

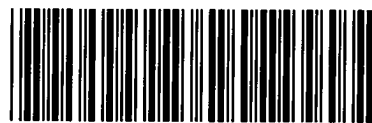
AEGON INVESTMENT SOLUTIONS LTD

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

REGISTRATION NUMBER SC394519

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**AEGON INVESTMENT SOLUTIONS LTD
COMPANY INFORMATION**

Directors
Michael Holliday-Williams
Stephen McGee
James Ewing

Secretary
James K MacKenzie

Company Number
SC394519

Registered Office
Aegon Lochside Crescent
Edinburgh Park
Edinburgh
EH12 9SE

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

AEGON INVESTMENT SOLUTIONS LTD STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Principal activities

The Company was incorporated on 1 March 2011 as a private company limited by shares. The Company's principal activity is the sale of Individual Savings Accounts (ISAs) and General Investment Accounts (GIAs) through its digital platform.

Review of business and future developments

The Company is a wholly owned subsidiary of Aegon UK plc. The Company was authorised by the Financial Services Authority "FSA" on 3 October 2011 (now Financial Conduct Authority, FCA). The Company continues to focus on developing its digital platform and increasing its assets under administration.

The Company offers two propositions to customers via the platform, all of which use the same underlying technology, product wrappers e.g. pensions (provided by Scottish Equitable plc), ISAs, savings schemes), investments and client services. They are:

- At Retirement - a wrap solution offered to Retail customers, i.e. Independent Financial Advisers (IFAs)
- Workplace Savings - a wrap solution offered to corporate customers, i.e. banks such as Barclays, Employee Benefit Consultants such as Mercer, and other accounts.

Aegon Retirement Choices (ARC) helps advisors and their customers save for the long term and manage the transition from work to retirement. ARC uses leading-edge digital technology to deliver an intuitive method of saving for the long term, including retirement, taking income in retirement, and dealing with changing circumstances. It also provides valuable online reporting and lifestyle tools that enable advisors to demonstrate their professionalism and display their charges for advice in a transparent way.

The Company also offers ISAs as part of the Aegon UK plc Group's Retiready digital retirement planning service. The Retiready offering is designed to help customers understand how 'on track' they are for the retirement they want, to support customers in taking action and is focused on existing customers who no longer have an advisor.

Aegon UK Corporate Services Limited (AUKCS), a fellow subsidiary of Aegon UK plc, provides services to the Aegon UK Group and in particular employ those personnel who provide services to the Company. The Company does not contract directly with non Aegon UK plc Group third parties and does not have any employees of its own.

The Company continues to monitor the recent coronavirus disease (COVID-19) outbreak, which is causing worldwide economic disruption and will impact performance in 2020. The Company considers the incidence and spread of COVID-19 to be a non-adjusting post balance sheet event.

The Board of the Company monitors key performance indicators on a regular basis to track business performance. These indicators include assets under administration and net income.

The table below compares certain major indicators between 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-------------|-------------|
| | £000 | £000 |
| Profit for year | 865 | 493 |
| Assets under administration * | 2,039,183 | 1,499,182 |
| Return on Assets (RoA) * | 23.1% | 16.1% |

* Assets under administration and Return on Assets are not reported in the financial statements on pages 8 to 17 and are therefore non-GAAP measures. Assets under administration represents the value of assets on the Aegon UK Group platform belonging to the Company's clients. Return on assets has been included as required by IFPRU 9.1.3, calculated as net profit divided by total balance sheet.

The profit for the year increased to £865k (2018: £493k) primarily driven by the additional revenue generated through the growth in the Assets under Administration. Assets under administration have increased significantly during the year as the platform continues to grow and gain traction in the market.

Corporate governance, capital management and financial instruments

The Aegon UK plc 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 Directors consider that the Company is primarily subject to operational risk, business risk, credit risk and liquidity risk. They operate policies which are designed to ensure that after taking account of mitigating actions and probability, the Company maintains a level of finance and resource that is appropriate for the risks it faces:

- Operational risk considers the impact of operational events such as failure to comply fully with regulatory requirements;
- Business risk considers the impact of failure to achieve planned results;
- Credit risk considers the exposure in financial assets, cash and short term deposits and trade and other receivables; and
- Liquidity risk is the risk that the Company may have insufficient liquid assets to meet liabilities or client money funding requirements as they become due.

AEGON INVESTMENT SOLUTIONS LTD
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Company's main exposure to risks arising from financial instruments is its exposure to credit risk arising on financial assets, cash and short term deposits and trade and other receivables. Credit risk is reduced as assets are primarily cash, which is placed with high credit-rated banks, and intercompany receivables from other Aegon UK plc Group companies.

Revenues are indirectly exposed to market risk as they are dependent upon the value of assets under administration. This risk is inherent in the business of platform asset management. Potential market risk is monitored through scenario analysis and the Company aims to hold a level of capital that will afford protection against a significant market downturn. The Company is monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak. The Company operates a risk and capital management framework to ensure customers are protected against severe risk events and operationally, the business is continuing to service its customers through this turbulent period.

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, that the Company meets external capital requirements set by the Financial Conduct Authority "FCA", to allocate capital efficiently to support growth, and repatriate excess capital where appropriate. The Company manages its capital by measuring its resources and cash available on a regular basis, and through regular monitoring of regulatory capital. The Company's capital position and its movement from the opening balance are disclosed within the Statement of Changes in Equity. The Company met all externally imposed capital requirements during the year.

The Company is regulated by the FCA and maintains a capital framework in line with the Capital Requirements Directive (CRD). The framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital requirements that we need to retain to meet our credit, market and operational risk;
- Pillar 2 requires us and our regulator to take a view on whether we need to hold additional capital against firm-specific risks not covered by Pillar 1; and
- Pillar 3 requires us to develop a set of disclosures that will allow market participants to assess key information about our underlying risks, risk management controls and capital position.

The Company's Pillar 3 disclosure document is on Aegon UK's website.

As the Company is an Investment Firm Prudential Sourcebook (IFPRU) limited licence firm, the Company is within the scope of CRD IV country by country reporting obligations. The information required by the legislation has been published on Aegon UK's website.

In considering operational risk the firm has specifically taken into account Senior Management Arrangements, Systems and Controls (SYSC 8) outsourcing rules for common platform firms. The Company has established appropriate controls to ensure that operational risk is within risk tolerance, including, in particular, ensuring that contractual arrangements allow appropriate outsourcer management. These controls operate within the wider risk management and governance framework that the Company follows (consistent with that followed by other parts of the Aegon UK plc Group). Therefore material risks are expected to be within the Company's risk tolerance.

By order of the Board



James K MacKenzie
Company Secretary
17 April 2020

AEGON INVESTMENT SOLUTIONS LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of Aegon Investment Solutions Ltd ("the Company") present their report and the audited financial statements for the year ended 31 December 2019. The Company is incorporated and domiciled in Scotland (registration number SC394519).

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 2019, and applied in accordance with the Companies Act 2006.

Results and dividends

The results for the year are set out on page 8. The profit for the year, after taxation, is £865k (2018: profit of £493k). The Directors recommend no dividend is paid (2018: nil). Further discussion of the result, a review of the business and future developments are included in the Strategic report.

Directors and their interests

The current Directors of the Company are shown on page 1. The Directors have declared that they had no interest in the share capital of the Company in the year to 31 December 2019. 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 |
|---------------------------|---------------------|---------------------|
| Michael Holliday-Williams | 8 January 2020 | - |
| Adrian Grace | - | 9 January 2020 |

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 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 impact of the COVID-19, 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.

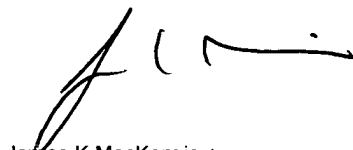
Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and have been deemed reappointed under section 487(2) of Companies Act 2006.

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 a Director to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

By order of the Board



James K MacKenzie
Company Secretary
17 April 2020

AEGON INVESTMENT SOLUTIONS LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE
YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

**AEGON INVESTMENT SOLUTIONS LTD
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AEGON INVESTMENT SOLUTIONS LTD**

Report on the audit of the financial statements

Opinion

In our opinion, Aegon Investment Solutions Ltd'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 Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; 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

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.

**AEGON INVESTMENT SOLUTIONS LTD
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AEGON INVESTMENT SOLUTIONS LTD**

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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.

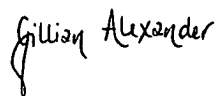
Other required reporting

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

17 April 2020

AEGON INVESTMENT SOLUTIONS LTD
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | <u>2019</u> £000 | <u>2018</u> £000 |
|--------------------------|------|---------------------|---------------------|
| Revenue | 2 | 4,133 | 3,497 |
| Expenses | 3 | (3,127) | (2,951) |
| Operating Profit | | <u>1,006</u> | <u>546</u> |
| Other Income | 4 | 61 | 63 |
| Profit before tax | | <u>1,067</u> | <u>609</u> |
| Taxation charge | 5 | (202) | (116) |
| Profit for year | | <u><u>865</u></u> | <u><u>493</u></u> |

The profit for the year relates wholly to continuing activities and is attributable to the equity holders of the Company.

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

The notes are an integral part of these financial statements.

**AEGON INVESTMENT SOLUTIONS LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

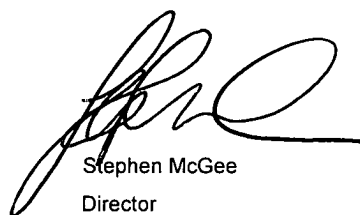
| | Note | <u>2019</u> £000 | <u>2018</u> £000 |
|------------------------------|------|---------------------|---------------------|
| Current assets | | | |
| Other assets and receivables | 6 | 868 | 1,319 |
| Cash and cash equivalents | 7 | 3,997 | 2,565 |
| Total assets | | <u>4,865</u> | <u>3,884</u> |
| Current liabilities | | | |
| Income tax payable | 5 | 202 | 116 |
| Trade and other payables | 8 | 485 | 455 |
| Total liabilities | | <u>687</u> | <u>571</u> |
| Net assets | | <u>4,178</u> | <u>3,313</u> |
| Capital and reserves | | | |
| Issued share capital | 9 | 4,000 | 4,000 |
| Retained earnings | | 178 | (687) |
| Total equity | | <u>4,178</u> | <u>3,313</u> |

The notes are an integral part of these financial statements.

The financial statements were approved by the Board on 17 April 2020 and signed on its behalf by



Michael Holliday-Williams
Director



Stephen McGee
Director

**AEGON INVESTMENT SOLUTIONS LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | <u>Issued share capital</u> | <u>Retained earnings</u> | <u>Total Equity</u> |
|----------------------------|---------------------------------|--------------------------|-------------------------|
| | £000 | £000 | £000 |
| At 1 January 2019 | 4,000 | (687) | 3,313 |
| Profit for the year | - | 865 | 865 |
| At 31 December 2019 | 4,000 | 178 | 4,178 |
| At 1 January 2018 | 4,000 | (1,180) | 2,820 |
| Profit for the year | - | 493 | 493 |
| At 31 December 2018 | 4,000 | (687) | 3,313 |

The notes are an integral part of these financial statements.

AEGON INVESTMENT SOLUTIONS LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | <u>2019</u> | <u>2018</u> |
|---|----------|---------------------|---------------------|
| | | £000 | £000 |
| Operating activities | | | |
| Profit before tax | | 1,067 | 609 |
| Adjustments of non-cash items | | | |
| <i>Adjustment to reconcile profit before tax to net cash flows from operating activities:</i> | | | |
| Decrease/(increase) in other assets and receivables | 6 | 451 | (581) |
| Increase/(decrease) in trade and other payables | 8 | 30 | (363) |
| Adjustments of non-cash items | | <u>481</u> | <u>(944)</u> |
| Income tax paid | | (116) | (21) |
| Net cash inflow/(outflow) from operating activities | | <u>1,432</u> | <u>(356)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 1,432 | (356) |
| Cash and cash equivalents at 1 January | 7 | 2,565 | 2,921 |
| Cash and cash equivalents at 31 December | 7 | <u><u>3,997</u></u> | <u><u>2,565</u></u> |

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

The notes are an integral part of these financial statements.

AEGON INVESTMENT SOLUTIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Summary of significant accounting policies

1.1 Basis of preparation

1.1.1 *Introduction*

After making enquiries, which include considering the liquidity of the Company's assets and the impact of the COVID-19, 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, the financial statements have been prepared on a 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 2019 and applied in accordance with the Companies Act 2006. The financial statements have been prepared in accordance with the historical cost convention.

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 Investment Solutions Ltd for the year ended 31 December 2019 were authorised for issue, in accordance with a resolution of the Directors, on 17 April 2020.

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 2019, 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 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 | Nil |
| 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 |

1.1.3 *Future adoption of new IFRS accounting standards*

The following amendments to the existing standards and interpretation, published prior to 1 January 2020, 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 | Impact on Company |
|--|----------------------------|--------------------------|
| IFRS 17 Insurance Contracts | 1 January 2023 | Low |
| Amendments to references to The Conceptual Framework in IFRSs | 1 January 2020 | Low |
| Amendment to IFRS 3 Business Combinations | 1 January 2020 | Low |
| Amendments to IAS 1 and IAS 8 Definition of Material | 1 January 2020 | Low |
| Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform | 1 January 2020 | Low |

1.2 Significant accounting judgements, estimates and assumptions

Application of the accounting policies in the preparation of the financial statements requires management to apply judgement involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. There are no accounting policies that are critical to the financial statements presentation and that require complex estimates or significant judgement.

**AEGON INVESTMENT SOLUTIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 represents initial charges on gross contributions made by customers and annual charges on investment holdings.

1.4 Administrative expenses

Aegon UK Corporate Services Limited (AUKCS), which is a fellow subsidiary of Aegon UK plc, provides services to the Aegon UK plc Group and in particular employs those personnel who provide services to the Company. Therefore, the Company has no employees under contracts of service. All administrative expenses are recharged by AUKCS to the Company.

1.5 Interest income

Interest relates to interest on cash and short term deposit balances and is recognised on an accruals basis as it is earned.

1.6 Tax assets and liabilities

Current income tax assets and liabilities are measured as 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.

1.7 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position 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.

2. Revenue

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|--------------|--------------|
| | £000 | £000 |
| Charges and fee income received | 4,133 | 3,497 |
| | <u>4,133</u> | <u>3,497</u> |

3. Expenses

| | <u>2019</u> | <u>2018</u> |
|-----------------------------|--------------|--------------|
| | £000 | £000 |
| Administrative expenses | 2,527 | 2,737 |
| Fee expenses | 83 | 66 |
| Fee expenses - intercompany | - | 23 |
| Other expenses | 517 | 125 |
| | <u>3,127</u> | <u>2,951</u> |

Administrative expenses are amounts recharged by AUKCS (a fellow Aegon UK plc Group undertaking) of £2,527k (2018: £2,737k). Fee expenses are amounts recharged by Aegon Ireland plc (a fellow subsidiary of Aegon N.V. until it was sold on 3 April 2018). In 2018, prior to sale, these fees were included as intercompany recharges of £23k. For terms and conditions relating to related party transactions, refer to note 10(c).

The audit fees paid by the Company in 2019 were £243k (2018: £222k) of which £38k (2018: £38k) was paid in relation to the audit of the financial statements and £205k (2018: £184k) in relation to regulatory returns.

AEGON INVESTMENT SOLUTIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

The Executive Directors who served during 2019 are employees of AUKCS. The total remuneration of the Executive Directors is disclosed below, 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 Aegon Investment Solutions Ltd and their services to other Aegon UK plc Group companies.

| | | |
|---|-----------------------|-----------------------|
| The amounts of Directors' remuneration were as follows: | <u>2019</u> | <u>2018</u> |
| | £000 | £000 |
| Remuneration including bonuses | 2,845.9 | 3,182.0 |
| Aggregate amounts receivable by Directors in respect of long-term incentive schemes (other than shares and share options) | - | - |
| Total amounts of Directors' remuneration | <u><u>2,845.9</u></u> | <u><u>3,182.0</u></u> |

Contributions were made for no directors (2018: two) to defined contribution schemes (2018: £19,693).

Two directors received Aegon N.V. shares in relation to long term incentive schemes in 2019 (2018: Three). There is no compensation in respect of loss of office to directors in 2019 (2018: £121,977).

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

| | | |
|---|-----------------------|-----------------------|
| | <u>2019</u> | <u>2018</u> |
| | £000 | £000 |
| Remuneration including bonuses | 1,636.0 | 1,635.5 |
| Aggregate amounts receivable by Directors in respect of long-term incentive schemes (other than shares and share options) | - | - |
| Total in respect of highest paid Director | <u><u>1,636.0</u></u> | <u><u>1,635.5</u></u> |

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

The highest paid Director at 31 December 2019 and 31 December 2018 was not a member of the defined benefit 'pension scheme. Contributions of nil (2018: nil) were made to a defined contribution scheme in respect of the highest paid Director at 31 December 2019.

The highest paid Director received Aegon N.V. shares in relation to long term incentive schemes in 2019 and 2018.

4. Other income

| | | |
|---------------|------------------|------------------|
| | <u>2019</u> | <u>2018</u> |
| | £000 | £000 |
| Bank Interest | 61 | 63 |
| | <u><u>61</u></u> | <u><u>63</u></u> |

5. Taxation charge

| | | |
|------------------------------------|---------------------|---------------------|
| (a) Current year tax charge | <u>2019</u> | <u>2018</u> |
| | £000 | £000 |
| <u>UK current tax charge</u> | | |
| Income tax charge | (202) | (116) |
| Total current tax charge | <u><u>(202)</u></u> | <u><u>(116)</u></u> |

The current tax rate of 19%, which has been effective since 1 April 2017, was enacted by Finance (No. 2) Act on 26 October 2015. The Finance Act 2016, enacted on 6 September 2016, included a future reduction in the corporation tax rate from 19% to 17% with

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effect from 1 April 2020. In the Spring Budget 2020, the Government announced the corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17%. This has no impact on the 2019 tax position.

| (b) Reconciliation of tax | <u>2019</u> £'000 | <u>2018</u> £'000 |
|---|----------------------|----------------------|
| Accounting profit before tax | 1,067 | 609 |
| Income tax calculated using weighted average applicable statutory rates | (203) | (116) |
| Other | <u>1</u> | <u>-</u> |
| Total tax (charge) / credit reported in the Income Statement | <u>(202)</u> | <u>(116)</u> |

The weighted average applicable tax rate is 19.00% (2018: 19.00%)

6. Other assets and receivables

| | <u>2019</u> £'000 | <u>2018</u> £'000 |
|--|----------------------|----------------------|
| Amounts segregated for client money funding | 478 | 1,011 |
| Charges and fee income receivable | 377 | 308 |
| Receivables from fellow Aegon N.V. subsidiary undertakings | <u>13</u> | <u>-</u> |
| | <u>868</u> | <u>1,319</u> |

All receivables are current. Carrying amounts disclosed reasonably approximate the fair values at year end.

Included within amounts segregated for client money funding is £475k (2018: £475k) of prefunding that has been committed in relation to a facility that enables clients switching between assets to maintain market exposure throughout the switch process.

7. Cash and cash equivalents

| | <u>2019</u> £000 | <u>2018</u> £000 |
|--------------|---------------------|---------------------|
| Cash at bank | <u>3,997</u> | <u>2,565</u> |
| | <u>3,997</u> | <u>2,565</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The above cash at bank balance is held in a bank with a credit rating of AA (2018: AA). Cash and cash equivalents are not subject to any restrictions. The Company only deposits cash surpluses with major banks of high quality credit standing.

The fair value of cash and short term deposits is £3,997k (2018: £2,565k).

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8. Trade and other payables

| | 2019 | 2018 |
|---|------------|------------|
| | £'000 | £'000 |
| Payables to fellow Aegon N.V. subsidiary undertakings | 259 | 452 |
| Provisions | 198 | - |
| Accruals | 28 | 3 |
| | 485 | 455 |

All liabilities are current. The carrying amounts disclosed reasonably approximate the fair values at year end. For terms and conditions relating to related party transactions, refer to Note 10. Provisions are related to the estimated costs to remediate incidents that have arisen in the year.

9. Issued share capital

| | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------|
| | £000 | £000 |
| Allotted, called up and fully paid | | |
| 4,000,000 Ordinary shares of £1 each (2018: 4,000,000 Ordinary shares of £1 each) | 4,000 | 4,000 |

There was no new share capital issued during the year (2018: nil).

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 ultimate parent company is Aegon N.V., 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) Closing balances and transactions with related parties

Administrative expenses are recharged to the Company at cost by AUKCS Limited. See note 3 for total amount of such transactions and the fee expenses recharge from Aegon Ireland plc (a fellow subsidiary of Aegon N.V. until it was sold on 3 April 2018).

Outstanding balances payable are unsecured, interest free and cash settlement is generally expected within 30 days of invoice. The Company has not provided any guarantees for any related party 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, and no expense was recognised. The closing balance related to related party transactions is detailed in note 8.

(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 (2018: nil).

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11. Events after the reporting period

Since January 2020, the coronavirus disease (COVID-19) outbreak is causing disruption to society, impacting the Company, its employees, suppliers and customers. The Company considers the incidence and spread of COVID-19 to be a non-adjusting post balance sheet event.

Aegon has invoked its business continuity plans to help ensure the safety of and well-being of its staff, as well as its capacity to support its customers and maintain its business operations, while maintaining our financial and operational resilience.

Financial markets have been severely impacted by significant decreases in interest rates, equity markets and commodity prices, and by credit spreads widening. Governments and central banks are responding to this crisis with aid packages and further quantitative easing. At the date of this report the depth and length of this crisis is unknown.

The Company is continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak. The most significant risks the Company faces are related to financial markets and the adverse impact the downturn has on the assets under administration and consequently revenue.