Aviva Pension Trustees UK Limited

Registered in England and Wales No. 2407799

Annual Report and Financial Statements 2023

Contents

Directors and officer

Directors

D A Brown
E E Douglas
M J Hogg
J M Phillips
J I Slider
C M Wood

Officer – Company Secretary

Aviva Company Secretarial Services Limited
80 Fenchurch Street
London
EC3M 4AE

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. 2407799

Other information

Aviva Pension Trustees UK Limited ("the Company") is covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority ("FCA")

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 to act as a trustee and scheme administrator to Aviva Personal Pension Scheme (APPS) and Aviva Free Standing Additional Voluntary Contribution (AFSAVC) pension schemes, written by Aviva Life & Pensions UK Limited (UKLAP).

The Company is regulated by the Financial Conduct Authority (FCA) to carry on activities as an Investment Management Firm.

The Company offers Self Invested Personal Pension (SIPP) products distributed through three platforms, the Advisor Platform, which provides platform technology to Independent Financial Advisers (IFA's), the Aviva Online Investment Service, which is a direct to consumer platform and the My Money platform which provides platform technology to corporate businesses. The platform technology is provided by FNZ (UK) Limited (FNZ).

Significant events

On 30 March 2023, the Company renewed a £25 million loan facility with the immediate parent entity, Aviva Life & Pensions UK Limited.

On 15 December 2023, the Company allotted 20 million ordinary shares of £1 each to Aviva Life & Pensions UK Limited (UKLAP), the parent entity, for a consideration of £20,000,000.

On 15 December 2023, the Company entered into a £30 million long term loan agreement with the immediate parent entity, UKLAP, at a rate of 476 basis points.

Financial position and performance

The financial position of the Company at 31 December 2023 is shown in the statement of financial position on page 17, with the results shown in the income statement on page 15 and the statement of cash flows on page 18.

Revenue for the year increased to £96.6 million *(2022: £89.1 million)* as a result of higher average assets under administration (AUA), which increased from £39,646 million for 2022 to £43,600 million for 2023. Total AUA increased from £39,511 million at 31 December 2022 to £47,689 million at 31 December 2023. Total equity has increased by £13.4 million *(2022: increase of £9.8 million),* reflecting the share capital injection of £20,000,000 less loss for the year.

New business sales in 2023 for SIPP business are 1.3% higher than the previous year at £7,800 million *(2022: £7,700 million)* of PVNBP (present value of new business premiums). It should be noted that this includes £2,500 million *(2022: £2,800 million)* from the MyMoney Platform.

Operating expenses have increased from £77.0 million in 2022 to £104.2 million in 2023. Recharged expenses have increased due to higher platform fees, inflation and development costs. Other operating expenses in 2023 include one-off costs of £12,000,000.

Loss after tax for the year is £6.6 million *(2022: profit of £9.8 million)*. The loss in year is driven by higher operating expenses and a one-off £12 million customer rectification costs recognised in 2023. This has been offset to a degree by an increase in revenue driven by higher average AUA.

Section 172(1) statement and our stakeholders

We report here on how our Directors have performed their duties under Section 172(1) ('s172') of the Companies Act 2006.

S.172 sets out a series of matters 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 to our stakeholders are met. The Board monitors adherence to our policies and compliance with local corporate governance requirements and is committed to acting where our business falls short of the standards we expect.

Our 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 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.

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 Company Board is legally accountable for the business of the Company but it recognises that the Company is part of the Insurance, Wealth & Retirement (IWR) business within the Aviva Group. As such policies and best practice are set by Aviva plc, some of which are described in the tables below. Aviva plc sets the overall strategic direction of the Group.

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

Strategic report (continued)

Our people Our people's wellbeing and commitment to serving our customers are the foundations for our performance.	
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 our global share plans. All Employees are eligible for our global share plans. • Our employee-shareholders were given the opportunity to meet the Aviva plc Board and submit questions at the AGM.	**Focus during the year** • Aviva Group focused on attracting and retaining the best people in the industry. • Aviva Group monitored and responded to the impact that inflationary pressures exerted on our people. • Aviva Group 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.

Customers Understanding what's important to our customers is key to our long-term success.	
How we have engaged • The Board 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 app. • The Board closely monitors customer metrics and engages with the leadership team to understand the issues if performance does not meet customers' expectations. The Company's parent entity, Aviva Life & Pensions UK Limited, is supported by the Aviva Life Holdings UK Limited (UKLH) Conduct Committee to enable it to monitor customer metrics, the Board can escalate any matter it feels necessary to the UKLH Conduct Committee for further scrutiny.	**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. **Outcomes and actions during the year.** • The Board 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 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 Aviva plc Shareholders understand our strategy and business model. • Engaging with different groups of retail shareholders. **Outcomes and actions during the year** • The Group 2023 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 Aviva plc AGM will be held in York giving the Group Board another opportunity to meet local retail shareholders.

Strategic report (continued)

Communities We recognise the importance of contributing to our communities through volunteering, community investment, and long term partnerships.	
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 Aviva plc Board meeting.	**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.

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.	**Outcomes and actions during the year** • Regulatory priorities were regularly discussed at Board meetings.

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.	
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 was kept updated on the development of any key supplier risk.	**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. **Outcomes and actions during the year** • 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.

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

The principal risk facing the business is operational risk, which is in line with FCA expectations for investment businesses which hold assets in a fiduciary capacity and off balance sheet.

Operational risk of loss would arise as a result of inadequate or failed internal processes, people or systems, or from external events, including regulatory risk. This definition is intended to include all risk exposures to which the Company is exposed, other than the financial risks. Hence, operational risks include IT, information security, projects, outsourcing, legal and fraud and regulatory risks. Operational risks are assessed according to the potential impact and probability of the event concerned. These impact assessments are made against financial, operational and reputational criteria.

Management are responsible for the identification, measurement, management and monitoring of operational risks and for reporting these in accordance with the Group’s escalation criteria in terms of their probability and impact in accordance with Group policy.

A description of the risks and uncertainties facing the Company and its risk management policies are set out in note 18 to the financial statements.

Strategic report (continued)

Key performance indicators

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

Measure	2023 £'000	2022 £'000
Revenue	**96,580**	89,134
Operating expenses	**104,204**	77,046
(Loss)/profit after tax for the year	**(6,565)**	9,776
Average assets under administration	**£43,600 million**	£39,646 million

By order of the Board on 16 April 2024

Laura McGowan

L E McGowan
Aviva Company Secretarial Services Limited
Company Secretary

Directors' report

The directors submit their annual report and the audited financial statements for the Company 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:

D A Brown	Appointed 24 February 2023
J M Phillips	Appointed 17 November 2023
S R Marsden	Resigned 31 January 2024

Company Secretary

The name of the company secretary is shown on page 3.

Dividends

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 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.

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 the Company's management of its risks including market, credit and liquidity risk (note 18).

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.At 31 December 2023, the Company has sufficient cash available to cover its current liabilities.

However, as a result of the loss making position of the Company, it has been dependent on continuing finance being made available by its parent entity, Aviva Life & Pensions UK Limited (UKLAP), to enable it to meet its regulatory solvency requirements. This support has been confirmed for a period of 12 months from the board date.

Future outlook

Likely future developments in the business of the Company are discussed in the strategic report on page 6.

Employees

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

Stakeholder engagement

Our statements summarising our employee engagement, and our engagement with suppliers, customers and our other stakeholders are included in our Strategic report on pages 4-6.

Disclosure of information to the auditors

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditor, PricewaterhouseCoopers LLP, is unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PricewaterhouseCoopers LLP 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 (PwC) 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. Following a full and rigorous competitive tender process, which was overseen by the Aviva Life Holdings UK Limited Audit Committee, the selection of Ernst & Young LLP was approved by the Aviva plc Board. PwC will continue in its role and, following reappointment by the Company's shareholders at the 2023 Annual General Meeting, will undertake the audit for the financial year ending 31 December 2023.

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.

Directors' report (continued)

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 the 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 judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 16 April 2024

Laura McGowan

L E McGowan
Aviva Company Secretarial Services Limited
Company Secretary

Independent auditors' report to the members of Aviva Pension Trustees UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Pension Trustees 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 loss 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 2023 (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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

Independent auditors' report to the members of Aviva Pension Trustees UK Limited (continued)

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 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 journal entries and accounting estimates. Audit procedures performed by the engagement team included:

- enquired of management and those charged with governance around actual and potential litigation and claims;
- enquired of management and those charged with governance to identify any instances of non-compliance with laws and regulations;
- reviewed minutes of meetings of those charged with governance;
- reviewed financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- performed testing over the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business where applicable.

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.

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.

JWalker

Joseph Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 April 2024

Accounting policies

The Company, a private limited company incorporated and domiciled in the United Kingdom (UK), acts as trustee and scheme administrator to Aviva Personal Pension Scheme (APPS) and Aviva Free Standing Additional Voluntary Contribution (AFSAVC) pension schemes written by Aviva. 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.

The financial statements have been prepared on the going concern basis as explained in the Directors' report on page 8.

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

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

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2023. The amendments have been issued and endorsed by the UK and 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 new standards and amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:

(i) *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*
Published by the International Accounting Standards Board (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 Effects 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. by the UK.

(vi) *IFRS 18 Presentation and Disclosure of Financial Statements*
Published by the IASB in April 2024. The amendments are effective for annual reporting beginning on or after 1 January 2027 and have yet to be endorsed by the UK.

(B) Critical accounting policies and use of estimates

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

Critical accounting policies

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

Item	Accounting policy	Note
Deferred acquisition costs	E	8

Use of estimates

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 table below sets out those items considered particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy and note disclosures.

Accounting policies (continued)

Item	Accounting policy	Note
Expected credit losses	D	7
Provisions	G	13

(C) Revenue and interest receivable

Revenue primarily represents the annual management charges on all contributions into the investor accounts and is recognised when earned. It also includes fees receivable in respect of the Company's role as trustee and scheme administrator to Free Standing AVC pension schemes written by Aviva Life & Pensions UK Limited in the United Kingdom. Interest receivable is accounted for on an accruals basis.

(D) Receivables, payables and other financial liabilities

The classification and measurement of financial assets, including receivables, is driven by an assessment of the Company's business model for managing financial assets, and the extent to which the financial assets' contractual cash flows are solely payment of principal and interest. Based on the outcome of this assessment, receivables are initially recognised at the transaction price, with subsequent measurement being at amortised cost.

The Company calculates expected credit losses for all financial assets held at either amortised cost or fair value through other comprehensive income. Expected credit losses are generally calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition. The Company makes use of a simplified approach for trade receivables such that expected credit losses are always calculated on a lifetime basis.

Payables and other financial liabilities are initially recognised at their fair value, with subsequent measurement being at amortised cost.

(E) Deferred acquisition costs

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

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.

(F) Cash and cash equivalents

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

(G) Provisions

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. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(H) Income taxes

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

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

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

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

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

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

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, 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 investments, held at fair value through other comprehensive income, 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.

Accounting policies (continued)

(I) Borrowings

Borrowings from group undertakings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, 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. All borrowing costs are expensed as they are incurred.

(J) Share capital

Equity instruments

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

(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 will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

Income statement

For the year ended 31 December 2023

	Note(s)	**2023**	2022
		£'000	£'000
Income			
Revenue	C	**96,580**	89,134
		96,580	89,134
Expenses			
Operating expenses	1	**(104,204)**	(77,046)
Interest expense	2	**(466)**	(19)
		(104,670)	(77,065)
(Loss)/profit before tax		**(8,090)**	12,069
Tax credit/ (charge)	H & 6	**1,525**	(2,293)
(Loss)/profit for the year		**(6,565)**	9,776

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

The accounting policies (identified alphabetically) on pages 12 to 14 and notes (identified numerically) on pages 19 to 26 are an integral part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2023

				2023
		Ordinary share capital	**Accumulated losses**	**Total equity**
	Note(s)	**£'000**	**£'000**	**£'000**
Balance at 1 January		**187,600**	**(69,703)**	**117,897**
Loss for the year	11	**—**	**(6,565)**	**(6,565)**
Issue of share capital	10	**20,000**	**—**	**20,000**
Balance at 31 December		**207,600**	**(76,268)**	**131,332**

				2022
		Ordinary share capital	Accumulated losses	Total equity
	Note(s)	£'000	£'000	£'000
Balance at 1 January		187,600	(79,479)	108,121
Profit for the year	11	—	9,776	9,776
Balance at 31 December		187,600	(69,703)	117,897

The accounting policies (identified alphabetically) on pages 12 to 14 and notes (identified numerically) on pages 19 to 26 are an integral part of the financial statements.

Statement of financial position

As at 31 December 2023

	Note(s)	2023 £'000	2022 £'000
Assets			
Receivables	D & 7	**26,008**	15,045
Deferred acquisition costs	E & 8	**102,867**	89,231
Prepayments and accrued income	D & 9	**4,245**	3,724
Cash and cash equivalents	F & 16	**61,044**	27,125
Total assets		**194,164**	135,125
Equity			
Ordinary share capital	J & 10	**207,600**	187,600
Accumulated losses	11	**(76,268)**	(69,703)
Total equity		**131,332**	117,897
Liabilities			
Borrowings from group undertaking	I & 14	**30,000**	—
Tax liability	H & 12	**768**	3,876
Payables and other financial liabilities	D & 15	**20,117**	13,352
Provisions	G & 13	**11,947**	—
Total liabilities		**62,832**	17,228
Total equity and liabilities		**194,164**	135,125

The financial statements were approved by the Board of Directors on 16 April 2024 and signed on its behalf by

J I Slider

Director

The accounting policies (identified alphabetically) on pages 12 to 14 and notes (identified numerically) on pages 19 to 26 are an integral part of the financial statements.

Statement of cash flows

For the year ended 31 December 2023

	Note(s)	2023 £'000	2022 £'000
Cash flows used in operating activities			
Cash used in operating activities	16a	**(16,081)**	(5,163)
Total net cash used in operating activities		**(16,081)**	(5,163)
Cash flows generated from financing activities			
Proceeds from issue of ordinary shares	10	**20,000**	—
Increase in borrowings	14	**30,000**	—
Total net cash generated from financing activities		**50,000**	—
Total net increase/(decrease) in cash and cash equivalents		**33,919**	(5,163)
Cash and cash equivalents at 1 January		**27,125**	32,288
Cash and cash equivalents at 31 December	16b	**61,044**	27,125

The accounting policies (identified alphabetically) on pages 12 to 14 and notes (identified numerically) on pages 19 to 26 are an integral part of the financial statements.

Notes to the financial statements

1. Operating expenses

Under management agreement, Aviva Life Services UK Limited (UKLS) supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which are included within operating expenses. The amount of this recharge for UKLS is £97,884,000 *(2022: £84,404,000).*

Under a management agreement, Aviva Investment Solutions UK Limited (AISL) supplies and makes charges for the collection services performed on behalf of the Company. The agreement, specifies the amount payable to AISL in respect of these services, which are included within operating expenses. The amount of this recharge is £3,342,000 (*2022: £2,952,000).*

	2023 £'000	2022 £'000
UKLS recharges (operating)	**97,884**	84,404
AISL recharges (operating)	**3,342**	2,952
Other operating expenses	**16,614**	3,104
Deferral of acquisition costs	**(13,636)**	(13,414)
Total operating expenses	**104,204**	77,046

Deferral of acquisition costs are the net of amounts deferred in year and amortisation charged in year.

Recharged expenses have increased due to higher platform fees, inflation and development costs.

Other operating expenses in 2023 include one-off expenses of £12,000,000 for customer rectification.

2. Interest expense

	2023 £'000	2022 £'000
Interest payable to group undertakings	**466**	19
Total interest expense	**466**	19

Interest paid relates to liquidity funding provided by the Company's parent UKLAP, of £15,000,000 from 28 March 2023 to 8 June 2023 and £25,000,000 from 12 September 2023 to 15 December 2023. Interest paid was at a rate of 425 basis points. Additionally a long term loan was provided by the Company's parent UKLAP of £30,000,000 on 15 December 2023. Interest paid is at a rate of 476 basis points.

In 2022, interest paid related to liquidity funding of £20,000,000 provided by the Company's parent, UKLAP, from 29 March 2022 to 31 May 2022. Interest was paid at a rate of 55 basis points.

3. Employee information

The Company has no employees *(2022: nil)*. All employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited (AES). Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of AES. The Company is recharged with the costs of the staff provided by AES however the associated costs and average number of persons employed cannot be accurately disclosed.

4. Directors' remuneration

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

	2023 £'000	2022 £'000
Aggregate emoluments	**3,690**	2,453
Company pension contributions to a money purchase scheme	**245**	197
	3,935	2,650

Notes to the financial statements (continued)

The details of the highest paid director are as follows:

	2023 £'000	2022 £'000
Aggregate emoluments	**1,321**	841
Company pension contributions to a money purchase scheme	**67**	46
	1,388	887

The highest paid director received shares under the executive long-term incentive scheme.

Pension contributions consist of employer contributions into the money purchase section of the Aviva Staff Pension Scheme, excluding salary exchange contributions made by employees, plus payments in lieu of pension above the lifetime or annual allowance caps.

During the year three *(2022: three)* of the directors exercised share options and seven *(2022: six)* of the directors received shares under long term incentive schemes.

All directors are remunerated by AES, a fellow subsidiary of the ultimate parent company, Aviva plc.

5. Auditors' remuneration

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

	2023 £'000	2022 £'000
Fees payable to PwC LLP for the statutory audit of the Company's financial statements	**22**	21

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'other services' as the Company is a subsidiary of Aviva plc, which prepares consolidated financial statements. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and their 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 financial statements of Aviva plc.

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

6. Tax credit/(charge)

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

The total tax credit/(charge) comprises:

	2023 £'000	2022 £'000
Current tax		
For this year	**1,525**	(2,293)
Total tax credited / (charged) to the income statement	**1,525**	(2,293)

(b) Tax reconciliation

The tax on the Company's (loss)/profit before tax differs from *(2022: same as)* the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2023 £'000	2022 £'000
(Loss)/profit before tax	**(8,090)**	12,069
Tax calculated at standard UK corporation tax rate of 23.5% *(2022: 19%)*	**1,901**	(2,293)
Disallowable expenses	**(376)**	—
Total tax credited /(charged) to the income statement	**1,525**	(2,293)

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. As the Company has no deferred tax assets or liabilities, there is no impact of the Company's net assets as a consequence of the amendments to the tax rates.

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)

7. Receivables

	2023 £'000	2022 £'000
Trade receivables	**10,122**	9,376
Tax receivables	**14,003**	4,989
Amounts owed by group undertakings	**2,093**	1,747
Lifetime expected credit losses	**(210)**	(1,067)
Total as at 31 December	**26,008**	15,045
Expected to be recovered in less than one year	**26,008**	15,045
Expected to be recovered in more than one year	**—**	—
	26,008	15,045

All receivables held at the period end are measured at amortised cost. Further details relating to lifetime expected credit losses can be found in note 18b. The carrying amount in the financial statements is deemed to be a reasonable approximation of the fair value.

8. Deferred acquisition costs

Deferred acquisition cost – movement in the year:

	2023 £'000	2022 £'000
Carrying amount at 1 January	**89,231**	75,817
Acquisition costs deferred during the year	**22,121**	19,896
Amortisation	**(8,485)**	(6,482)
Total as at 31 December	**102,867**	89,231

9. Prepayments and accrued income

Prepayments and accrued income

The carrying amount comprises:

	2023 £'000	2022 £'000
Expected to be recovered in less than one year	**4,245**	3,724
Expected to be recovered in more than one year	**—**	—
	4,245	3,724

10. Ordinary share capital

	2023 £'000	2022 £'000
Allotted, called up and fully paid		
207,600,000 *(2022: 187,600,000)* ordinary shares of £1 each	**207,600**	187,600

On 15 December 2023, 20 million ordinary shares of £1 each were allotted and issued by the Company.

	2023 Number of shares	2023 Share capital £'000	2022 Number of shares	2022 Share capital £'000
At 1 January	**187,600,000**	**187,600**	187,600,000	187,600
New shares issued	**20,000,000**	**20,000**	—	—
At 31 December	**207,600,000**	**207,600**	187,600,000	187,600

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

Notes to the financial statements (continued)

11. Accumulated losses

	2023	2022
	£'000	£'000
Balance at 1 January	**(69,703)**	(79,479)
Loss/profit for the year	**(6,565)**	9,776
Balance at 31 December	**(76,268)**	(69,703)

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to regulated companies imposed by the Financial Conduct Authority (FCA). Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of local regulatory capital.

12. Tax liability

(a) Current Tax

Current tax liabilities payable in more than one year are £nil *(2022: £2.3 million)*.

(b) Deferred Tax

The Company did not have any recognised or unrecognised deferred tax balances in either 2023 or 2022.

13. Provisions

	2023	2022
	£'000	£'000
At 1 January	**—**	324
Provided in financial year	**11,947**	—
Utilised during the year	**—**	(289)
Amounts released during the year	**—**	(35)
At 31 December	**11,947**	—

Amounts provided for in 2023 relate to remediation costs for customers for errors identified in product administration. Costs associated with the error are estimated to be £12,000,000. £53,000 has been rectified in 2023 with the remaining amount provided for at 31 December 2023.

14. Borrowings from group undertaking

	2023	2022
	£'000	£'000
Loans from fellow group undertakings	**30,000**	—
Expected to be settled in less than one year	**—**	—
Expected to be settled in more than one year	**30,000**	—
	30,000	—

On 15 December 2023, the Company entered into a £30,000,000 long term loan agreement with Aviva Life & Pensions UK Limited, at a rate of 476 basis points.

Notes to the financial statements (continued)

15. Payables and other financial liabilities

	2023 £'000	2022 £'000
Trade payables	**6,820**	3,417
Amounts due to group undertakings	**13,297**	4,527
Other payables including tax and social security	**—**	5,408
Total as at 31 December	**20,117**	13,352
Expected to be settled within one year	**20,117**	13,352
Expected to be settled in more than one year	**—**	—
	20,117	13,352

16. Statement of cash flows

(a) The reconciliation of (loss)/profit before tax to the net cash out flow from operating activities is:

	2023 £'000	2022 £'000
(Loss)/profit before tax	**(8,090)**	12,069
Changes in working capital:		
Increase in receivables	**(10,963)**	(4,449)
Increase in deferred acquisition costs	**(13,636)**	(13,414)
(Increase)/decrease in prepayments and accrued income	**(521)**	1
Increase/(decrease) in provisions	**11,947**	(324)
Decrease in tax liability	**(1,583)**	—
Increase in payables and other financial liabilities	**6,765**	954
Total cash used in operating activities	**(16,081)**	(5,163)

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

	2023 £'000	2022 £'000
Cash at bank and in hand	**61,044**	27,125

17. 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 IPRU (Investment) Chapter 5 rulebook.

(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.

Notes to the financial statements (continued)

(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:

a. Accounting basis

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

b. Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the Company being authorised and regulated by the Financial Conduct Authority (FCA) as an IPRU (Investment) Chapter 5 firm. 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 IPRU (Inv).

	2023 **£'000**	2022 £'000
Total equity	**131,332**	117,897
Adjustments onto a regulatory basis:		
Deferred acquisition cost asset deduction	**(80,200)**	(69,334)
Illiquid assets	**(530)**	(397)
Total equity and available capital resources	**50,602**	48,166

18. Risk management

(a) Risk management framework

The Company operates a risk management framework (RMF) 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.

The RMF has been adopted by the boards of the legal entities within the business collectively referred to as "Insurance, Wealth & Retirement (IWR)" (including this Company).

For the purposes of risk identification and measurement, and aligned to the Company's risk policies, risks are usually grouped by risk type: credit, market, liquidity, and operational risk. Risks falling within these types may affect a number of metrics including those relating to statement of financial position strength, liquidity and profit. 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 IWR 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 IWR Chief Risk Officer. Any material weaknesses in subsidiary companies are considered as part of this overall process.

The Risk Appetite Framework was refreshed during the year, with revised risk appetites considered and approved by the Board. Since 2021, Climate Risk has been integrated and defined within the overall UK IWR 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 Board.

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 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.

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.

(b) Credit risk

Credit risk is the 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 management of credit risk under the oversight of the UK IWR Asset Liability Committee (ALCO), includes the articulation of risk appetite, exposure limit frameworks and investment and lending criteria within credit risk policies and management agreements.

Notes to the financial statements (continued)

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

A financial asset is considered to be in default where contractual payments are past due, or there is objective evidence that the counterparty will be unable to subsequently meet their payment obligations. A financial asset is written off only when all other available measures have been taken to recover amounts due.

Where external credit ratings are available for financial assets, a significant increase in the credit risk of a financial asset is identified where there has been a significant deterioration in the respective credit rating. All financial assets at the reporting date are unrated.

Expected credit losses on material trade receivables and other assets are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. The Company makes use of the simplified approach when calculating expected credit losses on trade receivables which don't include a significant financing component, and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses have been calculated using a provision matrix where recoverability has been assessed against the age of the receivable.

The following table sets out expected credit losses recognised in the year:

	Expected credit losses relating to trade receivables recognised in year
	£'000
Opening expected credit losses	1,067
Provided during the reporting period	83
Utilised during the reporting period	(769)
Released during the reporting period	(171)
Closing expected credit losses	210

(c) Market risk

Market risk is 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. The nature of the business means that market risks in terms of market value movements are borne by the customers. Market risk arises only indirectly as a result of the impact on the value of assets under administration (AUA), which will affect revenue received from fee income. The Company is not exposed to significant interest rate risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be in a position to meet its liabilities as they fall due. In relation to the Company, this largely relates to ensuring that there are sufficient liquid assets available to meet funding demands from customer transactions. Liquidity risk is managed daily, with oversight provided by UK IWR ALCO. A contingency funding plan is in place to provide the Company with short term liquidity should it be required.

(e) Operational risk

Increasing geo-political tensions have heightened the risk of cyber security attacks on the Aviva Group or its suppliers, with the potential to cause business service interruption and/or data or intellectual property theft. In response the Aviva Group 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 Aviva Group has engaged with suppliers to put in place all reasonable measures so that services to Aviva and its customers are protected.

The Aviva Group actively monitors social and other media in order to manage misinformation about our business, products, colleagues and customers should we be targeted by a hostile actor, taking corrective media action if necessary.

19. Related party transactions

The members of the Board of Directors are listed on page 3 of these financial statements. There are no amounts receivable from or payments due to members of the Board of Directors.

(a) Income receivable from related parties

	2023		2022	
	Income earned in the year	**Receivable at year end**	Income earned in the year	Receivable at year end
	£'000	**£'000**	£'000	£'000
Parent	**179**	**2,093**	179	1,747

The related party receivables are not secured and no guarantees were received in respect thereof. No provision or expense has been recognised during the year in respect of bad and doubtful debts *(2022: £nil).*

Notes to the financial statements (continued)

(b) Services provided by related parties

Under a management agreement, UKLS supplies and makes charges for the provision of operational assets and services to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which were £97,884,000 *(2022: £84,404,000).*

Under a management agreement, AISL supplies and makes charges for the collection services performed on behalf of the Company. The agreement specifies the amount payable to AISL in respect of these services, which were £3,342,000 (*2022: £2,952,000).*

During the year the Company paid interest of £466,000 *(2022: £19,000)* to a fellow group undertaking.

Loans payable at year end are due to the following:

	2023	2022
	£'000	£'000
Parent undertaking	**30,000**	—

Other amounts payable at year end are due to the following:

	2023	2022
	Payable at year end	Payable at year end
	£000	£000
Fellow group undertaking	**13,297**	4,527

The related party payables are not secured and no guarantees were given in respect thereof.

(c) 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	2022
	£'000	£'000
Salary and other short-term benefits	**7,662**	5,503
Post-employment benefits	**93**	77
Other long-term benefits	**428**	355
Total	**8,183**	5,935

There are no amounts receivable from, or payments due to, key management.

The directors are remunerated by AES, a fellow subsidiary of the ultimate holding company, Aviva plc. The emoluments of these directors are recharged to UKLS, and details of their emoluments are given in note 4.

(d) Parent entity

The immediate parent undertaking is Aviva Life & Pensions UK Limited, registered in England.

(e) 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. Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, 80 Fenchurch Street, London, EC3M 4AE, and on the Aviva plc website at www.aviva.com.