SCOTTISH EQUITABLE HOLDINGS LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

COMPANY NUMBER SC144516

SCOTTISH EQUITABLE HOLDINGS LIMITED
COMPANY INFORMATION

Directors

Adrian T Grace
Stephen McGee
James Ewing
Matthew J Rider *
David M Dalton-Brown *
Caroline F Ramsay *
Adrian M Eastwood *
Michael J Merrick *
Michael J Rogers *
Theresa P Froehlich *

** denotes non-executive Director*

Secretary

James K MacKenzie

Registered Office

Aegon Lochside Crescent
Edinburgh Park
Edinburgh
EH12 9SE

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Company Number

SC144516

SCOTTISH EQUITABLE HOLDINGS LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Principal activities

The principal activity of the Scottish Equitable Holdings Limited (the Company) is that of holding shares in Scottish Equitable plc, which provides corporate and individual pensions, protection products and savings products in the United Kingdom.

Review of business and future developments

The Company is the immediate holding company of Scottish Equitable plc, which operates under the brand Aegon.

The Company is an investment holding company and is exempt from preparing consolidated financial statements. As a result the 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 Scottish Equitable plc. Over the longer term the performance of Scottish Equitable plc is the key driver of results presented in the financial statements of the Company. Scottish Equitable plc's business strategy is focused on developing its business as the leading platform savings, investments and pensions provider in the market.

On 3 May 2016, Scottish Equitable plc announced an agreement to acquire BlackRock Life Limited's defined contribution platform and administration business, strengthening its position as a leading player in the UK workplace market, adding Master Trust and Investment only capability with assets under management of around £16 billion. This transaction was completed on 1 July 2018.

The Directors remain confident that the Company's subsidiary Scottish Equitable plc is well placed for the challenges and opportunities that continue to arise through regulatory and market changes and the customer need to save into retirement.

In 2018 the Company made a profit before tax of £375.0m from this investment holding activity, compared to a profit before tax of £384.0m in 2017. The profit before tax included dividends received of £375.0m (2017: £387.7m).

As set out in the statement of changes in equity, there have been no capital contributions received in the year (2017: £nil).

Corporate governance, capital management and financial instruments

The Aegon UK Group, of which the Company is a part, 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.

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 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.

The Company's exposure to financial instrument risk is in the form of credit risk. The exposure to credit risk is limited as assets are made up of cash and cash equivalents placed with high credit-rated banks. As the Company 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 subsidiary.

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

James K MacKenzie
Company Secretary

SCOTTISH EQUITABLE HOLDINGS 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 Scotland (registration number SC144516).

Structure of these financial statements
Scottish Equitable Holdings Limited's (the Company), 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 Companies Act 2006 S400 exemption from preparing consolidated financial statements.

Results and dividends
The results for the year are set out on page 7. Total dividends paid in 2018 were £375.0m (2017: £262.5m). Interim dividends of £225.0m were paid during the year (2017: £262.5m). The Directors propose that a final dividend of £66.0m is paid on 28 June 2019, following the receipt of £66m dividend from Scottish Equitable plc (2017: £150.0m final dividend paid in May 2018).

Directors and their interests
The current Directors of the Company are shown on page 1. The following appointments and resignations occurred up to the point of signing the financial statements. All other Directors served throughout the year and up to the point of signing the financial statements.

Name of Director	Date of Appointment	Date of Resignation
Theresa P Froehlich	22 May 2018	-
Simon J Gulliford	-	27 June 2019

Directors' qualifying third party indemnity provisions
During the year and to the date of signing this report, 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 and the repayment terms of the Company's liabilities, 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 18 December 2002 to (a) dispense with the requirement to lay the Report and Accounts before the Company in the general meeting, (b) to dispense with the holding of an Annual General Meeting for 2002 and subsequent years, and (c) to dispense with 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 by order of the Board by

James K MacKenzie
Company Secretary

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SCOTTISH EQUITABLE HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Scottish Equitable Holdings 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 statement of 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCOTTISH EQUITABLE HOLDINGS 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

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000's	2017 £000's
Revenue			
Investment income	4	**375,001**	387,712
Total revenue		**375,001**	387,712
Expenses			
Finance costs	5	**-**	(3,749)
Profit before tax		**375,001**	383,963
Tax credit	6	**-**	721
Profit for the year		**375,001**	384,684

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

The profit for the year relate wholly to continuing activities.

The 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.

SCOTTISH EQUITABLE HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018	2017
		£000's	£000's
Non-current assets			
Investments in subsidiaries	7	**2,075,317**	2,075,317
Current assets			
Income tax receivable		**-**	491
Cash and cash equivalents	8	**598**	106
		598	597
Total assets		**2,075,915**	2,075,914
Net assets		**2,075,915**	2,075,914
Capital and reserves			
Share capital	9	**169,615**	169,615
Share premium account		**249,000**	249,000
Capital contributions reserve	9	**250,000**	250,000
Retained earnings		**1,407,300**	1,407,299
Total equity		**2,075,915**	2,075,914

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

Adrian T Grace

Stephen McGee

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Share Premium Account	Capital Contributions Reserve	Retained Earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's
At 1 January 2018	169,615	249,000	250,000	1,407,299	2,075,914
Profit for the year	-	-	-	375,001	375,001
Dividends Paid	-	-	-	(375,000)	(375,000)
At 31 December 2018	169,615	249,000	250,000	1,407,300	2,075,915

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

	Share Capital	Share Premium Account	Capital Contributions Reserve	Retained Earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's
At 1 January 2017	253,000	249,000	1,693,149	(241,448)	1,953,701
Profit for the year	-	-	-	384,684	384,684
Conversion of capital contributions reserve into share capital	1,443,149	-	(1,443,149)	-	-
Capital reduction	(1,526,534)	-	-	1,526,534	-
Dividends Paid	-	-	-	(262,471)	(262,471)
At 31 December 2017	169,615	249,000	250,000	1,407,299	2,075,914

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

The notes are an integral part of these financial statements

SCOTTISH EQUITABLE HOLDINGS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000's	2017 £000's
Profit before tax		**375,001**	383,963
Adjustment to reconcile profit / (loss) before tax to net cash flow from operating activities:			
Investment income	**4**	**(375,001)**	(387,712)
Finance costs	**5**	**-**	3,749
Interest income received		**1**	5
Income tax received		**491**	2,737
Net cash inflow from operating activities		**492**	2,742
Dividends received	**4**	**375,000**	387,707
Net cash inflow from Investing activities		**375,000**	387,707
Repayment of the Debenture from Group undertaking		**-**	(14,500)
Repayment of the Loan from ultimate parent undertaking		**-**	(117,128)
Dividends paid	**9**	**(375,000)**	(262,471)
Net cash outflow from Financing activities		**(375,000)**	(394,099)
Net increase / (decrease) in cash and cash equivalents		**492**	(3,650)
Cash and cash equivalents at 1 January		**106**	3,756
Cash and cash equivalents at 31 December	**8**	**598**	106

The Cash Flow statement is prepared according to the indirect method.

The notes are an integral part of these financial statements.

1. Summary of significant accounting policies

1.1. Basis of Preparation

1.1.1 Introduction

The Company's financial statements have been prepared on the going concern basis 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 as modified by those financial instruments and financial liabilities that have been measured at fair value.

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 Scottish Equitable Holdings 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 *Financial Instruments*, including the separate amendment applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*	1 January 2018	Yes	Low
IFRS 15 *Revenue from Contracts with Customers,* including clarifications to IFRS 15 as issued in 2016	1 January 2018	Yes	Low
IFRS 2 *Clarifications of Classification and Measurement of Share-based Payment Transactions*	1 January 2018	Yes	Low
IAS 40 *Investment Property*, amendments regarding the transfer of property	1 January 2018	Yes	Low
IFRIC 22 Foreign Currency Transactions and Advance Consideration	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 interpretations, 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 *Leases*	1 January 2019	Yes	Low
IFRS 17 *Insurance Contracts*	1 January 2022	No	Low
IFRIC 23 Uncertainty over Tax Treatments	1 January 2019	Yes	Low
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019	Yes	Low
Annual Improvements 2015-2017	1 January 2019	Yes	Low
Amendment to IAS 19 Plan Amendment, curtailment or settlement	1 January 2019	Yes	Low
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019	Yes	Low
Amendments to references to The Conceptual Framework in IFRSs	1 January 2020	No	Low
Amendment to IFRS 3 Business Combinations	1 January 2020	No	Low
Amendments to IAS 1 and IAS 8 Definition of Material	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.

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. 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.

1.3. 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. Tax assets and liabilities

Current income tax

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 other comprehensive income is recognised in other comprehensive income and not in the income statement.

Deferred income tax

Deferred income tax is provided 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 at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Deferred income tax relating to items recognised directly in other comprehensive income is recognised directly in other comprehensive income and not in the income statement. Deferred income tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax relate to the same taxable entity and the same taxation authority.

1.5. Interest bearing loans

Obligations for loans 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. The liability is derecognised when the Company's obligation under the contract expires, is discharged or is cancelled.

1.7. Cash and cash equivalents

Cash comprises cash at banks and in-hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash requirements.

2. Administrative expenses

The Company has not been subject to audit fees as this cost is borne by Scottish Equitable plc. The Company did not have employees under contracts of service during the year to 31 December 2018 (2017: £nil).

3. Directors' emoluments

The amount of Directors' remuneration was as follows:

	2018	2017
	£000's	£000's
Fees	**684.4**	735.0
Remuneration including bonuses	**2,796.5**	2,343.5
	3,480.9	3,078.5

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

Two Directors received Aegon N.V. shares in relation to long-term incentive schemes in 2018 (2017: two). Compensation in respect of loss of office to Directors is £nil 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 plc group companies.

Fees relate to payments to Non-executive Directors. Non-Executive Directors do not participate in any incentive or bonus plans or pension arrangements.

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	**2018**	2017
Amounts included above:	**£000's**	£000's
Remuneration including bonuses	**1,635.5**	1,278.8

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 were made to a defined contribution scheme in respect of the highest paid Director during the year (2017: £nil).

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

4. Investment Income

	2018	2017
	£000's	£000's
Interest income	1	5
Dividend income	375,000	387,707
	375,001	387,712

Dividend income, relates to the dividends received from Scottish Equitable Plc during the year. For terms and conditions relating to related party transactions, refer to note 10.

5. Finance costs

	2018	2017
	£000's	£000's
Interest expense on debenture held by a fellow Aegon N.V. subsidiary undertaking	-	617
Interest expense on loan from ultimate parent undertaking	-	3,132
	-	3,749

The Debenture loan from a fellow Aegon N.V. subsidiary undertaking related to a Debenture issued to Aegon Holdings UK Ltd. This loan was repaid in full on the 12 October 2017 and paid interest at 5.75% per annum.

The loan from the ultimate parent undertaking related to a loan from Aegon N.V. This loan was repaid in full on 12 October 2017 and paid interest at LIBOR plus a margin based on Aegon N.V. and Scottish Equitable plc credit spreads. Where interest was rolled over, additional deferral interest was payable to the ultimate parent undertaking based on the same rate.

6. Taxation

(a) Current year tax credit

	2018	2017
UK Current Tax	£000's	£000's
UK corporation tax credit	-	721
Total current tax	-	721
Total tax credit reported in the income statement	-	721

(b) Reconciliation of tax credit

	2018	2017
	£000's	£000's
Accounting profit before tax	375,001	383,963
Income tax on accounting profit calculated using the weighted average applicable statutory rates	(71,250)	(73,913)
Non-taxable income	71,250	74,634
Total tax credit reported in the income statement	-	721

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 tax losses carried forward of £84.5m (2017: £166.6m) as there is insufficient certainty as to the availability of future profits. The potential tax value is £14.4m (2017: £28.3m).

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 deferred tax balances have been included in the above figures.

7. Investments in subsidiaries

The investment is in shares of Scottish Equitable plc, the principal subsidiary undertaking of the Company, which is wholly owned, is registered in Scotland at Aegon Lochside Crescent, Edinburgh, EH12 9SE and has one class of share capital. The nature of business of Scottish Equitable plc is the provision of corporate and individual pensions, protection products and savings products in the United Kingdom. The tables below represents a complete list of the Company's subsidiaries.

	2018	2017
	£000's	£000's
Balance at January 1	**2,075,317**	2,075,317
Balance at 31 December	**2,075,317**	2,075,317

All subsidiaries are carried at cost less impairment losses.

At 31 December 2018 Scottish Equitable plc held 100% of the shares in the following subsidiary undertakings operating in the UK. Each undertaking has only one class of Ordinary share.

Name	Principal Activity	Registered	Registered Address
Scottish Equitable (Managed Funds) Limited	Reassurance of life assurance business (until 31 December 2009) (dormant)	Scotland	Edinburgh Park Edinburgh Lothian EH12 9SE
Aegon UK IT Services Limited	Leasing Company (dormant)	Scotland	

8. Cash and cash equivalents

	2018	2017
	£000's	£000's
Cash at bank	**598**	106
	598	106

Cash and cash equivalents are not subject to any restrictions. The cash at bank is held with a bank with a credit rating of A (2017: BBB). The fair value of cash and cash equivalents is £598k (2017: £106k).

9. Capital and reserves

	2018	2017
	£000's	£000's
Allotted, called up and fully paid		
1,696,149,000 Ordinary shares of 10p each (2017: 1,696,149,000 shares of 10p)	**169,615**	169,615
One Special Share of £1	**-**	-

Share capital

On the 22 June 2017 the Company converted £1,443,149k capital contributions reserve into share capital and then subsequently approved a reduction in the nominal value of all shares from £1 to 10p.

Special share
The Special share is held by Scottish Equitable Policyholders Trust Limited (SEPT). SEPT is a voting trust company established for the benefit of all members of Scottish Equitable Life Assurance Society at 31 December 1993 and future participating (or with profits) policyholders of Scottish Equitable plc. SEPT has the right to appoint two Directors to the boards of Scottish Equitable plc and Scottish Equitable Holdings Limited and also has the right to be consulted over the bonus and investment policies of the participating (or with-profits) fund of Scottish Equitable.

The Special Share entitles SEPT to repayment of the sum of £1 paid up in respect of the Share, but it confers no income or capital rights.

In accordance with the agreement between Aegon International BV and Scottish Equitable Life Assurance Society the Special Share conferred 0% of the voting rights during the year ended 31 December 2018 (0% during the year ended 31 December 2017). SEPT retains certain rights connected with the operation of Scottish Equitable plc's with profit sub-fund, including the right to be consulted on proposed bonus recommendations.

Information on capital management and risk management is included in the Strategic Report under 'Corporate governance, capital management and financial instruments'.

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 22 June 2017 the Company converted £1,443,149k of capital contributions reserve into share capital.

Retained Earnings
Dividends totalling £375,000k (2017: £262,471k) were paid out of retained earnings during the year.

10. Related party transactions

(a) Immediate parent undertaking
The immediate parent company is Aegon UK plc which is registered in England and Wales. Copies of Aegon UK plc 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 undertaking, which is incorporated in the Netherlands. Copies of the consolidated financial statements of Aegon N.V. are available to the public and may be obtained from The Company Secretary, Aegon UK plc, Aegon Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SE.

(c) Year end balances and transactions with related parties
On 12 October 2017 the Company repaid both related party loans along with the associated finance costs (note 5).

The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2018 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).