

AEGON HOLDINGS (UK) LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY NUMBER 2559676

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**AEGON HOLDINGS (UK) LIMITED
COMPANY INFORMATION**

Director Adrian T Grace
Matthew J Rider *

* denotes non-executive Director

Company Secretary James K MacKenzie

Company Number 2559676

Registered Office Level 26
The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Independent Auditors PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

AEGON HOLDINGS (UK) LIMITED STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Principal and ongoing activities

The principal activities of Aegon Holdings (UK) Limited (the Company) during the year was to act as a holding company to the Aegon UK plc Group which undertakes pensions, protection, other long-term assurance business and asset management in the United Kingdom.

Review of business and future developments

The Aegon UK plc Group which primarily operates under the Aegon brand is one of the UK's leading providers of corporate and individual pensions, protection products and savings products. The Directors remain confident that the Group is well placed for the challenges and opportunities that continue to arise through regulatory and market changes, which include the continued impacts of increased pensions flexibility, auto enrolment, the continual implementation of Department of Work and Pensions (DWP) cap on group pension charges and Solvency II.

The Company is an investment holding company and is exempt from preparing consolidated financial statements. As a result these financial statements show the results of investment holding activity rather than the trading performance of each of the underlying investments. The main key performance indicators of the Company relate to the performance of the Aegon UK plc Group.

During 2018 the Company made a before tax profit of £100.0m from this investment holding activity (2017: £18.4m). This profit is primarily as a result of two dividend payments of £50.0m each (2017: £18.0m) received from Aegon UK Plc. On the 30 August 2017 the Company converted £1,417m of the capital contributions reserve into share capital and then subsequently approved a reduction in the nominal value of all shares from 25p to 1p. There have been no further share conversion activities in 2018. During 2017 a £14.5m loan to an indirect subsidiary Scottish Equitable Holdings Limited was repaid in full and a £32.9m loan from Aegon International B.V. was repaid by Aegon Holdings (UK) Limited.

Corporate governance, capital management and financial instruments

The Aegon UK plc Group, of which the Company is the holding company, has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across the group that includes a clearly stated corporate organisational structure, appropriate delegated authorities and independent internal audit and risk management functions. Risk management for the Company operates within this governance framework. As Aegon Holdings (UK) Limited is an investment holding company the main risk directly impacting the Company relates to the performance, and therefore carrying value and dividend payment capability, of the Company's principal subsidiaries.

The Company's objective in managing its capital is to ensure that there are adequate resources to meet the Company's liabilities as they fall due, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company's capital is managed in conjunction with that of other companies in the Aegon UK plc Group. The Company manages its capital by measuring its resources and cash available on a regular basis. The Company's capital position and the movement in this from the prior year are disclosed within the Statement of Changes in Equity. The Company has no externally imposed capital requirements regulatory or otherwise.

The Company's exposure to financial instrument risk is in the form of interest rate risk and credit risk. The Company's exposure to interest rate risk is on its financial liabilities as interest is charged based on 6 month LIBOR. Interest rate risk has largely been removed via the repayment of group loans during the course of 2017. Credit risk is significantly reduced as assets are primarily cash, which are placed with high credit-rated banks, and intercompany receivables from other Aegon UK plc Group companies.

This report was approved by the Board on 27 June 2019 and signed on behalf of the Board by



Adnan T Grace
Director

**AEGON HOLDINGS (UK) LIMITED
DIRECTORS' REPORT FOR THE
YEAR ENDED 31 DECEMBER 2018**

The Directors present their report and the audited financial statements for the year ended 31 December 2018. The Company is incorporated and domiciled in England and Wales (registration number 2559676).

Structure of these financial statements

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006.

The Company has made use of the CA 2006 S400 exemption from preparing consolidated financial statements.

Results and dividends

The results for the year are set out on page 7. The company paid £100.0m dividend during the year (2017: £nil). The Directors propose that a final dividend of £160.0m is paid on 28 June 2019, following the receipt of £160.0m dividend from Aegon UK plc (2017: £nil).

Directors and their Interests

The current Directors of the Company are shown on page 1. All Directors served throughout the year and up to the date of signing the financial statements.

Directors' qualifying third party indemnity provisions

During the year the Company maintained liability insurance for Directors and officers of the Company through arrangements made by Aegon N.V. for the benefit of itself and its subsidiary companies.

Going concern

In assessing whether the Company is a going concern the Directors have taken into account the latest guidance issued by the Financial Reporting Council.

The Strategic Report includes a review of the Company's business and future developments and a description of the Company's risk and capital management and exposure to financial instruments.

After making enquiries, which include considering the liquidity of the Company's assets, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being 12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Independent auditors

An elective resolution was passed on 22 August 2003 to dispense with the requirement to lay the Report and financial statements before the Company in the general meeting. Resolutions were passed on 22 August 2003 to dispense with (a) the holding of an Annual General Meeting for 2003 and subsequent years, and (b) the obligation to appoint auditors annually.

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each 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 each Director has taken all steps that they ought to have taken as director to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the Board on 27 June 2019 and signed on behalf of the Board by



Adrian T Grace
Director

AEGON HOLDINGS (UK) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE
YEAR ENDED 31 DECEMBER 2018

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

AEGON HOLDINGS (UK) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEGON HOLDINGS (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Aegon Holdings (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 Strategic Report, Directors' Report and Financial Statements (the 'Annual Report'), which comprise: the financial position as at 31 December 2018; the income statement, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 2018 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.

AEGON HOLDINGS (UK) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEGON HOLDINGS (UK) LIMITED

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 4, 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.

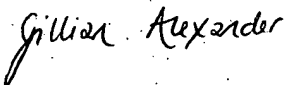
Other required reporting

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.



Gillian Alexander (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
27 June 2019

AEGON HOLDINGS (UK) LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	<u>2018</u> £000's	<u>2017</u> £000's
Revenue			
Investment income	2	<u>100,000</u>	<u>18,617</u>
Total revenue		100,000	18,617
Expenses			
Finance costs	4	<u>-</u>	<u>(240)</u>
Total expenses			(240)
Profit before tax		100,000	18,377
Tax charge			(73)
Profit for the year		<u>100,000</u>	<u>18,304</u>

The profit for the year is attributable to the equity holders of the Company.

The profit for the year relate wholly to continuing activities.

Profit for the year is consistent with Total Comprehensive Income, and there were no other items of comprehensive income not already reflected within profit for the year.

The notes are an integral part of these financial statements.

AEGON HOLDINGS (UK) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	<u>2018</u> £000's	<u>2017</u> £000's
Non-current assets			
Investments in subsidiary	6	<u>2,519,200</u>	<u>2,519,200</u>
		<u>2,519,200</u>	<u>2,519,200</u>
Current assets			
Cash and cash equivalents	7	<u>283</u>	<u>356</u>
		<u>283</u>	<u>356</u>
Total assets		<u><u>2,519,483</u></u>	<u><u>2,519,556</u></u>
Current liabilities			
Income tax payable		<u>-</u>	<u>73</u>
		<u>-</u>	<u>73</u>
Total liabilities		<u>-</u>	<u>73</u>
Net assets		<u><u>2,519,483</u></u>	<u><u>2,519,483</u></u>
Capital and reserves			
Share capital	8	<u>86,313</u>	<u>86,313</u>
Share premium account		<u>343,098</u>	<u>343,098</u>
Capital contribution	8	<u>186,000</u>	<u>186,000</u>
Retained earnings		<u>1,904,072</u>	<u>1,904,072</u>
Total equity		<u><u>2,519,483</u></u>	<u><u>2,519,483</u></u>

The notes are an integral part of these financial statements.

The financial statements were approved by the Board on 27 June 2019 and signed on its behalf by



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Adrian T Grace
Director

AEGON HOLDINGS (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Share capital</u>	<u>Share premium account</u>	<u>Capital contribution reserves</u>	<u>Retained earnings</u>	<u>Total Equity</u>
	£'000s	£000's	£000's	£000's	£000's
At 1 January 2018	86,313	343,098	186,000	1,904,072	2,519,483
Profit for the year	-	-	-	100,000	100,000
Dividend paid	-	-	-	(100,000)	(100,000)
At 31 December 2018	86,313	343,098	186,000	1,904,072	2,519,483

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Share capital</u>	<u>Share premium account</u>	<u>Capital contribution reserves</u>	<u>Retained earnings</u>	<u>Total Equity</u>
	£'000s	£000's	£000's	£000's	£000's
At 1 January 2017	741,001	343,098	1,602,823	(185,743)	2,501,179
Profit for the year	-	-	-	18,304	18,304
Conversion of capital contribution reserve into share capital	1,416,823	-	(1,416,823)	-	-
Capital reduction	(2,071,511)	-	-	2,071,511	-
At 31 December 2017	86,313	343,098	186,000	1,904,072	2,519,483

The Company did not recognise any income or expense directly in equity (2017: £nil).

The notes are an integral part of these financial statements.

AEGON HOLDINGS (UK) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	<u>2018</u> £'000s	<u>2017</u> £'000s
Operating Activities			
Profit before tax		100,000	18,377
<i>Adjustment to reconcile profit for the year to net cash flow from / used in operating activities:</i>			
Investment Income	2	(100,000)	(18,617)
Finance Costs	4	-	240
Income tax paid		(73)	(81)
Net cash flow from / used in operating activities		<u>(73)</u>	<u>(81)</u>
Investing Activities			
Dividend Received	2	100,000	18,000
Repayment of Loans by Group Undertakings		-	14,500
Net cash flow from investing activities		<u>100,000</u>	<u>32,500</u>
Financing Activities			
Dividends paid		(100,000)	-
Loans repaid to parent		-	(32,920)
Net cash outflow used in financing activities		<u>(100,000)</u>	<u>(32,920)</u>
Net decrease in cash and cash equivalents		(73)	(501)
Cash and cash equivalents at 1 January		356	857
Cash and cash equivalents at 31 December	7	<u><u>283</u></u>	<u><u>356</u></u>

The cash flow statement is prepared according to the indirect method.

The notes are an integral part of these financial statements.

AEGON HOLDINGS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting Policies

1.1 Basis of Preparation

1.1.1 Introduction

The Company's financial statements have been prepared on the going concern basis (see Directors report for further details) and in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006. The financial statements have been prepared in accordance with the historical cost convention.

The Company has made use of the CA 2006 S400 exemption from preparing consolidated financial statements.

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements.

The financial statements of Aegon Holdings (UK) Limited for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 27 June 2019.

1.1.2 Adoption of new IFRS accounting standards

New standards and amendments to standards become effective at the date specified by IFRS, but may allow companies to opt for an earlier adoption date. In 2018, the following amendments to existing standards issued by the IASB and endorsed by the European Union became mandatory but are not currently relevant or do not impact the financial position or financial statements:

Accounting Standard / amendment/ interpretation	IASB effective date	Endorsed by EU	Impact on Company
IFRS 9 <i>Financial Instruments</i>	1 January 2018	Yes	Low
IFRS 15 <i>Revenue from Contracts with Customers</i> , including clarifications to IFRS 15 as issued in 2016	1 January 2018	Yes	Low
IFRS 2 <i>Clarifications of Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018	Yes	Low
IAS 40 <i>Investment Property</i> , amendments regarding the transfer of property	1 January 2018	Yes	Low
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018	Yes	Low
Annual improvements 2014-2016	1 January 2018	Yes	Low

1.1.3 Future adoption of new IFRS accounting standards

The following amendments to the existing standards and interpretation, published prior to January 1, 2019, which are not yet effective for or early adopted by the Company, will not significantly impact the financial position or financial statements:

Accounting Standard / amendment/ interpretation	IASB effective date	Endorsed by EU	Impact on Company
IFRS 16 <i>Leases</i>	1 January 2019	Yes	None
IFRS 17 <i>Insurance Contracts</i>	1 January 2022	No	None
IFRIC 23 <i>Uncertainty over Tax Treatments</i>	1 January 2019	Yes	Low
Amendments to IAS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019	Yes	Low
Annual Improvements 2015-2017	1 January 2019	Yes	Low
Amendment to IAS 19 <i>Plan Amendment, curtailment or settlement</i>	1 January 2019	Yes	Low
Amendments to IFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019	Yes	Low
Amendments to references to <i>The Conceptual Framework in IFRSs</i>	1 January 2020	No	Low
Amendment to IFRS 3 <i>Business Combinations</i>	1 January 2020	No	Low
Amendments to IAS 1 and IAS 8 <i>Definition of Material</i>	1 January 2020	No	Low

1.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

**AEGON HOLDINGS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Investments in subsidiaries

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Investments in subsidiaries are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows. Value in use calculations for life insurance businesses generally utilise economic available capital calculations together with the present value of profits from expected new business.

Economic available capital calculations include significant judgements relating to best estimate market and demographic assumptions.

1.3 Revenue recognition

Revenue is recognised when services are transferred to customers and the Company has satisfied its performance obligations under the contract, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Revenue is measured at the fair value of the consideration received, excluding VAT. The following specific recognition criteria must also be met before revenue is recognised:

Investment income

Investment income includes the dividend payments received during the year and interest income on financial assets carried at fair value through profit or loss. Dividend income from investments in subsidiaries is included in investment income when received. Interest is recognised as it is earned.

1.4 Investments in subsidiaries

Subsidiaries are entities over which the Company has direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities ('control'). The assessment of control is based on the substance of the relationship between the Company and the entity and, among other things, considers existing and potential voting rights that are currently exercisable and convertible.

Subsidiaries are accounted for at cost. Any impairment on individual investments in subsidiaries held at cost is determined at each reporting date.

1.5 Taxation

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, or paid to or recovered from other group companies in respect of group relief surrendered or received. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided where required using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

1.6 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

**AEGON HOLDINGS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1.7 Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised as an expense when incurred.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

1.8 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the income statement in expenses.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. Investment income

	<u>2018</u>	<u>2017</u>
	£000's	£000's
Interest income on loans to subsidiary undertakings	-	617
Dividends received from subsidiary company	<u>100,000</u>	<u>18,000</u>
	<u>100,000</u>	<u>18,617</u>

The interest income on loans to subsidiary undertakings related to a Debenture issued by Scottish Equitable Holdings Limited. This loan was repaid including interest at 5.75 % p.a. on the 12th October 2017. For terms and conditions relating to related party transactions, refer to note 9.

3. Administrative expenses

The audit fees for the company are borne by Aegon UK plc (2017: Scottish Equitable plc). The Company did not have employees under contracts of service during the year to 31 December 2018 (2017: nil)

(a) Directors' emoluments

The amount of Directors' remuneration was as follows:

	<u>2018</u>	<u>2017</u>
	£000's	£000's
Remuneration including bonuses	1,635.5	1,278.8
Aggregate amounts receivable by Directors in respect of long-term incentive schemes (other than shares and share options)	-	-
	<u>1,635.5</u>	<u>1,278.8</u>

**AEGON HOLDINGS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

No Directors received any compensation in respect of services provided to the Company (2017: £nil).

No contributions (2017: £nil) were made for Directors (2017: nil) to defined contribution schemes.

One director received Aegon N.V. shares in relation to long-term incentive schemes in 2018 (2017: one).

There was no compensation in respect of loss of office to Directors in 2018 (2017: £nil).

The Executive Directors of the Company are also Executive Directors of other Aegon UK plc Group companies. The total remuneration of the Executive Directors is disclosed above, all of which was paid by the Aegon UK plc Group. The Directors do not believe that it is practicable to apportion this amount between their services as Executive Directors of the Company and its subsidiaries and their services to other Aegon UK Group companies.

The above includes the following amounts in respect of the highest paid Director for their services to the Company and other Aegon UK plc Group companies.

Highest Paid Director	<u>2018</u>	<u>2017</u>
Amounts included above:	£000's	£000's
Remuneration including bonuses	<u>1,635.5</u>	<u>1,278.8</u>

The remuneration for the highest paid Director included above is also disclosed in the Aegon UK plc financial statements where they are also a Director.

The highest paid Director at 31 December 2018 and 31 December 2017 was not a member of the defined benefit pension scheme. No contributions (2017: nil) were made to a defined contribution scheme in respect of the highest paid Director at 31 December 2018.

The highest paid Director received Aegon N.V. shares in relation to long-term incentive schemes in 2018 and 2017.

4. Finance costs

	<u>2018</u>	<u>2017</u>
	£000's	£000's
Interest expense on loans from other Aegon N.V. group undertakings	<u>-</u>	<u>240</u>
	<u>-</u>	<u>240</u>

The interest expense on loans from other Aegon N.V. group undertakings related to an unsecured loan from another Aegon N.V. group undertaking, which was repaid in October 2017 and included charged interest at 6 month LIBOR plus a spread based on Aegon N.V. credit risk. For terms and conditions relating to related party transactions, refer to note 9.

5. Tax charge

(a) Current year tax charge

<u>UK current tax</u>	<u>2018</u>	<u>2017</u>
	£000's	£000's
UK corporation tax charge	<u>-</u>	<u>(73)</u>
Total current tax charge	<u>-</u>	<u>(73)</u>

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(b) Reconciliation of tax charge

	<u>2018</u>	<u>2017</u>
	£000's	£000's
Accounting profit before tax	<u>100,000</u>	<u>18,377</u>
Income tax on accounting profit/(loss) calculated using the weighted average applicable statutory rates	(19,000)	(3,538)
Non-taxable Income	<u>19,000</u>	<u>3,465</u>
Total tax charge reported in the income statement	<u>-</u>	<u>(73)</u>

The weighted average applicable tax rate for the year is 19.00% (2017: 19.25%).

No deferred tax asset is recognised on the balance sheet in respect of losses of £nil (2017: £24.8m) with a potential tax value of £nil (2017: £4.2m), as there is insufficient certainty as to the availability of future profits.

The Finance (No.2) Act 2015, substantively enacted on 26 October 2015, included future reductions to the corporation tax rate from 20% to 19% with effect from 1 April 2017 and then from 19% to 18% from 1 April 2020. This was subsequently amended by the Finance Act 2016, substantively enacted on 6 September 2016, the corporation tax rate will now reduce from 19% to 17% with effect from 1 April 2020.

The impact of these reductions in tax rates on the unrecognised deferred tax balances have been included in the above figures.

6. Investments in subsidiary

	<u>2018</u>	<u>2017</u>
	£000's	£000's
At 1 January	<u>2,519,200</u>	<u>2,519,200</u>
At 31 December	<u>2,519,200</u>	<u>2,519,200</u>

The subsidiary is carried at cost less impairment. There was no movement following the annual impairment review, although it is noted that future dividends from Aegon UK plc increase the risk of a future impairment. At 31 December 2018, the Company directly held 100% of the issued Ordinary share capital in Aegon UK plc an undertaking operating in the UK with a registered address of Level 26, The Leadenhall Building, 122 Leadenhall Street, London, England, EC3V 4AB.

The tables below represent a complete list of the Company's indirect holdings in subsidiary undertakings operating in the UK at 31 December 2018. Each undertaking has only one class of Ordinary share.

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Name	Principal Activity	Holding %	Registered Address
Scottish Equitable Holdings Limited	Holding Company	100	Aegon Lochside Crescent, Edinburgh Scotland EH12 9SE
Scottish Equitable plc	Life Assurance, pension and other Long-term insurance business	100	
Aegon Investment Solutions Limited	Sale of investment products	100	
Aegon Investment Solutions Limited – Nominee 1 (Gross) Ltd	Nominee (dormant)	100	
Aegon SIPP Nominee Limited	Nominee (dormant)	100	
Aegon SIPP Nominee 2 Limited	Nominee	100	
Aegon UK Corporate Services Limited	Management Services	100	
Aegon UK IT Services Limited	Leasing Company (dormant)	100	Edinburgh Park, Edinburgh Midlothian EH12 9SE
Aegon Investment Solutions Limited – Nominee 3 (ISA) Ltd	Nominee (dormant)	100	
Aegon Investment Solutions Limited – Nominee 2 (Net) Ltd	Nominee (dormant)	100	
Scottish Equitable (Managed Funds) Limited	Reassurance of life assurance business (until 31 December 2009) (dormant)	100	
Aegon Pension Trustee Limited	Trustee (dormant)	100	Level 26, The Leadenhall Building, 122 Leadenhall Street, London, England, EC3V 4AB
Newcast Property Developments (ONE) Limited	Property holding company (dormant)	100	
Newcast Property Developments (TWO) Limited	Property holding company (dormant)	100	
Aegon SIPP Guarantee Nominee Limited	Nominee (dormant)	100	
Aegon UK Property Fund Limited	Property holding company (dormant)	100	
Cofunds Nominees Limited	Nominee (dormant)	100	Level 43 The Leadenhall Building 122 Leadenhall Street London England EC3V 4AB
Dorset Nominees Limited	Nominee (dormant)	100	
Minster Nominees Limited	Nominee (dormant)	100	
Cofunds Leasing Limited	Dormant	100	
Cofunds Limited	Sale of investment products	100	
Witham Institutional Nominee Limited	Nominee (Dormant)	100	
Lochside Nominees Limited	Nominee (Dormant)	100	
Victoria Nominees Limited	Nominee (Dormant)	100	
Andrews Nominees Limited	Nominee (Dormant)	100	
Aegon Investments Limited	Fund management activities	100	
Origen Limited	Management Services	100	1st Floor, Infor House, 1 Lakeside Road, Farnborough, Hampshire, GU14 6XP
Origen Trustees Limited	Dormant	100	
Origen Financial Services Limited	Independent Financial Advisers	100	
Momentum Group Limited	Holding Company	100	

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7. Cash and cash equivalents

	<u>2018</u>	<u>2017</u>
	£000's	£000's
Cash at bank	283	356
	283	356

Cash and cash equivalents are not subject to any restrictions. The Company only deposits cash surpluses with major banks of high quality credit standing. Cash at bank at the end of 2018 was placed with a bank with a credit rating of A (2017: BBB).

The fair value of cash and cash equivalents is £283k (2017: £356k).

8. Capital and reserves

	<u>2018</u>	<u>2017</u>
	£000's	£000's
Allotted, called up and fully paid capital		
8,631,297,000 Ordinary shares of 1p each (2017: 8,631,297,000 Ordinary shares of 1p each)	86,313	86,313

On the 30 August 2017 the Company converted £1,416,823k of the capital contributions reserve into share capital and then subsequently approved a reduction in the nominal value of all shares from 25p to 1p.

Nature and purposes of other reserves

Capital Contribution Reserve

The capital contribution reserve is used to record capital contributions received from the immediate parent undertaking. In 2018 the Company received no capital contributions (2017: £nil). On the 30 August 2017 the Company converted £1,416,823k of the capital contributions reserve into share capital. There was no share conversion activities in 2018.

9. Related party transactions

(a) Immediate parent undertaking

The immediate parent company is Aegon Europe Holding B.V., which is incorporated in the Netherlands. Copies of Aegon Europe Holding B.V. financial statements are available from the Company Secretary, Aegon UK plc, Edinburgh Park, Edinburgh, EH12 9SE.

(b) Ultimate parent undertaking

The results of the Company are consolidated in the financial statements of Aegon N.V., the ultimate parent company, which is incorporated in the Netherlands. The Group financial statements of Aegon N.V. are available from the Company Secretary, Aegon UK plc, Edinburgh Park, Edinburgh, EH12 9SE.

(c) Year end balances and transaction with related parties

Dividends received as detailed in note 2 and dividends paid as noted in the statement of changes in equity.

Finance income/costs arise on loans to and from related parties as detailed in notes 2 and 4 respectively. The terms of loans to related parties are described in note 2. The terms of loans from related parties are described in note 4. There were no year end balances related to related party transactions (2017: £nil).

The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year the Company has not made any provision for doubtful debt relating to amounts owed by related parties (2017: £nil).

(d) Compensation of key management personnel (including Directors)

No key management personnel (including Directors) received any compensation in respect of services provided to the Company (2017: £nil).