposure to inflation linked benefits within the annuity portfolio and expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. Exposure to inflation risk is monitored through capital modelling, sensitivity testing and stress and scenario testing. The Company typically manages inflation risk through its investment strategy and, in particular, by investing in inflation linked securities and through a variety of derivative instruments, including inflation linked swaps.

(v) Currency risk

Notes to the financial statements (continued)

The Company has minimal exposure to currency risk from financial instruments held in currencies other than sterling, as nearly all such holdings are backing either unit-linked or With-profits contract liabilities or mitigated by hedging. As a result the foreign exchange and losses on investments (see note 4) are largely offset by changes in unit-linked and With-profits liabilities and fair value changes in derivatives attributable to changes in foreign exchange rates recognised in the Income statement.

(vi) Derivatives risk
Derivatives are used for efficient investment management, risk hedging purposes, or to structure specific retail savings products. Derivatives are used within policy guidelines agreed by the Board of directors and activity is overseen by the Group Capital and the Group Risk teams, which monitor exposure levels and approve large or complex transactions.

The Company applies strict requirements to the administration and valuation processes it uses, and has a control framework that is consistent with market and industry practice for the activity that is undertaken.

(vii) Correlation risk
The Company recognises that lapse behaviour and potential increases in consumer expectations are sensitive to and interdependent with market movements and interest rates. These interdependencies are taken into consideration in the internal capital model and in scenario analysis.

(d) Liquidity risk
Liquidity risk is the risk that financial obligations to policyholders and other relevant external and internal parties cannot be met in a timely and cost-effective manner as they fall due. Liquidity issues may arise from uncertainty in the value and timing of liabilities as well as uncertainty in the ability to realise assets as cash to meet obligations.

The relatively illiquid nature of insurance liabilities is a potential source of additional investment return by allowing investment in higher yielding, but less liquid assets such as commercial mortgages. The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a liquidity risk policy and business standard. The Company has a liquidity risk appetite which requires that sufficient liquid resources be maintained to cover net outflows in a stress scenario. The Company monitors its position relative to its agreed liquidity risk appetite.

The Company uses derivative contracts to manage interest rate, inflation and foreign-exchange risks. While interest rates have oscillated over 2023, the Company has not experienced the sharp and rapid rise in interest rates seen at the end of the third quarter of 2022. Following the experience in 2022, the liquidity buffers were strengthened and the Company has sufficient liquidity to withstand a similar liquidity squeeze.

The Company has access to two external undrawn committed borrowing facilities totalling £325m which were entered into in 2020 and expire in 2024.

In extreme circumstances the Company would approach the Group for additional short-term borrowing whilst the Company liquidated other assets.

Maturity analysis
The following tables show the maturities of the Company's insurance and investment contract liabilities, and of the financial assets held to meet them. A maturity analysis of the contractual amounts payable for borrowings, payables, other financial liabilities and derivatives is given in notes 33, 34, 35, and 41, respectively. Contractual obligations under operating capital commitments are given in note 37.

(i) Analysis of maturity of insurance and investment contract liabilities
For insurance and participating investment contract liabilities, including reinsurance contract liabilities, the following table shows the estimates of the present value of future cash flows at 31 December 2023 and 2022 analysed by estimated timing.

For non-participating investment contracts, almost all may be surrendered or transferred on demand. The earliest contractual maturity date is therefore 2023 statement of financial position date, for a surrender amount approximately equal to the current statement of financial position liability.

However, we expect surrenders, transfers and maturities to occur over many years, and therefore the table below reflects the expected cash flows for these contracts, rather than their contractual maturity date.

As at 31 December 2023	On demand or within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-15 years £m	Over 15 years £m	Total £m
Long-term business								
Insurance contract liabilities – Life risk	**2,848**	**1,993**	**2,012**	**2,073**	**2,116**	**20,064**	**26,384**	**57,490**
Insurance contract liabilities – Participating	**3,267**	**2,040**	**1,951**	**1,879**	**1,969**	**15,357**	**10,874**	**37,337**
Reinsurance contract liabilities	**177**	**175**	**167**	**162**	**167**	**1,337**	**1,041**	**3,226**
Non - participating investment contract liabilities	**491**	**438**	**2,143**	**3,394**	**4,177**	**48,797**	**90,360**	**149,800**
Total contract liabilities	**6,783**	**4,646**	**6,273**	**7,508**	**8,429**	**85,555**	**128,659**	**247,853**

Notes to the financial statements (continued)

As at 31 December 2022	On demand or within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-15 years £m	Over 15 years £m	Total £m
Long-term business								
Insurance contract liabilities – Life risk	2,873	2,224	2,230	2,228	2,243	20,358	22,201	54,357
Insurance contract liabilities – Participating	3,178	2,099	2,083	1,987	1,903	16,385	10,883	38,518
Reinsurance contract liabilities	180	164	162	156	151	1,311	1,019	3,143
Non - participating investment contract liabilities	436	389	1,905	3,017	3,713	43,422	80,322	133,204
Total contract liabilities	6,667	4,876	6,380	7,388	8,010	81,476	114,425	229,222

The amounts from insurance and investment contract liabilities that are payable on demand are set out below.

	2023 Amount payable on demand £m	2023 Carrying value £m	2022 Amount payable on demand £m	2022 Carrying value £m
Insurance contract liabilities – Life risk	**10,937**	**10,884**	9,170	9,160
Insurance contract liabilities – Participating	**36,802**	**37,029**	37,431	38,184
Non - participating investment contract liabilities	**149,726**	**149,800**	133,129	133,204
Total	**197,465**	**197,713**	179,730	180,548

(ii) Analysis of maturity of financial assets

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise. The Company also has non-financial assets, such as investment property of £3,903 million (*2022: £4,416 million)*, for which a maturity analysis has not been provided.

As at 31 December 2023	On demand or within 1 year £m	1-5 years £m	Over 5 years £m	No fixed term £m	Total £m
Debt securities	**3,075**	**7,781**	**33,995**	**—**	**44,851**
Equity securities	**—**	**—**	**—**	**37,249**	**37,249**
Other investments (including derivatives)	**121,673**	**232**	**2,125**	**—**	**124,030**
Loans	**1,642**	**4,981**	**18,491**	**150**	**25,264**
Cash and cash equivalents	**17,273**	**—**	**—**	**—**	**17,273**
Total	**143,663**	**12,994**	**54,611**	**37,399**	**248,667**

As at 31 December 2022	On demand or within 1 year £m	1-5 years £m	Over 5 years £m	No fixed term £m	Restated[1] Total £m
Debt securities	2,068	9,708	29,325	—	41,101
Equity securities	—	—	—	31,146	31,146
Other investments (including derivatives)	109,954	393	2,409	—	112,756
Loans	2,234	3,980	17,430	160	23,804
Cash and cash equivalents	21,311	—	—	—	21,311
Total	135,567	14,081	49,164	31,306	230,118

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17(see note 1). In addition the 2022 comparative results for equity securities have been restated from'On demand or within 1 year' to 'No fixed term'.

The assets above are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company. Where an instrument is transferable back to the issuer on demand, such as a unit trust or similar type of investment vehicle, it is included in the 'On demand or within 1 year' column. Debt securities with no fixed contractual maturity date are generally callable at the option of the issuer at the date the coupon rate is reset under the contractual terms of the instrument. The terms for resetting the coupon are such that the Company expects the securities to be redeemed at this date, as it would be uneconomic for the issuer not to do so, and for liquidity management purposes the Company manages these securities on this basis. The first repricing and call date is normally ten years or more after the date of issuance.

Most of the Company's investments in equity securities and debt securities are market traded and therefore, if required, can be liquidated for cash at short notice in unstressed circumstances.

Notes to the financial statements (continued)

(e) Life insurance risk

(i) Types of risk

Life insurance risk in the Company arises through its exposure to longevity risk, mortality risk and morbidity risk, and exposure to worse-than-anticipated operating experience on factors such as persistency levels, exercising of policyholder options and management and administration expenses.

Longevity risk remains the most significant life insurance risk due to the Company's annuity portfolio. The Company has purchased reinsurance for some of the longevity risk relating to the annuity business.

Reinsurance is in place to reduce our net exposure to potential losses. The Company has extensive quota share reinsurance in place on Individual Life Protection business and for Group Life Protection the Company uses surplus reinsurance for very large individual claims.

More generally, life insurance risks are believed to provide a significant diversification against other risks in the portfolio. Life insurance risks are modelled within the internal capital model and are subject to sensitivity and stress and scenario testing. COVID-19 has continued to present uncertainty, but overall the Company expects limited future impact to the business. The potential impacts of climate change also present uncertainty regarding future insurance risk experience, and these are considered when setting assumptions for future experience.

Recent persistency experience has been generally resilient to cost-of-living pressures and has not shown significant deterioration in the short term. There remains some uncertainty about the potential for this to continue, which is being monitored closely. External factors that may impact future persistency experience include prolonged high inflation and interest rates, increased stock-market volatility and changes in legislation.

(ii) Risk management

The Company has developed a policy for the management of life insurance risk and guidelines for the practical application of key areas of life insurance practice. The impact of life insurance risk is monitored by the Company as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities, the asset liability management framework, the operation of the Deals Governance Framework that includes economic capital assessment of insurance risk-related deals, profit reporting under IFRS, Stress & Scenario analysis, and the Internal Model process. The individual life insurance risks are managed as follows:

- Mortality and morbidity risks are managed through comprehensive medical underwriting, input and advice from medical experts, as well as frequent monitoring and analysis of the Company's experience. Reinsurance treaties are in place to provide further mitigation.
- Longevity risk is managed through monitoring and analysis of the Company's experience as well as considering the latest external industry data and emerging trends. Reinsurance treaties are in place to provide further mitigation.
- Persistency risk is managed through frequent monitoring of the Company's experience, and benchmarking against local market information and expectations. Generally, persistency risk arises from customers lapsing their policies earlier than has been assumed. Lapses and their associated financial impact are reduced through appropriate design of products to meet current and, where possible, future customer needs. The Company also implements specific initiatives to improve the retention of policies that may otherwise lapse.
- Expense risk is primarily managed through robust cost controls and efficiency targets, together with frequent monitoring of expense levels.

In addition to economic capital modelling and Stress & Scenario analysis, Solvency II reporting uses sensitivity testing to measure the impact on the Solvency II closing balance sheet due to exposure to life insurance risks. This enables the Company to determine whether action is required to reduce risk, or whether that risk is within the overall risk appetite.

(iii) Risk concentrations

The Company writes a diverse mix of business that is subject to similar risks (mortality, persistency etc). The Company assesses the relative costs and concentrations of each type of risk through the Internal Model. This analysis enables the Company to assess whether accumulations of risk exceed risk appetite.

The main concentrations of insurance risk for the Company are persistency and longevity, with lesser levels of mortality and morbidity risks. The Company continually monitors these risks and the opportunities for mitigating actions through use of reinsurance, improved asset liability matching, or innovative solutions that emerge in the market.

Internal Model analysis helps identify both concentrations of risk types and the benefits of diversification of risk.

(iv) Embedded derivatives

The Company is exposed to the risk of changes in policyholder behaviour due to the exercise of options, guarantees and other product features embedded in its long-term savings products. These product features offer policyholders varying degrees of guaranteed benefits at maturity or on early surrender, along with options to convert their benefits into different products on pre-agreed terms.

Examples of each type of embedded derivative affecting the Company are:

- Options: call, put, surrender and maturity options, GAO, options to cease premium payment, options for withdrawals free of market value adjustment, annuity options, and guaranteed insurability options.
- Guarantees: embedded floor (guaranteed return), maturity guarantee, guaranteed death benefit, and guaranteed minimum rate of annuity payment.

Notes to the financial statements (continued)

- Other: indexed interest or principal payments, maturity value, loyalty bonus.

The impact of these is reflected in the capital model and managed as part of the asset liability framework. Further disclosure on financial guarantees and options embedded in contracts and their inclusion in insurance and investment contract liabilities is provided in note 29.

(f) Operational risk

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

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

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

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

The Company continues to implement measures to improve and embed the Group's operational resilience in response to new PRA and FCA operational resilience regulations (including outsourcing and critical third-party risk management) which will come into effect on 31 March 2025. This includes a programme of resilience and crisis response testing to ensure customer harm is minimised and the continued financial safety and soundness of Aviva's business. Operational resilience disciplines and assessments have been used in response to global events, including: changes to the geo-political environment, financial market instability and the continuity of winter power supplies.

The Company relies on several outsourcing providers for critical business processes, customer servicing, investment operations and IT support. To manage the risk of failure of a critical outsourcing provider, businesses are required to identify business critical outsourced functions (internal and external) and for each to have exit and termination plans, and business continuity and disaster recovery plans in place in the event of supplier failure, which are reviewed annually. The Company also carries out supplier financial stability reviews at least annually.

Increasing geo-political tensions have heightened the risk of cyber security attacks on the Company or its suppliers, with the potential to cause business service interruption and/or data or intellectual property theft. In response the Company continues to actively monitor the threat environment and enhance its IT infrastructure and Cyber controls to identify, detect and prevent attacks. Aviva's Cyber defences are regularly tested using our own 'ethical hacking' team and the Company has engaged with suppliers to put in place all reasonable measures so that services to Aviva and its customers are protected.

Action is in hand to strengthen the control framework for the current risks Generative Artificial Intelligence presents as well as exploit the opportunities for process efficiency, better pricing and underwriting, product personalisation and improved customer service.

The Company actively monitors social and other media in order to manage misinformation about the business, products, colleagues and customers should the Company be targeted by a hostile actor in the context of the situation in Ukraine or elsewhere, taking corrective media action if necessary.

The Company is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, media speculation and negative publicity, disclosure of confidential client information, inadequate services, whether or not founded, as well as wider geo-political and economic external events or trends, could impact the Company's brands or reputation. Any of the Company's brands or reputation could also be affected if products or services recommended by the Company (or any of our intermediaries) do not perform as expected (whether or not the expectations are founded) or customers' expectations of the product change.

Products and business processes are designed so that the Company treats customers fairly and make use of various metrics to assess its performance, including customer advocacy, retention and complaints. Failure to treat customers fairly is counter to the Company's purpose, values and culture and could result in regulatory action and penalties, as well as impact the Company's brands and/or reputation.

The FCA Consumer Duty ("the Duty") requires firms to 'act to deliver good customer outcomes' by managing the risks posed to those good outcomes; these are our customer conduct risks. To meet the July 2023 implementation deadline, the Company refreshed the conduct risk appetite and sharpened guidance around good customer outcomes and foreseeable harm. Senior Manager role profiles and their statements of responsibility have been refreshed and the Company revised strategy agendas to enhance the focus on customer outcomes and reviewed coverage of customer outcomes in monitoring. Policies and business standards (including those relating to people and reward) have been updated where needed.

(g) Risk and capital management

(i) Sensitivity test analysis

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of capital requirements and to manage its capital more efficiently. Risk based capital models are used to support the quantification of risk under the Solvency II framework. Management undertakes a quarterly review of risk, the output from which is a key input into the risk-based capital assessments. Primarily, a risk-based capital model and scenario tests are used. Sensitivities to economic and operating experience are regularly produced on financial performance measurements to inform the Company's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which the Company is exposed.

Notes to the financial statements (continued)

(ii) Life insurance and investment contracts

The nature of long-term business is such that a number of assumptions have been made in compiling these financial statements. Assumptions are made about investment returns, expenses, mortality and morbidity rates, and persistency in connection with the in-force policies. Assumptions are best estimates based on historical and expected experience of the business. A number of the key assumptions are disclosed elsewhere in these statements.

(iii) Sensitivity test results

Illustrative results of sensitivity testing for long-term business are set out below. For each sensitivity test the impact of a change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity factor applied
Market risk variables	
Interest rate and investment return	The impact of a change in market interest rates by ± 1%
Credit spreads	The impact of a 0.5% increase in credit spreads over risk free interest rates on corporate bonds and other non-sovereign credit assets. The test allows for any consequential impact on liability valuations. Commercial mortgages and equity release mortgages are included in this sensitivity
Equity market values	The impact of a change in equity market values by ± 10%
Property market values	The impact of a change in property market values by ± 10%
Underwriting risk variables	
Expenses	The impact of an increase in maintenance expenses by 10%
Lapses/surrenders	The impact of an increase in lapse or surrender rates by 10%
Assurance mortality/morbidity	The impact of an increase in mortality/morbidity rates for assurance contracts by 2%.
Annuitant mortality	The impact of a reduction in mortality rates for annuity contracts by 2%

Market risk variables

For business where the change in market risk variables could impact on profit, the following table presents how a possible shift in those variables might impact insurance and investment contract balances, the corresponding investment assets, profit before tax and shareholders' equity after tax, all net of reinsurance. For business (including with-profits funds and unit-linked contracts) where changes in the market risk variables result in movements that offset to nil, having no overall impact on profit or shareholders' equity, the offsetting movements in the insurance and investment contract balances and investment assets are excluded from this sensitivity analysis:

	Net insurance/investment contracts balances				
31 December 2023 impact £m	CSM	Profit or loss	Investment assets Profit or loss	Total profit before tax	Shareholder's equity after tax
100 bps increase in interest rate	—	3,298	(4,048)	(750)	(563)
100 bps decrease in interest rate	—	(3,914)	4,793	879	659
50 bps increase in corporate bond spread	8	967	(1,438)	(463)	(347)
50 bps decrease in corporate bond spread	(9)	(1,233)	1,737	495	371
10% increase in market value of equity	(39)	(442)	186	(295)	(221)
10% decrease in market value of equity	39	440	(183)	296	222
10% increase in value of property	(17)	(69)	64	(22)	(17)
10% decrease in value of property	(17)	69	(64)	22	17

	Net insurance/investment contracts balances				
31 December 2022 impact £m	CSM	Profit or loss	Investment assets Profit or loss	Total profit before tax	Shareholder's equity after tax
100 bps increase in interest rate	—	3,338	(4,083)	(745)	(595)
100 bps decrease in interest rate	—	(3,981)	4,849	868	694
50 bps increase in corporate bond spread	8	933	(1,314)	(373)	(299)
50 bps decrease in corporate bond spread	(10)	(1,226)	1,623	387	310
10% increase in market value of equity	(34)	(445)	196	(283)	(227)
10% decrease in market value of equity	36	455	(193)	298	239
10% increase in value of property	(20)	(86)	91	(15)	(13)
10% decrease in value of property	21	87	(91)	17	14

Notes to the financial statements (continued)

Underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact insurance and reinsurance contract balances, profit before tax and shareholders' equity after tax. The affected underlying insurance contracts and related reinsurance contracts are measured under IFRS 17 and the impacts on fulfilment cash flows (FCF) and on the CSM are shown separately as these components are not fully symmetrically impacted by possible changes in assumptions.

	Insurance contracts balances			Reinsurance contracts balances				
31 December 2023 impact £m	FCF	CSM	Profit or loss	FCF	CSM	Profit or loss	Total profit before tax	Shareholder's equity after tax
Life insurance business								
10% increase in expenses	(108)	110	1	3	(6)	(2)	(1)	(1)
10% increase in lapse rates	43	(79)	(36)	(35)	52	17	(19)	(15)
2% increase in assurance mortality	(188)	215	27	129	(153)	(24)	3	2
2% decrease in annuitant mortality	(295)	379	84	167	(255)	(88)	(4)	(3)

	Insurance contracts balances			Reinsurance contracts balances				
31 December 2022 impact £m	FCF	CSM	Profit or loss	FCF	CSM	Profit or loss	Total profit before tax	Shareholder's equity after tax
Life insurance business								
10% increase in expenses	(100)	107	7	3	(6)	(2)	5	3
10% increase in lapse rates	49	(78)	(30)	(40)	56	16	(13)	(11)
2% increase in assurance mortality	(179)	202	23	132	(151)	(19)	4	4
2% decrease in annuitant mortality	(270)	341	71	146	(219)	(73)	(2)	(2)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there may be a correlation 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 account that the assets and liabilities are actively managed and may vary 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 risks that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

Notes to the financial statements (continued)

41 – Derivative financial instruments

This note gives details of the various financial instruments the Company uses to mitigate risk.

The Company uses a variety of derivative financial instruments, including both exchange traded and over-the-counter instruments, in line with our overall risk management strategy. The objectives include managing exposure to market, foreign currency and/or interest rate risk on existing assets or liabilities, as well as planned or anticipated investment purchases.

In the narrative and tables below, figures are given for both the notional amounts and fair values of these instruments. The notional amounts reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transaction. They do not reflect current market values of the open positions. The fair values represent the gross carrying values at the year end for each class of derivative contract held (or issued) by the Company.

The fair values do not provide an indication of credit risk, as many over-the-counter transactions are contracted and documented under International Swaps and Derivatives Association ("ISDA") master agreements or their equivalent. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure. In addition, the Company has collateral agreements in place with the relevant counterparties. Refer to note 42 for further information on collateral and net credit risk of derivative instruments.

(a) Derivatives

The Company did not apply hedge accounting to derivatives at 31 December 2023 and 31 December 2022:

(i) The Company's derivatives at 31 December were as follows:

			2023			2022
	Contract/ notional amount £m	Fair value asset £m	Fair value liability £m	Contract/ notional amount £m	Fair value asset £m	Fair value liability £m
Foreign exchange contracts						
OTC						
Forwards	**3,925**	**74**	**(16)**	4,695	17	(210)
Interest rate and currency swaps	**10,410**	**229**	**(639)**	9,242	102	(1,158)
Total	**14,335**	**303**	**(655)**	13,937	119	(1,368)
Interest rate contracts						
OTC						
Swaps	**33,444**	**1,664**	**(4,007)**	35,579	1,908	(5,457)
Swaptions	**—**	**—**	**—**	717	25	—
Exchange traded						
Futures	**5,545**	**128**	**(16)**	2,821	31	(71)
Total	**38,989**	**1,792**	**(4,023)**	39,117	1,964	(5,528)
Equity/Index contracts						
OTC						
Options	**114**	**14**	**(1)**	168	19	(1)
Exchange traded						
Futures	**6,138**	**107**	**(32)**	9,897	137	(51)
Options	**1,082**	**110**	**—**	1,040	137	—
Total	**7,334**	**231**	**(33)**	11,105	293	(52)
Credit contracts	**455**	**—**	**(5)**	1,638	8	(35)
Inflation linked swaps	**12,164**	**382**	**(1,414)**	12,829	517	(1,184)
Total at 31 December	**73,277**	**2,708**	**(6,130)**	78,626	2,901	(8,167)

Fair value assets of £2,708 million (2022 :£2,901 million) are recognised as 'Derivative financial instruments' in note 22(a), while fair value liabilities of £6,130 million (2022 : £8,167 million) are recognised as 'Derivative liabilities' in note 34.

The Company's derivative risk management policies are outlined in note 40.

(ii) The contractual undiscounted cash flows in relation to derivative liabilities have the following maturities:

	2023 £m	2022 £m
Within 1 year	**609**	1,301
Between 1 and 2 years	**543**	780
Between 2 and 3 years	**512**	683
Between 3 and 4 years	**493**	635
Between 4 and 5 years	**372**	612
After 5 years	**5,191**	7,462
Total	**7,720**	11,473

(b) Collateral

Certain derivative contracts, primarily interest rate and currency swaps, involve the receipt or pledging of cash and non-cash collateral. The amounts of cash collateral receivable or repayable are included in notes 23 and 34 respectively. Collateral received and pledged by the Company is detailed in note 42.

Notes to the financial statements (continued)

42 – Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

(a) Offsetting arrangements

Financial assets and liabilities are offset in the Statement of financial position when the Company has a currently enforceable legal right to offset and has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The Company mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements to facilitate the Company's right to offset credit risk exposure. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by the Company or its counterparty.

Derivative transactions requiring the Company or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps. These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative, securities lending and securities borrowing activities.

The Company participates in a number of stock lending and repurchase arrangements. In some of these arrangements cash is exchanged by the Company for securities and a related receivable is recognised within 'Loans to banks' (note 20). These arrangements are reflected in the table below. In instances where the collateral is recognised on the Statement of financial position, the obligation for its return is included within 'payables and other financial liabilities'.

In other arrangements, securities are exchanged for other securities. The collateral received must be in a readily realisable form such as listed securities and is held in segregated accounts. Transfer of title always occurs for the collateral received. In many instances, however, no market risk or economic benefit is exchanged and these transactions are not recognised on the Statement of financial position in accordance with our accounting policies, and accordingly not included in the tables below. If risks and benefits are exchanged then the transactions are recognised on the Statement of financial position and reflected in the tables below.

	Amounts subject to enforceable netting arrangements						
	Offset under IAS 32			Amounts under a master netting agreement but not offset under IAS 32			
2023	Gross amounts £m	Amounts offset £m	Net amounts reported in the statement of financial position £m	Financial instruments £m	Cash collateral £m	Securities collateral received/ pledged £m	Net amount £m
Financial assets							
Derivative financial assets	**1,581**	**—**	**1,581**	**(1,485)**	**(89)**	**(7)**	**—**
Loans to banks and repurchase arrangements	**1,050**	**—**	**1,050**	**—**	**(300)**	**(750)**	**—**
Total financial assets	**2,631**	**—**	**2,631**	**(1,485)**	**(389)**	**(757)**	**—**
Financial liabilities							
Derivative financial liabilities	**4,365**	**—**	**4,365**	**(1,985)**	**(9)**	**(2,371)**	**—**
Total financial liabilities	**4,365**	**—**	**4,365**	**(1,985)**	**(9)**	**(2,371)**	**—**

	Amounts subject to enforceable netting arrangements						
	Offset under IAS 32			Amounts under a master netting agreement but not offset under IAS 32			
2022	Gross amounts £m	Amounts offset £m	Net amounts reported in the statement of financial position £m	Financial instruments £m	Cash collateral £m	Securities collateral received/ pledged £m	Net amount £m
Financial assets							
Derivative financial assets	1,793	—	1,793	(1,740)	(43)	(7)	3
Loans to banks and repurchase arrangements	1,568	—	1,568	—	(300)	(1,268)	—
Total financial assets	3,361	—	3,361	(1,740)	(343)	(1,275)	3
Financial liabilities							
Derivative financial liabilities	5,585	—	5,585	(2,166)	(22)	(3,299)	98
Total financial liabilities	5,585	—	5,585	(2,166)	(22)	(3,299)	98

Derivative assets are recognised as 'Derivative financial instruments' in note 22, while fair value liabilities are recognised as 'Derivative liabilities' in note 34. £1,127 million (2022 :£1,108 million) of derivative assets and £1,766 million (2022 :£2,582 million) of derivative liabilities are not subject to master netting agreements and are therefore excluded from the table above.

Amounts receivable related to securities lending and reverse-repurchase arrangements totalling £1,050 million (2022 :£1,568 million) are recognised within 'Loans to banks' in note 20.

(b) Collateral

In the tables above, the amounts of assets or liabilities presented in the Statement of financial position are offset first by financial instruments that have the right of offset under master netting or similar arrangements with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than amounts presented in the tables above in the case of

Notes to the financial statements (continued)

over collateralisation. The tables above exclude amounts receivable related to securities lending arrangements, except for reverse-repurchase agreements.

The total amount of collateral received which the Company is permitted to sell or repledge in the absence of default, excluding collateral related to balances recognised within 'Loans to banks' disclosed in note 20, was £7,713 million (2022 :£6,203 million), all of which other than £1,273 million (2022 :£1,743 million) is related to securities lending arrangements. Collateral of £1,085 million (2022 :£1,610 million) has been received related to balances recognised within 'Loans to banks' in note 20.

The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Company's risk exposure. The fair values of collateral received approximate to their carrying amounts.

43 – Related party transactions

The Company has the following transactions with related parties which include parent companies, subsidiaries, joint ventures, associates and fellow subsidiaries in the normal course of business.

The Company had the following related party transactions

(i) Quota share arrangements

Aviva International Insurance Limited ("AIIL")

The reinsurance arrangement with AIIL is priced on an economic basis which makes allowance for items not included within the IFRS valuation. The net impact of the reinsurance in the Income statement and the Statement of financial position may be summarised as follows:

	2023 £m	2022 £m
Allocation of reinsurance premiums paid	**1,306**	1,294
Reinsurance service expense	**(1,207)**	(1,033)
Net finance income / (expense) from reinsurance contracts	**386**	(654)
Net result ceded	**485**	(393)

As at 31 December 2023 and at 31 December 2022, the balances in the Statement of financial position relating to this arrangement are:

	2023 £m	2022 £m
Reinsurance contract liability	**570**	484

Deposits received under reinsurance arrangements with AIIL of £63,993 million (2002: £57,592 million) are included within the net reinsurance contract liability.

Aviva Life & Pensions Ireland DAC ("ALPI")

Following the Part VII transfer, the Company entered into a quota share reinsurance agreement with ALPI. Under the terms of this agreement, the Company reinsures and indemnifies ALPI for policies in respect of the Overseas Life and Pension Business ("OLAB").

The rate of reinsurance is one hundred percent (100%). The premiums, claims and expenses which have been reinsured into the Company under the arrangement are:

	2023 £m	2022 £m
Insurance revenue	**9**	16
Insurance service expenses	**(20)**	(20)
Insurance finance income	**4**	132
Net result accepted	**(7)**	128

As at 31 December 2023 and at 31 December 2022, the balances in the Statement of financial position relating to this arrangement are:

	2023 £m	2022 £m
Insurance contract liabilities	**869**	862

Notes to the financial statements (continued)

During the year the Company entered into new reinsurance arrangements with ALPI in respect of Euro denominated annuity business.

The net impact of the reinsurance in the Income statement and the Statement of financial position may be summarised as follows:

	2023 £m	2022 £m
Insurance revenue	3	—
Insurance service expenses	(3)	—
Insurance finance expenses	(8)	—
Net result accepted	**(8)**	—

As at 31 December 2023 and at 31 December 2022, the balances in the Statement of financial position relating to this arrangement are:

	2023 £m	2022 £m
Insurance contract liabilities	**196**	—

The Company has a reinsurance arrangement with Aviva Insurance Limited, another group company, to reinsure obligations in respect of structured settlements arising from motor bodily injury claims. The financial impacts of the reinsurance are:

	2023 £m	2022 £m
Insurance revenue	**17**	17
Insurance service expenses	**(10)**	(11)
Insurance finance (expenses) / income	**(17)**	172
Net result accepted	**(10)**	178

As at 31 December 2023 and at 31 December 2022, the balances in the Statement of financial position relating to this arrangement are:

	2023 £m	2022 £m
Insurance contract liabilities	**394**	394

(ii) Other transactions

Services provided to, and by related parties

	2023				2022			
	Income earned in the year £m	Expenses incurred in the year £m	Payable at year end £m	Receivable at year end £m	Income earned in the year £m	Expenses incurred in the year £m	Payable at year end £m	Receivable at year end £m
Parent	**13**	—	—	**5**	13	2	—	5
Subsidiaries	**9**	**53**	**21**	**27**	9	77	23	18
Fellow subsidiaries	—	**1,121**	**77**	**47**		1,143	70	54
	22	**1,174**	**98**	**79**	22	1,222	93	77

Under a management agreement, Aviva Life Services UK Limited ("UKLS") supplies and makes charges for the provision of operational assets and staff to the Company. The agreement specifies the amount payable to UKLS in respect of acquisition costs and administrative expenses. The amount of this charge is £1,094 million (2022: £1,105 million).

The Company paid a premium of £45 million (2022; £67million) to its subsidiary Aviva Equity Release UK Limited ("UKER") for the origination of equity release mortgage loans during the year.

During the year, the Company paid dividends of £1,242 million (2022:£593 million) to its parent.

Also included within distributions received from subsidiaries (note 14) are dividends from UKER of £85 million (2022:£nil) and ALPI of £11 million (2022: £28 million) and distributions from FPPE Fund plc £29m (2022: £31million) and PLPs of £29 million (2022: £25 million). Included within distributions received from joint ventures and associates (note15) are distributions from PLPs of £36 million (2022: £28 million). With regard to PLPs classified as subsidiaries, joint ventures and associates, the Company granted loans for a total of £72 million (2022: £81 million) for short-term liquidity funding.

Included within debt securities in note 22 are £402 million (2022:£420 million) of loan notes issued by a wholly owned subsidiary Aviva ERFA 15 UK Limited and £186 million (2022: £200 million) of loan notes issued by the five special purpose securitisation companies: Equity Release Funding (No.1) plc, Equity Release Funding (No.2) plc, Equity Release Funding (No.3) plc, Equity Release Funding (No.4) plc and Equity Release Funding (No.5) plc, which directly, or in trust, hold the beneficial interest in five portfolios of mortgages transferred by a

Notes to the financial statements (continued)

fellow group subsidiary. Interest receivable during the year in respect of these loan notes amounted to £10 million (2022: £7 million) in respect of the five special purpose securitisation vehicles. The Company also received interest from cash and cash equivalent balances held in Aviva ERFA15 UK Limited amounting to £23 million (2022: £5 million) In addition, the Company provides a credit facility agreement to Equity Release Funding (No.4) plc with an outstanding balance receivable as at 31 December 2023 of £143 million (2022: £162 million).

In October 2022, the Company entered into an intra-group facility agreement with Aviva Group Holdings Limited, whereby Aviva Group Holdings Limited agreed to lend the Company £500 million. The facility remains undrawn as at 31 December 2023.

In November 2021 the Company entered into an agreement to provide a liquidity facility to Aviva ERFA 15 UK Limited. Further information on this facility can be found in note 29.

The Company issued Restricted Tier 1 Subordinated Notes to its parent, Aviva Group Holdings Limited, of £114 million in May 2018 and £356 million in November 2020 which were redeemed in August 2022.

The Company received a £1,200 million capital contribution from Aviva Life Holdings Limited in 2022 which was subsequently used to repay the £700 million subordinated debt (note 33) and redeem the £500 million STICS.

The Company had borrowings with related parties. The details are disclosed in note 33.

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

During the current period, the ASPS completed two (2022: two) further bulk annuity buy-in transactions with the Company. Total premiums of £482 million (2022: £1,324 million) were paid by the scheme to the Company, with the Company recognising best estimate liabilities of £427 million (2022 restate: £1,130m). After allowing for initial expenses, risk adjustment and CSM, no profit or loss was recognised on initial recognition (restated). As at 31 December 2023, the Company recognised cumulative best estimate liabilities of £3,535 million (2022 restated: £3,155 million) in relation to buy-in transactions with the Aviva Staff Pension Scheme which have been included within the Company's insurance contract liabilities.

(iii) Key management compensation

The total compensation to those employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors, is as follows:

	2023 £'000	2022 £'000
Salary and other short-term benefits	**11,019**	8,748
Other long-term benefits	**639**	582
Post-employment benefits	**12**	—
Total	**11,670**	9,330

Information concerning individual directors' emoluments, interests and transactions is given in the Directors' Remuneration Report.

(iv) Parent entity

The immediate parent undertaking is Aviva Life Holdings UK Limited, registered in England.

(v) Ultimate controlling entity

The ultimate controlling entity, and parent of the largest and smallest groups which consolidate the results of the Company, is Aviva plc. The Group 2023 Annual report and accounts are available on application to the Group Company Secretary, Aviva plc, 80 Fenchurch Street, London, EC3M 4AE, and on the Group website at www.aviva.com.

44 – Related undertakings

The Company's Act 2006 requires disclosure of certain information about the Company's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings. Significant holdings are where the Company either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Company's assets.

The Company's related undertakings along with the country of incorporation, the registered address, the class of shares held and the effective percentage of equity owned at 31 December 2023 are listed below. For the related undertakings with the registered address of St Helen's, 1 Undershaft, LONDON, EC39 3DW, United Kingdom, in the table below, these change to 80 Fenchurch Street, LONDON, EC3M 4AE, United Kingdom as at 28 March 2024. The list also includes holdings in open-ended investment companies ("OEICs"), societes d'investissement a capital variable ("SICAVs"), investment companies with variable capital ("ICVCs") and liquidity funds where the Company has a significant holding in the underlying assets of the fund, where information is available.

The direct related undertakings of the Company as at 31 December 2023 are listed below:

Name of undertaking	Registered Address	Country	Share class	% owned by Aviva Life & Pensions UK
10-11 GNS Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%

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41-42 Lowndes Square Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£0.25 B ORDINARY shares	75%
Atlas Park Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	100%
Aviva Equity Release UK Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva ERFA 15 UK Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva Investors European Renewable Energy S.A.	16, Avenue de la Gare, Luxembourg, Grand duchy of Luxembourg, L-1610, Luxembourg	Luxembourg	€1.00 Ordinary shares	100%
Aviva Investors Property Fund Management Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva Life & Pensions Ireland Designated Activity Company	Building 12, Cherrywood Business Park, Loughlinstown, Co Dublin, D18 W2P5, Ireland.	Ireland	€1.27 Ordinary-A shares €1.27 Ordinary-B shares	100%
Aviva Master Trust Trustees UK Limited	Aviva, Wellington Row, York, YO90 1WR. United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva Pension Trustees UK Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva Savings Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva UKLAP De-risking Limited	Aviva, Wellington Row, York, YO90 1WR. United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Axcess 10 Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	100%
Balanced Commercial Property Trust Limited	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Guernsey	Guernsey	£0.01 Ordinary shares	23%
Barwell Business Park Nominee Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Cannock Consortium LLP	Nations House, 3rd Floor , 103 Wigmore Street, London, W2U 1WH, United Kingdom	United Kingdom	Limited Liability Partnership	43%
Criterion Tec Holdings Ltd	9-10 St Andrew Square, Edinburgh, EH2 2AF, United Kingdom	United Kingdom	£0.01 Ordinary shares	24%
Eólica Almatret S.L.	1D, 13 Edificio América Av. de Bruselas, 28108, Alcobendas (Madrid), Spain	Spain	€1.00 Ordinary shares	100%
FPB Holdings GmbH	c/o WSWP Weinert GmbH, Theatinerstr. 31, 80333, Munich, Germany	Germany	€1.00 Series A shares €1.00 Series B shares	100%
FPPE Fund Public Limited Company	Georges Court, 54-62 Townsend Street, Dublin 2, Ireland	Ireland	1.00 Shares of No Par Value €1.00 Subscriber Euro €1 shares	100%
Friends AEL Trustees Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 ORDINARY shares	100%
Friends AELRIS Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 £1 STOCK shares	100%
HILLSWOOD MANAGEMENT LIMITED	SHAKESPEARE HOUSE, 42 NEWMARKET ROAD, CAMBRIDGE, CAMBS, CB5 8EP	United Kingdom	£0.10 Ordinary B shares	24%
Houghton Regis Management Company Limited	Level 16 5 Aldermanbury Square, London, United Kingdom, EC2V 7HR	United Kingdom	£1.00 Ordinary B shares	33%
Lancashire and Yorkshire Reversionary Interest Company Limited / The	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£9.25 Ordinary shares	100%
Norwich Union (Shareholder GP) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%

Notes to the financial statements (continued)

Opus Park Management Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	100%
Quarryvale One Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Stonebridge Cross Management Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	100%
Suntrust Limited	Aviva, Wellington Row, York, YO90 1WR, United Kingdom	United Kingdom	£1.00 ORDINARY shares	100%
Tenet Group Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£0.0001 B Ordinary shares	24%
UKP Holdings Inc.	C/O CORPORATION SERVICE COMPANY, 251 LITTLE FALLS DRIVE, Wilmington DE 19808, United States	United States	US$1.00 Common Stock shares US$100.00 Non Cumulative Preferred Stock shares	100%
Victor Hugo 1 S.à r.l.	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	€25.00 Ordinary Each Eur 25 shares	100%
Winslade Investments Inc.	Cogency Global Inc., 850 New Burton Road, Suite 201, Dover Delaware Kent County 19904, United States	United States	US$ COMMON STOCK WPV shares US$ SERIES A PREF WPV shares	100.00% 48%

The indirect related undertakings of the Company as at 31 December 2023 are listed below:

1 Liverpool Street GP Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
1 Liverpool Street Nominee 1 Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
1 Liverpool Street Nominee 2 Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
1 Liverpool Street Unit Trust	11–15 Seaton Place, St Helier JE4 0QH	Jersey	Unit Trust	100%
10 Station Road Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
10 Station Road Nominee 2 limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
10 Station Road Unit Trust	Gaspé House, 66-72 Esplanade, E1 3PB	Jersey	Unit Trust	50%
101 Moorgate GP Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
101 Moorgate Nominee 1 Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
101 Moorgate Nominee 2 Limited	Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
101 Moorgate Unit Trust	11–15 Seaton Place, St Helier JE4 0QH	Jersey	Unit Trust	100%
11-12 Hanover Square Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
11-12 Hanover Square Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
130 Fenchurch Street General Partner Limited	St Helen's , 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
130 Fenchurch Street Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
130 Fenchurch Street Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
130 Fenchurch Street Unit Trust	Gaspé House, 66-72 Esplanade, E1 3PB, Jersey	Jersey	Unit Trust	100%
20 Gracechurch (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 'A' Ordinary shares	50%

Notes to the financial statements (continued)

20 Gracechurch Unit Trust	Gaspé House, 66-72 Esplanade, E1 3PB, Jersey	Jersey	Unit Trust	25%
20 Station Road Nominee 1 Limited	St Helens, 1 Undershaft, London, EC3P 3DQ	United Kingdom	£1.00 Ordinary shares	100%
20 Station Road Nominee 2 Limited	St Helens, 1 Undershaft, London, EC3P 3DQ	United Kingdom	£1.00 Ordinary shares	100%
20 Station Road Unit Trust	Gaspé House, 66-72 Esplanade, E1 3PB, Jersey	Jersey	Unit Trust	50%
2-10 Mortimer Street (GP No 1) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
2-10 Mortimer Street GP Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 'B' Ordinary shares	50%
30 Station Road Nominee 1 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
30 Station Road Nominee 2 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
30 Station Road Unit Trust	Gaspé House, 66-72 Esplanade, E1 3PB, Jersey	Jersey	Unit Trust	50%
30-31 Golden Square Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
30-31 Golden Square Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
40 Spring Gardens Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Unit Trust	100%
50-60 Station Road Nominee 1 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
50-60 Station Road Nominee 2 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
50-60 Station Road Unit Trust Npv	Gaspé House, 66-72 Esplanade, E1 3PB, Jersey	Jersey	Unit Trust	50%
AIEREF Holding 1	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	€1.00 Equity shares	100%
AIEREF Holding 2	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	€1.00 Issued Capital shares	100%
AIEREF Renewable Energy s.r.o	5/482, Ve Svahu, Prague 4, 147 00, Czech Republic	Czech Republic	CZK1.00 Ordinary shares	100%
Allspring (Lux) Worldwide Fund - Global Small Cap Equity	80, route d'Esch, L-1470	Luxembourg	SICAV	40%
Artemis UK Special Situations Fund	57-59 St James's Street, London SW1A 1LD, United Kingdom	United Kingdom	Unit Trust	25%
Ascot Real Estate Investments GP LLP	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited Liability Partnership	50%
Ashtown Management Company Limited	Friends First House, Cherrywood Science & Technology Park, Loughlinstown, Dublin, Co. Dublin, Ireland	Ireland	€1.27 Ordinary shares	50%
Astute Financial Advisers Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
Atrium Nominees Limited	13-18 City Quay, Dublin 2, Ireland	Ireland	€1.27 Ordinary shares	100%
Aviva Investors (FP) Limited	Aviva, Pitheavlis, PERTH, Perthshire, PH2 0NH, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva Investors (GP) Scotland Limited	Aviva, Pitheavlis, PERTH, Perthshire, PH2 0NH, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva Investors EBC GP Limited	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	£1.00 Ordinary shares	100%

Notes to the financial statements (continued)

Aviva Investors EBC S.a.r.l	16 Avenue de la Gare, Luxembourg, 1610, Luxembourg	Luxembourg	€125.00 Class A corporate units shares €125.00 Class B corporate units shares €125.00 Class C corporate units shares €125.00 Class D corporate units shares €125.00 Class E corporate units shares €125.00 Class F corporate units shares €125.00 Class G corporate units shares €125.00 Class H corporate units shares €125.00 Class I corporate units shares €125.00 Class J corporate units share	100%
Aviva Investors 30 70 Global Eq Ccy Hedged Ind Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors 40 60 Global Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors 50 50 Global Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors 60 40 Global Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Alternative Income Solutions Investments S.A.	2, Rue du Fort Bourbon, L-1249	Luxembourg	SICAV	61%
Aviva Investors Asia Pacific Ex Japan Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	52%
Aviva Investors Asian Equity Income Fund	2, Rue du Fort Bourbon, L-1249	Luxembourg	SICAV	99%
Aviva Investors Balanced Life Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Balanced Pension Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Cautious Pension Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Climate Transition Global Equity	2 rue du Fort Bourbon, L-1249, Luxembourg	Luxembourg	SICAV	70%
Aviva Investors Climate Transition Global Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Climate Transition Real Assets Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	94%
Aviva Investors Continental Euro Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Corporate Bond Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	98%
Aviva Investors Dev Asia Pacific Ex Japan Eq Ind Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Dev Euro Ex Uk Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%

Notes to the financial statements (continued)

Aviva Investors Dev World Ex Uk Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Developed Overseas Gov BD Ex UK Ind Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Distribution Life Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Emerging Market Equity Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	47%
Aviva Investors Emerging Markets Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	66%
Aviva Investors Emerging Markets Corporate Bond	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	56%
Aviva Investors Europe Equity Ex Uk Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	33%
Aviva Investors Europe Equity Ex Uk Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	59%
Aviva Investors European Corporate Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	78%
Aviva Investors European Property Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	49%
Aviva Investors European Renewable Energy S.A.	16, Avenue de la Gare, Luxembourg, Grand duchy of Luxembourg, L-1610, Luxembourg	Luxembourg	€1.00 Ordinary shares	100%
Aviva Investors Gbp Returnplus	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	88%
Aviva Investors Global Emerging Markets Core	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	100%
Aviva Investors Global Emerging Markets Index Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	88%
Aviva Investors Global Equity Alpha Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	95%
Aviva Investors Global Equity Endurance	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	46%
Aviva Investors Global Equity Endurance Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	99%
Aviva Investors Global Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Global Equity Growth Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Global Equity Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	34%
Aviva Investors Global High Yield Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	78%
Aviva Investors Global Investment Grade Corporate Bond Fund	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	86%
Aviva Investors Global Sovereign Bond	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	90%
Aviva Investors Idx-Lkd Gilts Ovr 5 Yrs Idx Fd	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	89%
Aviva Investors Index Linked Gilt Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%

Notes to the financial statements (continued)

Aviva Investors International Index Tracking Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	80%
Aviva Investors Japan Equity Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	30%
Aviva Investors Japan Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	99%
Aviva Investors Japan Equity Growth Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Japanese Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Managed High Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	69%
Aviva Investors Money Market Vnav Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Multi-Asset 40 85 Shares Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Multi-Asset Core Fund I	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	24%
Aviva Investors Multi-Asset Core Fund II	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	28%
Aviva Investors Multi-Asset Core Fund III	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	22%
Aviva Investors Multi-Asset Ii Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Multi-Asset Iii Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Multi-Asset Iv Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Multi-asset Plus II Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	28%
Aviva Investors Multi-asset Plus III Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	46%
Aviva Investors Multi-asset Plus IV Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	31%
Aviva Investors Multi-asset Plus V Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	32%
Aviva Investors Multi-asset Sustainable Stewardship Fund I	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	OEIC	100%
Aviva Investors Multi-Manager 20-60% Shares Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	80%
Aviva Investors Multi-Manager 40-85% Shares Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	78%
Aviva Investors Multi-Manager Flexible Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	87%
Aviva Investors Multi-Strategy Target Return Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	OEIC	76%
Aviva Investors Multi-Strategy Target Return Fund	2, Rue du Fort Bourbon, L-1249	Luxembourg	SICAV	27%
Aviva Investors Non-Gilt Bond All Stocks Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Non-Gilt Bond Over 15 Yrs Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Non-Gilt Bond Up to 5 Yrs Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%

Notes to the financial statements (continued)

Aviva Investors North American Equity Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	23%
Aviva Investors North American Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors North American Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Pacific Equity Ex Japan Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	47%
Aviva Investors Pacific Ex Japan Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
AVIVA INVESTORS POLISH RETAIL GP LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva Investors Polish Retail S.à r.l.	46a Avenue John F Kennedy, L-1855, Luxembourg, Grand Duchy of Luxembourg	Luxembourg	€100.00 Ordinary shares	100%
Aviva Investors Pre-Annuity Fixed Interest Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Real Estate Active LTAF	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors REaLM Social Housing Unit Trust	IFC 5, St Helier, Jersey JF1 1ST	Jersey	Unit Trust	86%
AI Special PFI SPV Limited	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	£1.00 Ordinary	100%
Aviva Investors Sterling Corporate Bond Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Sterling Gilt Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	70%
Aviva Investors Sterling Government Liquidity Fund	25 / 28 North Wall Quay, Dublin 1, Ireland	Ireland	Liquidity Fund	35%
Aviva Investors Sterling Liquidity Fund	25 / 28 North Wall Quay, Dublin 1, Ireland	Ireland	Liquidity Fund	58%
Aviva Investors Sterling Strategic Liquidity Fund	25 / 28 North Wall Quay, Dublin 1, Ireland	Ireland	Liquidity Fund	75%
Aviva Investors Strategic Bond Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	74%
Aviva Investors Strategic Global Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Sustainable Stewardship Fixed Interest Feeder Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Sustainable Stewardship Fixed Interest Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	95%
Aviva Investors Sustainable Stewardship International Equity Feeder Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Sustainable Stewardship International Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Sustainable Stewardship UK Equity Feeder Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Sustainable Stewardship UK Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors Sustainable Stewardship UK Equity Income Feeder Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors Sustainable Stewardship UK Equity Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	96%

Notes to the financial statements (continued)

Aviva Investors UK Commercial Real Estate Senior Debt LP	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Partnership	21%
Aviva Investors Uk Equity Alpha Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	95%
Aviva Investors Uk Equity Core Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	62%
Aviva Investors Uk Equity Dividend Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors UK Equity Ex Tobacco	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	100%
Aviva Investors UK Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	86%
Aviva Investors UK Ex Aviva Investment Trusts Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors UK Gilts All Stock Index	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors UK Gilts Over 15 Years Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors UK Gilts Up To 5 Years Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	100%
Aviva Investors UK Index Tracking Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	82%
Aviva Investors UK Listed Equity Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	100%
Aviva Investors UK Listed Equity Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Open Ended Investment Company	48%
Aviva Investors UK Listed Equity Income Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Tax Transparent Fund	49%
Aviva Investors US Dollar Liquidity Fund	3 Dublin Landings, North Wall Quay, Dublin 1	Ireland	Liquidity Fund	29%
Aviva Investors Us Equity Index Fund	St Helen's, 1 Undershaft, London, EC3P 3DQ	United Kingdom	Tax Transparent Fund	49%
Aviva RELI 1 GP Limited	St Helen’s, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva RELI 1 Nominee Limited	St Helen’s, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Aviva Reli 1 Unit Trust	11-15 Seaton Place, St. Helier, JE4 0QH	Jersey	Unit Trust	100%
Aviva Special PFI GP Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
AXA Ethical Distribution Fund	22 Bishopsgate, London EC2N 4BQ	United Kingdom	Open Ended Investment Company	42%
AXA Framlington Global Sustainable Managed Fund	22 Bishopsgate, London, EC2N 4BQ, United Kingdom	United Kingdom	OEIC	20%
Axa Lbo Fund Iv Feeder	20, Place Vendome, 75001 Paris	France	Private Equity Fund	39%
Axa Sun Life Private	22 Grenvill Street, St. Helier, JE4 8PX	Jersey	Private Equity Fund	100%
AXA World Funds II - North American Equities	49, Avenue J.F. Kennedy, L-1855	Luxembourg	SICAV	22%
Baillie Gifford Investment Funds II ICVC - Baillie Gifford UK Equity Core Fund	Calton Square, 1 Greenside Row, Edinburgh EH1 3AN	United Kingdom	Open Ended Investment Company	25%
Baillie Gifford UK & Balanced Funds ICVC - Baillie Gifford International Fund	Calton Square, 1 Greenside Row, Edinburgh EH1 3AN	United Kingdom	Open Ended Investment Company	28%
Bermondsey Yards General Partner Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Bermondsey Yards Nominee 1 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%

Notes to the financial statements (continued)

Bermondsey Yards Nominee 2 Limited	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Bermondsey Yards Unit Trust	Gaspé House, 66-72 Esplanade, E1 3PB, Jersey	Jersey	Unit Trust	100%
BlackRock ACS World ESG Insights Equity Fund	12 Throgmorton Avenue, London EC2N 2DL	United Kingdom	Open Ended Investment Company	96%
BlackRock Growth Allocation Fund	12 Throgmorton Avenue, London EC2N 2DL, United Kingdom	United Kingdom	OEIC	100%
BlackRock Market Advantage Fund	12 Throgmorton Avenue, London EC2N 2DL	United Kingdom	Unit Trust	49%
BlackRock Retirement Allocation Fund	12 Throgmorton Avenue, London EC2N 2DL, United Kingdom	United Kingdom	OEIC	100%
Cannock Consortium Holdings Limited	Nations House, 103 Wigmore Street, London, England, W1U 1QS, United Kingdom	United Kingdom	£0.01 Ordinary shares	43%
Cannock Designer Outlet (GP Holdings) Limited	Nations House 3rd Floor, 103 Wigmore Street, London, W1U 1WH, United Kingdom	United Kingdom	£0.01 A Ordinary shares	37%
Cannock Designer Outlet (GP) Limited	Nations House 3rd Floor , 103 Wigmore Street, London, W1U 1WH, United Kingdom	United Kingdom	£0.01 Ordinary shares	37%
Cannock Designer Outlet (Nominee 1) Limited	Nations House , 3rd Floor , 103 Wigmore Street, London, W1U 1WH, United Kingdom	United Kingdom	£0.01 Ordinary shares	37%
Cannock Designer Outlet (Nominee 2) Limited	Nations House, 3rd Floor , 103 Wigmore Street, London, W2U 1WH, United Kingdom	United Kingdom	£0.01 Ordinary shares	37%
Cgu Equilibre	47 rue du Faubourg Saint-Honoré,	France	FCP	100%
Crieff Road Limited	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey	Jersey	£1.00 Ordinary shares	100%
Criterion Tec Ltd	9-10 St Andrew Square, Edinburgh, EH2 2AF. United Kingdom.	United Kingdom	£1.00 Ordinary shares	24%
CT (Lux) Diversified Growth Fund	Exchange House, Primrose Street, London EC2A 2HS, United Kingdom	United Kingdom	SICAV	100%
CT (Lux) European Growth & Income Fund	Exchange House, Primrose Street, London EC2A 2HS, United Kingdom	United Kingdom	SICAV	100%
CT Global Total Return Bond Fund	Exchange House, Primrose Street, London EC2A 2HS, United Kingdom	United Kingdom	OEIC	30%
CT North American Equity Fund	Exchange House, Primrose Street, London EC2A 2HS, United Kingdom	United Kingdom	OEIC	29%
Emerging Markets Local Currency Bond	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	90%
ES AllianceBerstein Low Volatility Global Equity Fund	4th Floor Pountney Hill House 6 Laurence Pountney Hill London. EC4R 0BL	United Kingdom	Open Ended Investment Company	69%
Exeter Properties Inc.	Cogency Global Inc., 850 New Burton Road, Suite 201, Dover Delaware Kent County 19904, United States	United States	US$ COMMON STOCK WPV shares US$ SERIES A PREF WPV shares	95%
FF UK Select Limited	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey	Jersey	£1.00 Ordinary shares	100%
Fitzroy Place GP 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Fitzroy Place Management Co Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
FITZROY PLACE RESIDENTIAL LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Focus Mall Zielona Gora	Al. Jana Pawła II 25, 00-854 , Warszawa, Poland	Poland	PLN50.00 Ordinary shares	100%
Focus Park Piotrków Trybunalski sp.z o.o.	A1., Jana Pawla II 25, Warsaw, Poland	Poland	PLZ500.00 Ordinary shares	100%

Notes to the financial statements (continued)

Forth Financial Services Limited	17-18 Hardgate, Haddington, Scotland, EH41 3JS, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
Global Convertibles Absolute Return	2 rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg	Luxembourg	SICAV	64%
Gobafoss General Partner Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Gobafoss Partnership Nominee No 1 Ltd	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	100%
Houlton Commercial Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited by Guarantee	50%
Igloo Regeneration (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 A Ordinary shares	50%
Igloo Regeneration (Nominee) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Igloo Regeneration Developments (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Igloo Regeneration Property Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Unit Trust	50%
Invesco Summit Responsible 2 Fund (UK)	Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH.	United Kingdom	Collective Investment Scheme	30%
Invesco Summit Responsible 5 Fund (UK)	Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH.	United Kingdom	Collective Investment Scheme	68%
Invesco Sustainable Global Structured Equity Fund	37A Avenue JF Kennedy, L-1855, Luxembourg	Luxembourg	Collective Investment Scheme	59%
Irongate House Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Irongate House Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
L&G Diversified Fund	One Coleman Street, London, EC2R 5AA, United Kingdon	United Kingdom	Unit Trust	74%
Lazard Multicap UK Income Fund	50 Stratton Street, London, W1J 8LL	United Kingdom	Open Ended Investment Company	52%
Lekker Bolt Unit Trust	22 Grenville Street, St. Helier, JE4 8PX, Jersey	Jersey	Unit Trust	100%
Liontrust Sustainable Future Corporate Bond Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	28%
Liontrust Sustainable Future European Growth Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	46%
Liontrust Sustainable Future Global Growth Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	25%
Liontrust Sustainable Future Managed Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	44%
Liontrust Sustainable Future Managed Growth Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	29%
Liontrust Sustainable Future UK Growth Fund	Liontrust Fund Partners LLP, 2 Savoy Court, London WC2R 0EZ, United Kingdom	United Kingdom	OEIC	28%
Liontrust UK Ethical Fund	Liontrust Fund Partners LLP, 2 Savoy Court London WC2R 0EZ,	United Kingdom	Open Ended Investment Company	61%
Longcross Jersey Unit Trust	Gaspé House, 66-72 Esplanade, E1 3PB, Jersey	Jersey	Unit Trust	50%
Mercer Diversified Retirement Fund	Charlotte House, Charlemont St, Saint Kevin's, Dublin 2	Ireland	Open Ended Investment Company	27%
Mercer Multi Asset Growth Fund	70 Sir John Rogerson's Quay, Dublin 2, DO2 R296	Ireland	Open Ended Investment Company	33%
MGI UK Equity	Charlotte House, Charlemont Street, Dublin 2, Ireland	Ireland	OEIC	29%

Notes to the financial statements (continued)

Middlesex Hospital Site Property Unit Trust	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Unit Trust	50%
Mortimer Street Associated Co 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Mortimer Street Associated Co 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
MORTIMER STREET NOMINEE 1 LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
MORTIMER STREET NOMINEE 2 LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
MORTIMER STREET NOMINEE 3 LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
New Broad Street House Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
New Broad Street House Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Nordea 1 - Swedish Bond Fund	562, rue de Neudorf, L-2220 Luxembourg	Luxembourg	SICAV	22%
Nordea 1 - Swedish Short-Term Bond Fund	562, rue de Neudorf, L-2220 Luxembourg	Luxembourg	SICAV	34%
Paragon Insurance Company Guernsey Limited	PO Box 155 Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey	Guernsey	£1.00 Ordinary shares	24%
Patriarch Classic B&W Global Freestyle	1c, rue Gabriel Lippmann, L - 5365, Munsbach. LU	Luxembourg	FCP	54%
Pegasus House and Nuffield House Nominee 1 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Pegasus House and Nuffield House Nominee 2 Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Porth Teigr Management Company Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 B Ordinary shares	50%
Quantum Property Partnership (General Partner) Limited	180 Great Portland Street , London, England, W1W 5QZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Quantum Property Partnership (Nominee) Limited	180 Great Portland Street, London, England, W1W 5QZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Reschop Carré Hattingen GmbH	c/o TMF Deutschland AG, Wiesenhüttenstrasse 11, 60329, Frankfurt am Main, Germany	Germany	€0.00 Ordinary shares	95%
Rugby Radio Station (General Partner) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 'B' Ordinary shares	50%
Rugby Radio Station (Nominee) Limited	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%
Rugby Radio Station Limited Partnership	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Partnership	50%
Schroder Dynamic Multi Asset Z Acc	1 London Wall Place, London, EC2Y 5AU	United Kingdom	Unit Trust	27%
Schroder QEP US Core Fund	1 London Wall Place, London, UK	United Kingdom	Unit Trust	44%
Slas Axa Private Equity	22 Grenville Street, St. Helier, Jersey, JE4 8PX Channel Islands	Jersey	Private Equity Fund	100%
Station Road Cambridge LP	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Partnership	50%
Station Road General Partner LLP	St Helens, 1 Undershaft, London, England, EC3P 3DQ, United Kingdom	United Kingdom	Limited Liability Partnership	100%
SUE Developments LP	St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom	United Kingdom	Partnership	50%
SUE GP LLP	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	Limited Liability Partnership	50%
SUE GP NOMINEE LIMITED	St Helen's, 1 Undershaft, LONDON, EC3P 3DQ, United Kingdom	United Kingdom	£1.00 Ordinary shares	50%

Notes to the financial statements (continued)

SVS BambuBlack Asia ex-Japan All-Cap Fund	45 Gresham Street, EC2V 7BG, United Kingdom	United Kingdom	OEIC	23%
Tenet & You Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
Tenet Business Solutions Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
Tenet Client Services Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
Tenet Compliance Services Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
Tenet Financial Services Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 A Ordinary shares	24%
Tenet Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
Tenet Mortgage Solutions Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
TenetConnect Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
TenetConnect Services Limited	5 Lister Hill, Horsforth, Leeds, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
TenetLime Limited	5 Lister Hill, Horsforth, Leeds, England, LS18 5AZ, United Kingdom	United Kingdom	£1.00 Ordinary shares	24%
Warburg Total Return Global	KAPITALANLAGEGESELLSCHAFT MBH, Ferdinandstrasse 75, Hamburg, DE-HH, 20095, DE, Germany	Germany	Unit Trust	21%
Wroclaw BC sp. z.o.o	Al Jana Pawla II 25, 00-854, Warsaw, Poland	Poland	PLZ50.00 Ordinary shares	100%
Xtrackers II Eurozone Government Bond 15-30 UCITS ETF	2, boulevard Konrad Adenauer, 1115 Luxembourg,	Luxembourg	SICAV	21%

The indirect related undertakings of the Company (managed, not owned) as at 31 December 2023 are listed below:

Company name	Address	Incorporated in
Equity Release Funding (No.1) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Funding (No.2) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Funding (No.3) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Funding (No.4) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Funding (No.5) plc	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Holdings Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
ERF Trustee (No. 4) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
ERF Trustee (No. 5) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales
Equity Release Holdings (Jersey) Limited	c/o Ocorian Secretaries (Jersey) Limited, 26 New Street, St Helier, Jersey, JE2 3RA	Jersey
Equity Release Holdings (No. 5) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF	England and Wales

Notes to the financial statements (continued)

45 – Subsequent events

The Company performed a review of events subsequent to the balance sheet date through to the date the financial statements were issued and determined that there was one such event requiring recognition or disclosure in the financial statements as follows:

On 18 January 2024, the Board of Aviva Life & Pensions UK Limited approved a capital injection of £460m by the issue of 460m Ordinary Shares of £1 each to Aviva Life Holdings UK Limited. This capital injection is intended to facilitate the acquisition of AIG Life Limited which, at the date these accounts were signed, was pending CMA approval before the transaction could progress, and therefore the capital injection had not yet happened.