AVIVA INSURANCE SERVICES UK LIMITED

Registered in England and Wales: No. 02180191

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

Aviva Insurance Services UK Limited

Registered in England and Wales: No. 02180191

Contents

Aviva Insurance Services UK Limited

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Directors and officer

Directors

P S Bayles
A J Morrish
S P Warsop

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

St Helen's
1 Undershaft
London
EC3P 3DQ

Company number

Registered in England and Wales: No. 02180191

Other information

Aviva Insurance Services UK Limited ("the Company") is authorised and regulated by the Financial Conduct Authority. The Company's activities are covered by the Financial Ombudsman Service.

The Company is a member of the Aviva plc group of companies (“the Group” or the “Aviva Group”).

Aviva Insurance Services UK Limited

Registered in England and Wales: No. 02180191

Strategic report

For the year ended 31 December 2019

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

Review of the Company's business

The principal activity of the Company is insurance broking services. Revenue is largely derived from commissions arising on the Company's contract with RAC Motoring Services (RAC). The Company is regulated as an insurance intermediary by the Financial Conduct Authority.

Financial position and performance

The financial position of the Company at 31 December 2019 is shown in the statement of financial position on page 17, with the results shown in the income statement on page 15 and the statement of cash flows on page 18.

The Company's revenue has increased in the year to £11,086,000 (2018: £9,870,000). Revenue from the RAC contract has increased year-on-year. Associated recharges of costs from Aviva Insurance Limited have increased in line with revenue. Dividends received from the Company's subsidiary, IQUO Limited, have decreased to £400,000 (2018: £600,000). Profit before tax of £696,000 (2018: £867,000) has decreased mainly due to the decrease in the dividend received from IQUO Limited.

Receivables increased to £8,912,000 (2018: £8,218,000) reflecting funding provided to the parent company, Aviva Insurance Limited, for trading.

On 15 January 2020, the RAC contract was novated to the Company’s parent undertaking, Aviva Insurance Limited, with sub-delegation of the sales process to Aviva UK Digital Limited, a fellow Aviva Group company.

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in jurisdictions from which the Company derives insurance commission and other fee income and the global economy more widely, as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial markets.

As an insurance intermediary the Company is impacted by the COVID-19 pandemic through the insurance commission it receives, as a result of disruption to personal and motor risks insured by the immediate parent company, Aviva Insurance Limited, as well as to sources of other fee income from sales of non-insurance products and dividends received from the subsidiary company. As described in Future Outlook overleaf, following novation of the RAC contract, the associated revenue will cease but will be offset by a reduction in associated administrative expenses. The Company has applied for regulatory de-authorisation and when granted its principal broking services activity will cease. The Company’s principal activities will become the administration and handling of insurance claims, and an investment holding company for the Company’s investment in IQUO Limited. The Company is keeping its strategy under review given changes in the risk profile of future new business. The Company’s balance sheet exposure has been reviewed and actions will be taken if necessary, to further reduce the sensitivity to economic shocks. The Company continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees including frontline customer facing staff being supported to ensure that that we are there to support our customers when they need us most. Notwithstanding the Company’s strong capital and liquidity position and the operational and financial actions that are being taken, deterioration in the situation could have further adverse implications arising from the impacts on financial markets, insurance exposures and operations.

Section s.172 statement

The Directors report here on how they have discharged their duties under Section 172 of the Companies Act 2006.

The Board is responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company, and the Aviva Group, to ensure that its obligations to its shareholder and to stakeholders are met. It monitors adherence to the Aviva Group business standards and compliance with local corporate governance requirements, and is committed to act if the business, and that of its subsidiary, should fail to act in the manner that is expected of them.

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

Our Culture

As the provider of vital financial services to millions of customers, the Aviva Group seeks to earn customers' trust by acting with integrity and responsibility at all times. The Company adopts the same culture, and the Board look to build relationships with all its stakeholders based on openness and continuing dialogue.

The Company's culture is shaped in conjunction with the parent entity, Aviva Insurance Limited (AIL) and ultimate shareholder, Aviva plc (Aviva Group), with clearly defined values to help ensure it does the right thing. The Company values diversity and inclusivity in the workforce and beyond. The commitment the Company makes to each customer extends to all stakeholders; that is 'with you today, for a better tomorrow.' Throughout the Company's business, the Board is proud that staff live by the core value of Caring More for customers, for each other and for the communities they serve.

Key strategic decisions in 2019

Within the wider Aviva Group, key decisions were made during 2019 to split Aviva UK General Insurance from Aviva UK Life business, with Colm Holmes becoming CEO of the General Insurance division. The General Insurance Operating Model plan focuses on driving a better customer experience and reducing complexity in business processes and products.

Stakeholder Engagement

(i) Employees

The Company has no employees. The majority of staff engaged in the activities of the Company are formally employed by fellow subsidiary undertakings of Aviva plc, which enables them to flexibly work within the wider Aviva Group and undertake duties in or for a number of Aviva Group companies. As part of the Aviva Group, staff enjoy the benefit of the Aviva Group policies and benefits made available to them.

The Company's employee engagement mechanisms align with Aviva Group, such as employee forums, internal communication channels, informal meetings with Directors and employee engagement surveys.

The Company's people share in the Aviva Group success as shareholders through membership in the Group's global share plans.

Section s.172 statement (continued)

(ii) Customers

The Board receives regular reporting on customer outcomes and strategic initiatives throughout the year. It closely monitors customer metrics and engages with the leadership team of the relevant Aviva business on which it relies to understand the issues if performance does not meet customers' expectations.

The Company's parent entity, AIL, is supported by a Conduct Committee to enable it to monitor customer metrics, and subsequently engage with the senior leaders to address any issues that may arise from customer complaints, feedback and the Aviva Group's approach to good customer outcomes. The Company's Board can escalate any matters it feels necessary to the Conduct Committee for further scrutiny.

The Board continues to monitor IT performance to ensure consistent service for customers.

(iii) Suppliers

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

In the UK, Aviva is a signatory of the Prompt Payment Code which sets standards for high payment practices and is a Living Wage employer in the UK. The Group's supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided to Aviva in the UK.

The Board are involved in the management of critical or important suppliers and the Company reviews reports on their performance.

(iv) Communities

The Aviva Group pro-actively supports Wellbeing@Aviva, a health and wellbeing proposition for UK employees, providing products, improved policies and better support to enhance employees' mental, physical, community and financial welling. With a focus on prevention and early intervention of illness, Wellbeing@Aviva utilises a dynamic group of 'Health Hero's' across the Aviva sites to promote physical, mental and community wellbeing.

The Aviva Group have established six global employee resource groups, called the Aviva Communities, to help drive more diversity and inclusivity throughout the organisation to ensure everyone can have a fair voice at Aviva.

The Aviva Group actively encourage and support colleagues to volunteer in their communities, providing 21 hours of paid volunteering time to make a positive impact and help build stronger communities.

(v) Shareholders

The Company's immediate shareholder is AIL and the ultimate shareholder is Aviva plc. There is ongoing communication and engagement with the AIL Board. Any matters requiring escalation are escalated by the Board through the Chair to AIL. Additionally, members of the AIL Board can attend the Company's Board meetings by invitation.

(vi) Regulators

The Company's Board engages with the FCA on a regular basis.

Strategic report (continued)
For the year ended 31 December 2019

Future outlook

Following novation of the RAC contract, revenue will cease offset by a reduction of associated administrative expenses. The Company has applied for regulatory de-authorisation and when granted its principal broking services activity will cease. The Company's principal activities will become an investment holding company for the Company's investment in IQUO Limited.

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 12 to the financial statements.

Key performance indicators

The directors consider that the Company's key performance indicators (KPIs) that communicate the financial performance are as follows:
- increase/(decrease) in revenue; and
- operating profit as a percentage of revenue.

A summary of the KPIs is set out below:

	2019	**2018**
Increase in revenue	12%	9%
Operating profit as a percentage of revenue	3%	3%

Revenue has increased as explained in the Financial position and performance section above. Operating profit as a percentage of revenue is broadly consistent year-on-year.

By order of the Board on 30 September 2020

For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary
St Helen's, 1 Undershaft
London, EC3P 3DQ

Aviva Insurance Services UK Limited

Registered in England and Wales: No. 02180191

Directors' report

For the year ended 31 December 2019

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

Directors

The names of the present directors of the Company appear on page 1. There have been no changes in the year.

Dividend

There was no interim dividend paid during the year (2018: £nil). The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2019 (2018: £nil). In November 2019, the directors approved an interim dividend of £2,300,000 which was paid in cash in February 2020.

Future outlook

Likely future developments in the business of the Company are discussed in the strategic report on page 2.

Going concern

The future plans of the Company are set out in "Future outlook" on page 3. 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 consider appropriate the going concern basis in preparing the financial statements.

Financial instruments and financial risk management

The business of the Company includes the use of financial instruments. Details of the Company's risk management objectives, policies and exposures to risk relating to financial instruments are set out in note 12 to the financial statements.

Employees

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of Aviva Employment Services Limited.

Disclosure of information to the auditors

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

(a) so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware; and

(b) each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Independent auditors

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

Qualifying indemnity provisions

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

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

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board on 30 September 2020

For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary
St Helen's, 1 Undershaft
London , EC3P 3DQ

Independent auditors' report to the members of Aviva Insurance Services UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Insurance Services UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2019 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
September 2020

Aviva Insurance Services UK Limited

Registered in England and Wales: No. 02180191

Accounting policies

The Company is a private limited liability company incorporated and domiciled in the United Kingdom (UK). The principal activity of the Company is insurance broking services.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The financial statements have been prepared under the historical cost convention. The financial statements of the Company have been prepared by the directors on the going concern basis as described in the directors' report on page 6.

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 an EEA parent and is included in the consolidated financial statements for the Aviva Group, i.e. the ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associates, at the same date. These financial statements therefore present information about the Company as an individual entity.

The 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 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 2019:

(i) IFRS 16, Leases

In January 2016, the IASB published IFRS 16 Leases. This standard replaces IAS 17 Leases and applies to annual reporting periods begining on or after 1 January 2019. The standard has been endorsed by the EU.

The standard has introduced a definition of a lease with a single lessee accounting model, eliminating the classification of either operating or finance leases. Lessees are required to recognise lease assets and liabilities on the statement of financial position for all leases, with the exception of short-term and low-value leases. Lessor accounting remains similar to current practice set out in IAS 17. The adoption of the standard did not affect the assets, liabilities or retained earnings at 1 January 2019. The company currently has no leases.

Accounting policies (continued)

(A) Basis of preparation (continued)

The following amendments to existing standards and IFRIC interpretations have been issued and endorsed by the EU, are effective from 1 January 2019 or earlier, and do not have a significant impact on the Company's financial statements.

(i) IFRIC 23, Uncertainty over Income Tax Treatments
In June 2017, the IASB published IFRIC 23 *Uncertainty over Income Tax Treatments* . The standard is effective for annual reporting beginning on or after 1 January 2019.

(ii) Annual Improvements to IFRS standards 2015-2017 Cycle
These improvements consist of amendments to three IFRSs including IFRS 3 *Business Combinations* , IFRS 11 *Joint Arrangements* , IAS 12 *Income taxes* and IAS 23 *Borrowing Costs* . The amendments are effective for annual reporting beginning on or after 1 January 2019.

Standards, interpretations and amendments to published standards that are not yet effective and and have not been adopted early by the Company
The following new standards, amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:

(i) Amendments to References to the Conceptual Framework in IFRS Standards

Published by the IASB in March 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have been endorsed by the EU.

(ii) IAS 1 and IAS 8: definition of material
Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have been endorsed by the EU.

(iii) Interest Rate Benchmark Reform
Published by the IASB in October 2019. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have been endorsed by the EU.

(iv) 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 2023 and have been endorsed by the EU.

(B) Critical accounting policies and the use of estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Company does not consider any particular estimate or assumption to have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Accounting policies (continued)

(C) Subsidiaries

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

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

(D) Revenue recognition

Income is recognised as follows:

Revenue from sales of services

Revenue from insurance broking services comprises the commission earned on sale of policies, net of value added tax, rebates and discounts. The Company acts as the agent in an intermediary capacity in the transaction.

Commission income allocated to the policy placement services is recognised on the effective date of the completion of the specific transaction when control of the policy transfers to the customer. The Company's commission income is calculated monthly based on the commission earned on the sale of its parent company's insurance products.

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.

The revenue recognition policies and methods selected are considered appropriate as they are a faithful depiction of the services being provided and the contractual arrangements to provide them. No ongoing performance obligations exist as a part of revenue recognised.

(E) Investment income

Dividends from investment in subsidiaries are recorded as revenue on the date the dividends are declared.

Accounting policies (continued)

(F) Cost of sales

Cost of sales represent commission incurred in the provision of the Company's services. Costs are recognised on an accruals basis.

(G) Administrative expenses

Administrative expenses, comprising general overheads recharged from the parent company, are recognised on an accruals basis.

(H) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. The Company makes use of the simplified approach when calculating expected credit losses on trade and other receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party trade receivables and accrued income are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise. The Company does not expect any material credit losses on trade receivables with related parties.

(I) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks 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.

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

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

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

Accounting policies (continued)

(K) 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. Deferred tax related to any fair value re-measurement of available for sale investments, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

(L) Contingent liabilities

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 reliably estimated.

(M) Share capital

Equity instruments

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

(i) there is no contractual obligation to deliver cash or other financial assets 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.

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.

Aviva Insurance Services UK Limited

Registered in England and Wales: No. 02180191

Income statement
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	1	11,086	9,870
Administrative expenses	1 & 14(a)	(10,790)	(9,603)
Operating profit		296	267
Dividend income	14(a)	400	600
Profit before tax		696	867
Tax (charge) / credit	5(a)	(9)	65
Profit for the year		687	932

The Company has no recognised income and expenses other than those included in the results above and therefore a statement of comprehensive income has not been presented.

The accounting policies on pages 10 to 14 and notes on pages 19 to 29 are an integral part of these financial statements.

Aviva Insurance Services UK Limited

Registered in England and Wales: No. 02180191

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

	Note	Ordinary share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018		6,000	4,010	10,010
Profit for the year		-	932	932
Balance at 31 December 2018		6,000	4,942	10,942
Profit for the year		-	687	687
Balance at 31 December 2019		6,000	5,629	11,629

The accounting policies on pages 10 to 14 and notes on pages 19 to 29 are an integral part of these financial statements.

Aviva Insurance Services UK Limited

Registered in England and Wales: No. 02180191

Statement of financial position
As at 31 December 2019

	Note	2019 £000	2018 £000
ASSETS			
Non-current assets			
Investment in subsidiary	6	200	200
Receivables	7	5	6
Deferred tax assets	8	41	50
		246	256
Current assets			
Receivables	8	8,907	8,212
Cash and cash equivalents	11(b)	2,476	2,474
Net current assets		11,383	10,686
Net assets		11,629	10,942
EQUITY			
Ordinary share capital	9	6,000	6,000
Retained earnings		5,629	4,942
Total equity		11,629	10,942

The accounting policies on pages 10 to 14 and notes on pages 19 to 29 are an integral part of these financial statements.

The financial statements on pages 10 to 29 were approved by the Board of Directors on 30 September 2020 and signed on its behalf by:

S P Warsop
Director

Aviva Insurance Services UK Limited

Registered in England and Wales: No. 02180191

Statement of cash flows
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Net cash outflow from operating activities	11(a)	(398)	(600)
Net cash used in operating activities		(398)	(600)
Cash flows from investing activities			
Dividend received		400	600
Net cash generated from investing activities		400	600
Net increase in cash and cash equivalents		2	-
Cash and cash equivalents at 1 January		2,474	2,474
Cash and cash equivalents at 31 December	11(b)	2,476	2,474

The accounting policies on pages 10 to 14 and notes on pages 19 to 29 are an integral part of these financial statements.

Notes to the financial statements

1. Revenue and expenses

Revenue is derived from commissions arising on insurnace business.

Expenses incurred relates to recharges of administrative expenses from Aviva Insurance Limited, the parent company.

2. Employee information

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited, and a recharge is made to the Company. Disclosures relating to employees may be found in the annual report and financial statements of Aviva Employment Services Limited.

3. Directors' remuneration

The directors are remunerated for their roles as employees across the Group. They are not remunerated directly for their services as directors of this Company and the amount of time spent performing their duties is incidental to their roles across the Group.

No cost is borne by the Company for these services (2018: £nil).

During the year, 3 of the directors exercised share options (2018: 0) and 3 of the directors were granted shares under long term incentive schemes (2018: 5) in relation to shares of the Company's ultimate parent, Aviva plc. Details may be found in the annual report and financial statements of Aviva plc.

4. Auditors' remuneration

The total remuneration payable, excluding VAT, to the Company's auditors, PricewaterhouseCoopers LLP, in respect of the audit of these financial statements, is shown below.

	2019	**2018**
	£000	**£000**
Fees payable for the audit of the Company's financial statements	10	10

Audit fees are paid by Aviva Central Services UK Limited, a fellow Group company, and borne by the Company's parent, Aviva Insurance Limited.

5. Tax charge / (credit)

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

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

	2019	2018
Current tax:	**£000**	**£000**
For this year	-	-
Adjustments in respect of prior years	-	(15)
Total current tax	-	(15)
Deferred tax:		
Origination and reversal of temporary differences	10	(50)
Changes in tax rates or tax laws	(1)	-
Total deferred tax	9	(50)
Total tax charged / (credited) to the income statement	9	(65)

Unrecognised temporary differences of previous years of £nil (2018: £62,000) have been used to reduce current tax expense in 2019.

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

	2019	2018
	£000	**£000**
Accelerated capital allowances	9	(50)
Total deferred tax charged / (credited) to income statement	9	(50)

(b) Tax reconciliation

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

	2019	2018
	£000	**£000**
Profit before tax	696	867
Tax charge calculated at standard UK corporation tax rate of 19.0% (2018: 19.0%)	132	165
Adjustments to tax charge in respect of prior years	-	(15)
Non-assessable income	(76)	(114)
Movement in deferred tax asset not recognised	-	(62)
Change in future statutory tax rate	(1)	-
Surrender of tax losses from Group undertakings for no charge	(46)	(39)
Total tax charged / (credited) to the income statement	9	(65)

Finance Act 2016 introduced legislation reducing the UK corporation tax rate from 1 April 2020 to 17%. This reduced rate was used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2019. In the Budget of 11 March 2020 the UK Government reversed this rate reduction, announcing that the UK corporation tax rate will remain at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020. As of 31 December 2019, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2019.

Notes to the financial statements (continued)

6. Investment in subsidiary

(a) Particulars of the investment in the subsidiary company are given below. IQUO Limited is incorporated in the United Kingdom and its registered address is East Farmhouse, Cams Hall Estate, Fareham, Hampshire, PO16 8UT.

Company	Type of business	Class of share	Proportion held
IQUO Limited	Insurance software developer	Ordinary	66.7%

(b) Movement in the Company's investment in its subsidiary is:

	2019 £000	2018 £000
Cost		
At 1 January and 31 December	200	200

7. Receivables

	2019 £000	2018 £000
Prepayments and accrued income	6	7
Other amounts due from related parties (note 14(a))	8,906	8,211
	8,912	8,218
Expected to be recovered within one year	8,907	8,212
Expected to be recovered in more than one year	5	6
	8,912	8,218

Financial assets within Receivables are held to collect on the contractual cash flows due to the Company, and are deemed to be solely payments of principal and interest. As a result of this business model and the assessment of the contractual cash flows, these instruments have been measured at amortised cost, which approximates to fair value.

A receivable for £18,000 due from related parties has been written off. This is as a result of the event explained in Note 15.

8. Tax assets and liabilities

(a) Current tax

There are no current tax liabilities payable in more than one year (2018: £nil).

Liabilities for prior years tax to be settled by group relief of £nil (2018: £26,000) are included within receivables (note 7) and within related party transactions (note 14) and are payable in less than one year.

(b) Deferred taxes

(i) The balance at the year end comprises:	**2019**	**2018**
	£000	**£000**
Accelerated capital allowances	41	50
Net deferred tax asset	41	50

(ii) The movement in the net deferred tax asset was as follows:

	2019	**2018**
	£000	**£000**
Net deferred tax asset at 1 January	50	-
Amounts (charged)/credited to the income statement	(9)	50
Net deferred tax asset at 31 December	41	50

A deferred tax asset is recognised for capital allowances available for deduction against future taxable profits. Recognition is based on forecast future taxable profits in the Company and other UK Aviva Group companies.

The Company has no unrecognised temporary differences to carry forward indefinitely against future taxable income.

9. Ordinary share capital

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

	2019	**2018**
	£000	**£000**
Allotted, called up and fully paid		
6,000,000 (2018: 6,000,000) ordinary shares of £1 each	6,000	6,000

10. Contingent liabilities and other risk factors

Levy schemes

The Company pays contributions into levy schemes in the UK. Given the economic environment, there is a heightened risk that the levy contributions will need to be increased to protect policyholders if a financial services company falls into financial difficulties. The directors continue to monitor the situation but are not aware of any need to increase provisions at the statement of financial position date.

11. Statement of cash flows

	2019 £000	2018 £000
(a) The reconciliation of profit before tax to the net cash outflow from operating activities is:		
Profit before tax	696	867
Adjustments for:		
Dividend income	(400)	(600)
Changes in working capital:		
Increase in trade and other receivables	(694)	(867)
Net cash outflow from operating activities	(398)	(600)

Increase in receivables excludes outstanding tax not yet settled by group relief payable of £nil (2018: £26,000).

	2019 £000	2018 £000
(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:		
Cash at bank	2,476	2,474

Notes to the financial statements (continued)

12. Risk management policies

(a) Risk management framework

The Company operates in accordance with the Aviva Group's risk management framework that forms an integral part of the management and Board processes and decision-making framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards and roles and responsibilities; and the processes used to identify, measure, manage, monitor and report ("IMMMR") risks.

The Board has overall responsibility for determining risk appetite for the Company, which is an expression of the risk the business is willing to take. For the purposes of risk identification and measurement, risks are usually grouped by risk type: market, credit, liquidity and operational risk. Risks falling within these types may affect a number of metrics including those relating to strength within the statement of financial position, liquidity and profit. They may also affect the performance of the products or services the Company delivers, which can be categorised as risks to brand and reputation.

The risk policies and business standards set out the risk strategy, appetite, framework and minimum requirements for the Aviva Group's operations. The parent company's Chief Executive Officer and Chief Risk Officer sign-off compliance with these policies and standards, providing assurance to the Company's Board that there is a consistent framework for managing the business and the associated risks.

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 are 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.

(b) Market risk

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

The Company manages market risk locally within its market risk framework, within local regulatory constraints and in line with established Group policy, including minimum principles for matching liabilities with appropriate assets.

The management of market risk is overseen by the Board.

(c) 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.

An assessment is carried out over all categories of financial asset to determine to what extent assets held can be considered to have low credit risk as at the reporting date. A low credit risk is demonstrated where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. 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.

Notes to the financial statements (continued)

12. Risk management policies (continued)

(c) Credit risk (continued)

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. In all circumstances, where contractual payments are more than 30 days past due, there is deemed to be a significant increase in the credit risk of the related financial asset.

A financial asset is considered to be in default where contractual payments are past due, and 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. During the year, none of the cash flows associated with any of the Company's financial assets have been modified or renegotiated.

The Company makes use of the simplified approach when calculating expected credit losses on receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party receivables and accrued income are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise. The Company does not expect any material credit losses on receivables with related parties.

Cash and cash equivalents are held with one counterparty (2018: one) which is a highly rated banking institution.

At 31 December 2019, receivables are £8,912,000 (2018: £8,218,000). Of this amount, £8,912,000 (2018: £8,218,000) was due from a related party, Aviva Insurance Limited, details of which are set out in note 14. The amount due from Aviva Insurance Limited is neither past due nor impaired. Aviva Insurance Limited has a AA credit rating.

The Company has not purchased or originated any credit-impaired financial assets as at the reporting date.

As at the reporting date, no lifetime expected credit losses have been recognised in relation to any receivables.

The management of credit risk is overseen by the Board.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations as they fall due.

The Company ensures it has sufficient liquid funds to meet its expected obligations as they fall due.

The Company has no significant liabilities as at 31 December 2019 or 31 December 2018 and therefore no quantitative analysis of liquidity risk has been presented.

The management of liquidity risk is overseen by the Board.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. The Company has limited appetite for operational risk and aims to reduce these risks as far as is commercially sensible.

12. Risk management policies (continued)

(e) Operational risk (continued)

Management is responsible for identifying and managing operational risks of the business, within the Aviva group-wide operational risk framework, including the risk and control self-assessment process. Management must be satisfied that all material risks falling outside risk tolerance are being mitigated, monitored and reported to an appropriate level. Management use key indicator data to help monitor the status of the risk and control environment, and identifies and captures loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

The management of operational risk is overseen by the Board.

(f) COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in jurisdictions from which the Company derives insurance commission and other fee income and the global economy more widely, as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial markets.

As an insurance intermediary the Company is impacted by the COVID-19 pandemic through the insurance commission it receives, as a result of disruption to personal and motor risks insured by the immediate parent company, Aviva Insurance Limited, as well as to sources of other fee income from sales of non-insurance products and dividends received from the subsidiary company. As described in Future Outlook in the Strategic Report, following novation of the RAC contract, the associated revenue will cease but will be offset by a reduction in associated administrative expenses. The Company has applied for regulatory de-authorisation and when granted its principal broking services activity will cease. The Company's principal activities will become the administration and handling of insurance claims, and an investment holding company for the Company's investment in IQUO Limited. The Company is keeping its strategy under review given changes in the risk profile of future new business. The Company's balance sheet exposure has been reviewed and actions will be taken if necessary, to further reduce the sensitivity to economic shocks. The Company continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees including frontline customer facing staff being supported to ensure that that we are there to support our customers when they need us most. Notwithstanding the Company's strong capital and liquidity position and the operational and financial actions that are being taken, deterioration in the situation could have further adverse implications arising from the impacts on financial markets, insurance exposures and operations.

Notes to the financial statements (continued)

13. Capital structure

The Company maintains an efficient capital structure from equity shareholder's 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) Capital management

In managing its capital, the Company seeks to:

(i) maintain financial strength to support new business growth and satisfy the requirements of its regulators;

(ii) retain financial flexibility by maintaining strong liquidity; and

(iii) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

(b) 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 bases

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the Financial Conduct Authority's current regulatory requirements.

The Company fully complied with these regulatory requirements during the year.

(c) Capital structure

	IFRS net assets 2019 £000	IFRS net assets 2018 £000
Insurance broking services	11,629	10,942
Total	11,629	10,942
Financed by		
Equity shareholders' funds	11,629	10,942

14. Related party transactions

(a) The Company had the following related party transactions:

	2019		2018	
	Expense incurred in year	**Receivable at year end**	**Expense incurred in year**	**Receivable at year end**
	£000	**£000**	**£000**	**£000**
Parent	10,790	8,912	9,603	8,218
	10,790	8,912	9,603	8,218

Related party transaction in 2019 and 2018 relate to revenue for insurance commissions earned by the Company that is collected and remitted to the Company by Aviva Insurance Limited, the parent company. The related parties' receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms. Expenses incurred in 2019 and 2018 relate to recharges of administrative expenses from Aviva Insurance Limited, the parent company.

In addition to the above, the Company received an interim dividend from its subsidiary, IQUO Limited, of £400,000 (2018: £600,000).

Liabilities to the Company's parent for prior year's tax to be settled by group relief of £nil (2018: £26,000) are included within receivables (note 7).

Key management compensation

The key management of the Company are considered to be the statutory directors of the Company. Note 3, Directors' remuneration, gives details of their compensation as directors of the Company.

(b) Immediate parent company

The Company's immediate parent company is Aviva Insurance Limited, registered in Scotland.

(c) Ultimate holding company

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, and the ultimate controlling party is Aviva plc, a publicly quoted company in the United Kingdom. Copies of its group financial statements are available from the registered office at St. Helen’s, 1 Undershaft, London EC3P 3DQ, England.

Notes to the financial statements (continued)

15. Events after the statement of financial position date

In January 2020, the Company was removed as a party to a contract with RAC Motoring Services on novation in favour of the immediate parent company, which was effective from 1 December 2019. The financial effect of this reduced the amount receivable from the immediate parent company and the Company's profit before tax by £18,000.

In February 2020, the Company paid an interim cash dividend of £2,300,000 to the immediate parent company.

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in jurisdictions from which the Company derives insurance commission and other fee income and the global economy more widely, as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial markets.

As an insurance intermediary the Company is impacted by the COVID-19 pandemic through the insurance commission it receives, as a result of disruption to personal and motor risks insured by the immediate parent company, Aviva Insurance Limited, as well as to sources of other fee income from sales of non-insurance products and dividends received from the subsidiary company. As described in Future Outlook in the Strategic Report, following novation of the RAC contract, the associated revenue will cease but will be offset by a reduction in associated administrative expenses. The Company has applied for regulatory de-authorisation and when granted its principal broking services activity will cease. The Company’s principal activities will become the administration and handling of insurance claims, and an investment holding company for the Company’s investment in IQUO Limited. The Company is keeping its strategy under review given changes in the risk profile of future new business. The Company’s balance sheet exposure has been reviewed and actions will be taken if necessary, to further reduce the sensitivity to economic shocks. The Company continues to maintain strong solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees including frontline customer facing staff being supported to ensure that that we are there to support our customers when they need us most. Notwithstanding the Company’s strong capital and liquidity position and the operational and financial actions that are being taken, deterioration in the situation could have further adverse implications arising from the impacts on financial markets, insurance exposures and operations.