

AEGON UK PLC

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY NUMBER 3679296



**AEGON UK PLC
COMPANY INFORMATION**

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| Chairman | Michael J Rogers * |
| Directors | Michael Holliday-Williams Stephen McGee James Ewing Matthew J Rider * David M Dalton-Brown * Simon J Gulliford * Adrian M Eastwood * Michael J Merrick * Helen L Heslop* |

* denotes non-executive Director

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| Secretary | James K MacKenzie |
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| Company Number | 3679296 |
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| Registered Office | Level 26 The Leadenhall Building 122 Leadenhall Street London EC3V 4AB |
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| Independent Auditors | PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX |
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AEGON UK PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Principal and Ongoing Activities

Aegon UK plc (the Company) acts as a direct or indirect investment holding company for financial services businesses within the Aegon UK Group. The principal subsidiary companies are listed in Note 7 to these financial statements.

Review of business and future developments

The Aegon UK Group (Aegon UK plc and subsidiaries) is one of the UK's leading providers of corporate and individual pensions, protection products and investment products. The most material operating subsidiaries in the Aegon UK Group are Scottish Equitable plc and Cofunds Limited.

No dividends from Scottish Equitable Holdings Limited were received during the year (2019: £127.0m). In February 2021 a final dividend of £129.0m was received for the year ended 31 December 2020 (2019: £nil). The Company paid no dividends to its parent Aegon (UK) Holdings Limited in 2020 (2019: £214.0m). In February 2021 a final dividend of £42.0m was paid for the year ended 31 December 2020 (2019: £nil).

As a result of the impact of the coronavirus outbreak (Covid-19), during 2020 the Company invested £10.0m share capital into Cofunds Limited (2019: £20.0m) and £1.0m into Aegon Investments Limited (2019: £nil). A further £2.0m was invested into Aegon Investments Limited in May 2021 to support it through its start-up phase.

On the 1 January 2021, Cofunds Limited, Aegon Investment Solutions Limited, Aegon Investments Limited, Momentum Group Limited, Origen Limited and Origen Financial Services Limited were transferred to Aegon UK Investment Holdings Limited a subsidiary of Aegon UK plc at their carrying values. This follows increased regulatory expectation to consider the prudential position of our investment-type businesses (regulated by the FCA) as a single group and report its financial strength in line with that expectation. By creating a single holding company into which the investment-type companies become legal subsidiaries, we can satisfy this overall objective.

The Company is the sponsoring employer for the Aegon UK Group pension scheme. At 31 December 2020 the scheme has a £59.6m restricted surplus (2019: £1.3m surplus) on an IAS 19 basis. The Company has considered the requirements for recognising a surplus under IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* and obtained an external legal opinion that concluded it is appropriate to recognise the surplus with a restriction of 35% for withholding tax.

Since January 2020, the Covid-19 outbreak has caused disruption to society, impacting the Company, its employees, suppliers and customers. Aegon 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. 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 may have on the valuation in use calculation of its subsidiaries.

The Aegon UK Group's business strategy continues to be focused on developing the business as the leading platform savings, investments and pensions provider in the market.

Key performance indicators

Aegon UK plc is an investment holding company and is not required to prepare consolidated financial statements as it makes use of the Companies Act 2006 S400 exemption. As a result, these financial statements show the results of investment holding activity rather than the trading performance of each of the underlying investments. In 2020 the Company made a loss before tax of £29.8m from this investment holding activity, compared to a profit before tax of £139.6m in 2019. The key drivers of the 2020 result were £47.8m of Management fees from subsidiary undertakings in relation to contributions into the pension scheme offset by a £69.3m impairment to the carrying value of Cofunds Limited. The decrease from prior year is principally driven by 2019 including the receipt of a £127.0m dividend and a £25.0m one off pension scheme contribution.

The Company forms part of the UK segment of Aegon N.V., the ultimate parent undertaking of the Company. The strategy, performance and position of the UK are also discussed in the 'Strategic information' and 'Business overview' sections of the Aegon N.V. annual report, which do not form part of this report.

AEGON UK PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Corporate Governance

The Aegon UK Group 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, and written terms of reference for the Board and its committees, with appropriate delegated authorities;
- an Aegon UK Group Audit Committee, the members of which are non-executive Directors, which oversees internal control and financial reporting matters;
- a Risk Committee, the members of which are non-executive Directors, which oversees risk and capital matters;
- a risk management function providing a second line of defence, independent of operations and with responsibility for monitoring and reporting of risk;
- a regulatory risk function, which is part of the second line of defence, with responsibility for managing the relationship with key regulators, contributing to strategic change, establishing and maintaining the financial crime framework and monitoring and reporting on compliance with regulations,
- a forward-looking regulatory strategy forum that identifies and mitigates risks from future political and regulatory change; and
- an internal audit function which provides independent, objective assurance over the complete control framework reporting to the Chair of the Aegon UK Group Audit Committee and with direct access to all executive members, in particular the Chief Executive Officer.

Corporate governance reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") apply to companies meeting specific qualifying conditions. The Company meets some of these qualifying conditions and is required in its Annual Report to include disclosures on:

- i) how the Directors have had regard to the matters in section 172(1)(a) to (f) of the Companies Act 2006 (the "Act");
- ii) how the Directors have engaged with employees; and
- iii) how the Directors have engaged with customers, suppliers and others.

Disclosures addressing point (i) are presented in this Strategic Report. Disclosures addressing points (ii) and (iii) are presented in the Directors Report.

Section 172(1) Companies Act Statement

Section 172(1) requires that: "A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) The likely consequences of any decision in the long term;
- (b) The interests of the company's employees;
- (c) The need to foster the company's business relationships with suppliers, customers and others;
- (d) The impact of the company's operations on the community and the environment;
- (e) The desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) The need to act fairly as between members of the company."

The Directors consider all matters relevant to the particular issue before them for consideration whilst acting in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members. This includes, amongst other things, the factors listed above.

Aegon UK Corporate Services Limited (AUKCS), a subsidiary of Aegon UK plc, provides services to the Aegon UK Group and in particular employ those personnel who provide services to the Company. Therefore, as the Company has no employees under contracts of service, it is those personnel that are referred to as employees throughout this statement.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors have put in place suitable processes so that all relevant matters are factored into the Board's decision making. These are part of the corporate governance framework as described above, and include, for example the Regulatory Risk team and the Regulatory Development Group. They also include, for example, the requirement that all papers prepared for the Board follow a template which requires the paper author to set out, amongst other things, the key points, points for discussion, stakeholder implications (stakeholder implications covering, the Company's customers, suppliers, Regulators, employees who provide services to the Company, the community and the environment) and risk and capital implications of the matters in the paper. During the year, the Company rolled out a new strategy and the template for Board papers was updated to require the paper author to set out how the key points in their paper align with the purpose and strategic pillars of the Company. These ensure the stakeholder implications and risk and capital implications alongside other key points can be appropriately considered by the Board in their deliberations.

The Board also, as part of its corporate governance framework, has a training plan in place. This ensures that each year the Directors receive regular training from subject matter experts on a wide range of topics, which in 2020 included training on Cloud data storage and also on Environmental, Social and Governance matters. Such training helps to ensure that the Directors are kept up to date regarding the range of matters to be taken into account in respect of each decision they are asked to make.

The approach described above assisted the Directors with their consideration of the business' response to the Covid-19 pandemic. The Board received a number of papers and presentations on this and these papers highlighted the implications of the actions taken by the UK and Scottish governments in light of the Covid-19 pandemic and, in particular, the guidance that employees should work from home if possible. Further detail on how the Directors demonstrated their responsibilities under s172 is presented as follows:

- In terms of the consideration of the likely consequences of any decision in the long term, the Board considered the financial impact on the Company of the Covid-19 pandemic and the actions taken by the Company as a result of it that is, the vast majority of employees working from home following the government's lockdown restrictions being imposed ("lockdown");
- In terms of the impact of the lockdown on the interests of employees, the Board considered the impact on employees' wellbeing and their ability to undertake their role effectively on a working from home basis. Throughout lockdown, the Board has ensured that employees have been offered physical and mental wellbeing support, including regular 1-1 meetings with their manager by telephone or video conference call and practical support such as setting up a comfortable working from home environment through the provision of equipment.
- As the Company has no customers the impact on the customers of the Company was not considered by the Board.
- The impact on the shareholder of the Company and the ultimate beneficial owner of the Company, Aegon N.V., was also considered. Aegon N.V. issued a global work from home instruction to its employees to help all employees stay as safe as possible.
- The impact on suppliers to the Company was appropriately considered by the Board, and support was offered to an in-house supplier to enable it to continue to provide its services to the Company. The Board considered the potential local reputational risks of this due to its interpretation of what was considered "essential services" which could continue to be provided during lockdown and was satisfied that the service provided by the supplier was indeed essential in nature.
- The impact of Covid-19 on the community and the environment was appropriately considered by the Board. The Board considered that employees working from home would protect the community and the broader environment by reducing opportunities for transmission of the Covid-19 virus. Aegon UK Corporate Services Limited, a subsidiary of the company, made - on behalf of the company - additional one-off gifts of £100k each to each of the Royal Voluntary Service and the Trussell Trust to support them with their efforts to relieve the impact of Covid-19 on those most seriously affected.
- The Board did not have to consider the need to act fairly between members of the Company as there is only one member and it is ultimately beneficially owned by Aegon N.V..

For more information regarding the Board's consideration of:

- employees refer to disclosures in the Directors Report. This outlines, amongst other things, the main methods the Directors have used to engage with employees; and
- the Company's suppliers, customers and others refer to disclosures in the Directors Report. This outlines, amongst other things, the main methods the Directors have used to engage with the Company's suppliers, customers and others including, without limitation, the Company's Shareholder.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Risk and capital management and financial instruments

Risk management for the Company operates within the corporate governance framework above. As Aegon UK plc 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 from the prior year are disclosed within the Statement of Changes in Equity. The Company has no externally imposed capital requirements.

The Company's main exposure to risk arising from financial instruments is its exposure to credit risk arising on financial assets, cash and short term deposits and trade and other receivables. Cash and short term deposits are placed with high credit-rated banks which significantly reduces credit risk. Trade and other receivables and an element of financial assets are intercompany receivables from other Aegon UK Group companies which again significantly reduces credit risk. Credit and market risk on non-intercompany financial assets are managed and monitored through regular investment and loan reviews.

This report was approved by the Board on 24 June 2021 and signed by order of the Board by

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James K MacKenzie
Company Secretary

AEGON UK PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the audited Company financial statements for the year ended 31 December 2020. The Company is incorporated and domiciled in England and Wales (registration number 3679296).

Structure of these Financial Statements

These financial statements have been prepared in accordance with International Accounting Standards as they apply to the financial statements of the Company for the year ended 31 December 2020 and applied in accordance with the Companies Act (CA) 2006.

Results and Dividends

The results for the year are set out on page 12. The Company paid no dividends during the year (2019: £214.0m) and received no dividends from Scottish Equitable Holdings Limited (2019: £127.0m). In February 2021 a final dividend payment of £42.0m for the year ended 31 December 2020 was paid (2019: £nil).

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 2020. The following appointments and resignations occurred prior 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 | 08/01/2020 | - |
| Helen Louise Heslop | 12/04/2021 | - |
| Adrian T Grace | - | 09/01/2020 |
| Caroline F Ramsey | - | 14/05/2020 |
| Mark Bloom | - | 01/06/2021 |

Directors' qualifying third party indemnity provisions

During the year and to the date of signing the 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.

Statement on engagement with employees and other stakeholders

The Companies (Miscellaneous Reporting) Regulations 2018' (SI 2018/860), 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' (SI 2008/410) include a requirement for companies above a certain size to include information about engagement with employees, suppliers, customers and other stakeholders.

Aegon UK Corporate Services Limited (AUKCS), a subsidiary of the Company, provides services to the Aegon UK Group and in particular employ those personnel who provide services to the Company. Therefore, as the Company has no employees under contracts of service it is those personnel that are referred to as employees throughout this statement.

It is Aegon's policy to ensure equal opportunities for all employees of the Aegon UK Group. The only criteria considered for the recruitment or provision of staff is suitability for the position, regardless of sex, sexual orientation, marital status, age, religion, ethnic origin or disability (having due regard to the individual's aptitudes and abilities). It is Aegon's policy, wherever possible to continue the employment of staff who have become disabled with appropriate re-training when required. No discrimination is made against disabled employees with regard to training, career development or promotion.

By means of regular announcements and staff briefings and meetings with the independent trade unions, AEGIS and UNITE, Aegon has maintained its policy of providing information and consulting on matters likely to affect the interests of staff.

Employees are a key stakeholder of the Company. The Board operates a hybrid between a formal work force advisory panel and a designated non-executive director for workplace engagement. One of the Board's non-executive Directors has taken on the role of strengthening the Board's engagement with employees.

The following are examples of the Company's engagement with employees:

- Expanding our Inclusion & Diversity programme during 2020 to focus on several additional communities with numerous I&D events and initiatives supported using technology throughout 2020.
- Wellbeing support provided to our employees throughout the year to support them in managing the impacts of the Covid-19 pandemic, including the creation of a Wellbeing Hub bringing together support and benefits provided to employees, provision of additional paid

AEGON UK PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

dependants' leave, provision of online health check and GP services and the operation of a second Cycle to Work enrolment window during July 2020, and the creation of a self-funded furlough scheme for any employee unable to work for personal reasons.

- Aegon UK operates a robust pay and grading framework, based on a recognised job evaluation methodology. Within this framework, Aegon UK conducts annual benchmarking to ensure that terms and conditions of employment and employee total reward packages are positioned at competitive levels.
- The Company engages with employees on at least a half yearly basis through senior manager briefings the contents of which are cascaded to all employees. At these briefings members of the Executive of the Company share updates regarding key topics such as the financial results, strategy development and business performance. In addition, the Company holds an annual event for employees that covers progress over the year and objectives for the following year. This is hosted by the Executive of the Company and as well as cascading information is an opportunity for any employee to ask questions of the Executive.

In respect of engagement with suppliers, the Directors regularly review Management Information on the Company's and its subsidiaries' relationships with key suppliers. This informs them of the status of the relationship with each key supplier and their current performance against, amongst other things, service levels. The Board is also regularly updated regarding the key activities being undertaken by the Company to continually improve its approach to supplier management in order to ensure protection for its customers, including Risk Assessments and Contingency Plans. During 2020, the Board requested that Management undertake a detailed review of supplier resilience in light of the Covid-19 pandemic.

In respect of engagement with customers, the Company does not have any so this is not directly relevant.

In respect of engagement with regulators, the Company does not have any as it is not regulated.

In respect of engagement with shareholders, the Board has two shareholder representatives on it and receives at each meeting an update from Aegon N.V.. In addition, the CEO is a member of the Management Board of Aegon N.V. and regularly engages with Aegon N.V. in respect of the key issues facing the Company. This enables the Board to take into account as appropriate the perspective of the shareholder in respect of the matters for its consideration.

The implications for the Company's stakeholders (which includes without limitation, its employees, suppliers, and shareholder) of matters presented to the Board for decision must be included in all board papers. This is explained more fully in the Strategic report with examples of the effect of the effect of the consideration of such factors on some key decisions taken by the Company during the year.

Streamlined Energy and Carbon Reporting (SECR)

From financial years beginning on or after 1 April 2019, large UK companies are required to report under the Companies (Energy and Carbon Report) Regulations 2018 on their UK energy use and carbon emissions. This new requirement has been implemented by the Department for Business, Energy and Industrial Strategy (BEIS). The Company meets the criteria for a large company. Energy use and carbon emissions are monitored and measured at Aegon UK group level. In allocating the energy use and carbon emissions across Aegon UK legal entities, consideration has been given to the principal activity of the Company being that of holding, rather than an operating, company. The total energy use of the Company is less than 40MWh, allowing it to apply the low energy user exemption from providing detailed disclosures of energy and carbon information. The energy use and carbon emissions of the Company have been captured by the disclosures in the operating companies of Aegon UK that are in scope of these Regulations.

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 continuing impact of 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.

**AEGON UK PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Independent Auditors

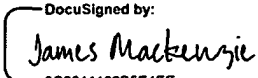
PricewaterhouseCoopers LLP have been re-appointed as auditors in accordance with section 489 of the CA 2006.

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 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

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James K MacKenzie

Company Secretary

24 June 2021

AEGON UK PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE
YEAR ENDED 31 DECEMBER 2020

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 Accounting Standards. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 UK PLC
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AEGON UK PLC**

Report on the audit of the financial statements

Opinion

In our opinion, Aegon UK plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; income statement, statement of comprehensive income, the statement of changes in equity and the cash flow statement 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

**AEGON UK PLC
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AEGON UK PLC**

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the Companies Act 2006 which directly impact the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the payment of unlawful dividends under section 830 of the Companies Act 2006. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant Board meeting minutes;
- Identifying and assessing estimates and judgements, such as those relating to the Defined Benefit pension scheme;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; entries posted containing unusual account descriptions and entries posted by unexpected users, where any such journal entries were identified; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

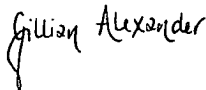
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

24 June 2021

AEGON UK PLC
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | <u>2020</u> £m | <u>2019</u> £m |
|---|------|----------------------|---------------------|
| Revenue | | | |
| Investment income | 2 | 0.2 | 138.3 |
| Other income | 3 | <u>47.8</u> | <u>72.7</u> |
| Total revenue | | 48.0 | 211.0 |
| Expenses | | | |
| Administrative expenses | 4 | (8.5) | (10.6) |
| Impairment charges | 5 | <u>(69.3)</u> | <u>(60.8)</u> |
| Total expenses | | (77.8) | (71.4) |
| (Loss) / profit before tax | | (29.8) | 139.6 |
| Tax credit | 6 | 1.6 | 23.3 |
| Net (loss) / profit attributable to equity holders of Aegon UK plc | | <u>(28.2)</u> | <u>162.9</u> |

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | <u>2020</u> £m | <u>2019</u> £m |
|--|------|----------------------|---------------------|
| Net (loss) / profit | | (28.2) | 162.9 |
| Items that will not be reclassified to profit: | | | |
| Remeasurements of defined benefit plans | 13 | 11.2 | (23.8) |
| Effect of restriction on plan surplus | 13 | (20.4) | (0.4) |
| Tax relating to components of other comprehensive loss | 10 | - | (31.2) |
| Other comprehensive income for the year | | <u>(9.2)</u> | <u>(55.4)</u> |
| Total comprehensive income attributable to equity holders of Aegon UK plc | | <u>(37.4)</u> | <u>107.5</u> |

All of the amounts above are in respect of continuing activities.

The notes are an integral part of these financial statements.

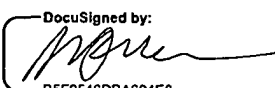
AEGON UK PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

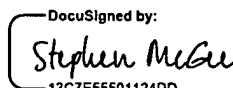
| | Note | <u>2020</u> | <u>2019</u> |
|--|------|----------------|-------------------|
| | | £m | <u>Restated *</u> |
| | | | £m |
| Non-current assets | | | |
| Investments in subsidiaries | 7 | 2,454.1 | 2,512.4 |
| Investment in associate | 8 | 6.2 | 6.2 |
| Financial assets | 9 | 7.7 | 0.9 |
| Deferred tax assets | 10 | - | - |
| Defined pension benefits | 13 | 38.8 | 0.9 |
| Other assets | 11 | 25.0 | 25.0 |
| | | <u>2,531.8</u> | <u>2,545.4</u> |
| Current assets | | | |
| Financial assets | 9 | 44.2 | 64.5 |
| Tax Receivables | | 1.8 | - |
| Other assets | 11 | 8.0 | 9.4 |
| Cash and cash equivalents | 12 | - | 8.6 |
| | | <u>54.0</u> | <u>82.5</u> |
| Total assets | | <u>2,585.8</u> | <u>2,627.9</u> |
| Non-current liabilities | | | |
| Lease liabilities* | | <u>6.4</u> | <u>8.3</u> |
| | | <u>6.4</u> | <u>8.3</u> |
| Current liabilities | | | |
| Trade and other payables* | 14 | 2.5 | 4.6 |
| Tax Payables | | - | 0.7 |
| | | <u>2.5</u> | <u>5.3</u> |
| Total liabilities | | <u>8.9</u> | <u>13.6</u> |
| Net assets | | <u>2,576.9</u> | <u>2,614.3</u> |
| Capital and reserves | | | |
| Share capital | 15 | 169.5 | 169.5 |
| Capital contribution reserve | 15 | 548.9 | 548.9 |
| Remeasurement of defined benefit plans | | (217.1) | (207.9) |
| Retained earnings | | <u>2,075.6</u> | <u>2,103.8</u> |
| Total equity | | <u>2,576.9</u> | <u>2,614.3</u> |

* The 2019 comparative balances have been restated to split the lease liabilities, recognised in accordance with IFRS 16 Leases, between current and non-current liabilities. In the 2019 financial statements, the current liabilities presented were £13.6m and non-current liabilities presented were nil. There is no impact prior to 1 January 2019, the date upon which IFRS 16 became effective.

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 24 June 2021 and are signed on its behalf by

DocuSigned by:

 B5F9548DBA694E8...
 Michael Holliday-Williams
 Director

DocuSigned by:

 13C7E55501124DD...
 Stephen McGee
 Director

AEGON UK PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | <u>Share capital</u> | <u>Capital contribution reserve</u> | <u>Remeas- urement of defined benefit plans</u> | <u>Retained earnings</u> | <u>Total Equity</u> |
|--|------|--------------------------|---|---|------------------------------|-------------------------|
| | | £m | £m | £m | £m | £m |
| At 1 January 2020 | | 169.5 | 548.9 | (207.9) | 2,103.8 | 2,614.3 |
| Net loss recognised in the income statement | | - | - | - | (28.2) | (28.2) |
| Other comprehensive income: | | | | | | |
| Items that will not be reclassified to profit: | | | | | | |
| Remeasurements of defined benefit plans | 13 | - | - | 11.2 | - | 11.2 |
| Effect of restriction on plan surplus | 13 | - | - | (20.4) | - | (20.4) |
| Tax relating to components of other comprehensive income | 10 | - | - | - | - | - |
| Total other comprehensive income | | - | - | (9.2) | - | (9.2) |
| Total comprehensive income for 2020 | | - | - | (9.2) | (28.2) | (37.4) |
| At 31 December 2020 | | 169.5 | 548.9 | (217.1) | 2,075.6 | 2,576.9 |

The notes are an integral part of these financial statements.

AEGON UK PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | <u>Share capital</u> | <u>Capital contribution reserve</u> | <u>Remeasu- rement of defined benefit plans</u> | <u>Retained earnings</u> | <u>Total Equity</u> |
|--|------|--------------------------|---|---|------------------------------|-------------------------|
| | | £m | £m | £m | £m | £m |
| At 1 January 2019 | | 169.5 | 548.9 | (152.5) | 2,154.9 | 2,720.8 |
| Net profit recognised in the income statement | | - | - | - | 162.9 | 162.9 |
| Other comprehensive income: | | | | | | - |
| Items that will not be reclassified to profit: | | | | | | |
| Remeasurements of defined benefit plans | 13 | - | - | (23.8) | - | (23.8) |
| Effect of restriction on plan surplus | 13 | - | - | (0.4) | - | (0.4) |
| Tax relating to components of other comprehensive income | 10 | - | - | (31.2) | - | (31.2) |
| Total other comprehensive income | | - | - | (55.4) | - | (55.4) |
| Total comprehensive income for 2019 | | - | - | (55.4) | 162.9 | 107.5 |
| Dividend paid | | - | - | - | (214.0) | (214.0) |
| At 31 December 2019 | | <u>169.5</u> | <u>548.9</u> | <u>(207.9)</u> | <u>2,103.8</u> | <u>2,614.3</u> |

The notes are an integral part of these financial statements.

AEGON UK PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | <u>2020</u> £m | <u>2019</u> <u>Restated</u> * £m |
|---|------|-------------------|--|
| Operating Activities | | | |
| (Loss)/Profit before tax | | (29.8) | 139.6 |
| <i>Adjustment to reconcile profit before tax to net cash outflow from operating activities:</i> | | | |
| Investment income | 2 | (0.2) | (138.3) |
| Realised gains on sale of financial assets | 3 | - | (0.1) |
| Impairment charge | 5 | 69.3 | 60.8 |
| Decrease / (increase) in other assets * | 11 | 1.4 | (34.4) |
| Remeasurements of defined benefit plans | 13 | 11.2 | (23.8) |
| Decrease in defined pension benefit obligation | 13 | (37.9) | (46.9) |
| Effect of restriction on surplus * | 13 | (20.4) | (0.4) |
| (Decrease) / increase in trade and other payables * | 14 | (2.1) | 3.7 |
| (Decrease) / increase in non-current liabilities * | | (1.9) | 8.3 |
| Income tax received * | | (0.9) | 7.1 |
| Net cash outflow from operating activities | | <u>(11.3)</u> | <u>(24.4)</u> |
| Investing activities | | | |
| Dividend income | 2 | - | 127.0 |
| Proceeds on sale of subsidiary | | - | 4.1 |
| Net (acquisition) / disposal of financial assets | 9 | 13.5 | 91.4 |
| Investment in subsidiaries | 7 | (11.0) | (20.0) |
| Other investment income | | 0.2 | 1.1 |
| Net cash inflow generated from investing activities | | <u>2.7</u> | <u>203.6</u> |
| Financing activities | | | |
| Dividends paid | | - | (214.0) |
| Net cash outflow from financing activities | | <u>-</u> | <u>(214.0)</u> |
| Net decrease in cash and cash equivalents | | (8.6) | (34.8) |
| Cash and cash equivalents at 1 January | | 8.6 | 43.4 |
| Cash and cash equivalents at 31 December | 12 | <u>-</u> | <u>8.6</u> |

* The 2019 comparative balances have been restated to present the changes in the right of use lease asset and lease liability gross in the cashflow statement, present the effect of restriction on pension scheme surplus separately with a rounding adjustment to income tax received.

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

The notes are an integral part of these financial statements.

AEGON UK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 continuing 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 Company's financial statements have been prepared on the going concern basis and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Company for the year ended 31 December 2020. IFRS comprises accounting standards prefixed IFRS, issued by the International Accounting Standards Board (IASB) and those prefixed IAS, issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee (IFRS IC) and its predecessor body. 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 Companies Act 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 UK plc for the year ended 31 December 2020 were authorised for issue, in accordance with a resolution of the directors, on 24 June 2021.

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 2020, the following standards and amendments to existing standards issued by the IASB became mandatory or were early adopted but are not currently relevant or do not significantly impact the financial position or financial statements:

| Accounting Standard / amendment/ interpretation | IASB effective date | Impact on Company |
|---|----------------------------|--------------------------|
| Amendments to References to the Conceptual Framework in IFRS Standards | 1 January 2020 | Low |
| Amendments 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 IFRS17: Interest Rate Benchmark Reform | 1 January 2020 | Low |
| Amendment to IFRS 16 Leases Covid-19 - Related Rent Concessions | 1 June 2020 | Nil |

1.1.3 Disclosures of new standards that have been issued but are not yet effective

The following standards and amendments to existing standards and interpretations, published prior to 1 January 2021, were not early adopted by the Company, but will be applied in future years:

| Accounting Standard / amendment/ interpretation | IASB effective date | Impact on Company |
|--|----------------------------|--------------------------|
| IFRS 17 <i>Insurance Contracts</i> | 1 January 2023 | Nil |
| Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date | 1 January 2023 | Low |
| Minor amendments to IFRS 3, IAS 16, IAS 37 and Annual improvements 2018-20 | 1 January 2022 | Low |
| Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 | 1 January 2021 | Nil |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 <i>Interest Rate Benchmark Reform – Phase 2</i> | 1 January 2021 | Low |

AEGON UK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

(a) 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.

(b) Pension and other post-employment benefits

The cost of defined benefit pensions plans uses an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates and inflation rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 13.

(c) Fair value and fair value hierarchy

The following is a description of Company's methods of determining fair value, and a quantification of its exposure to assets and liabilities measured at fair value.

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

In accordance with IFRS 13 the Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) or using valuation techniques for which any significant input is not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used.

The degree of judgement used in measuring the fair value of assets and liabilities generally inversely correlates with the level of observable valuation inputs. The Company maximizes the use of observable inputs and minimizes the use of unobservable valuation inputs when measuring fair value. Financial instruments, for example, with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments for which no quoted prices are

AEGON UK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement.

The assets and liabilities categorisation within the fair value hierarchy is based on the lowest input that is significant to the fair value measurement.

The judgement as to whether a market is active may include, although not necessarily determinative, lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. In inactive markets, assurance is obtained that the transaction price provides evidence of fair value or determined that the adjustments to transaction prices are necessary to measure the fair value of the instrument.

The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain assets and liabilities are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such assets and liabilities, the derivation of fair value is more judgemental. An instrument in its entirety is classified as valued using significant unobservable inputs (Level III) if, in the opinion of management, a significant proportion of the instrument's carrying amount is driven by unobservable inputs. "Unobservable" in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. While the Company believes, its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments (both financial and non-financial) could result in a different estimate of fair value at the reporting date.

To operationalise the Company's fair value hierarchy, individual instruments (both financial and non-financial) are assigned a fair value level based primarily on the type of instrument and the source of the prices (e.g. index, third-party pricing service, broker, internally modelled). Periodically, this logic for assigning fair value levels is reviewed to determine if any modifications are necessary in the context of the current market environment.

1.3 Revenue recognition

The following specific recognition criteria must be met before revenue is recognised:

Investment income - Dividend income

Dividend income from investments in subsidiaries and associates is included in investment income when received.

Other income - Management fees from subsidiary undertakings

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, excluding VAT.

Other income - Interest income

Revenue is recognised as interest accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

1.4 Administrative expenses

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

1.5 Finance costs

Finance costs include interest charges on borrowings. Interest expense on borrowings carried at amortised cost is recognised in profit or loss using the effective interest method.

AEGON UK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1.6 Investments in subsidiaries and associates

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

1.7 Financial assets

Financial assets are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument.

Classification

The company classifies its financial assets as either fair Value through profit or loss (FVTPL), fair value through OCI (FVOCI) or at amortised cost. The classification of financial assets is based on both the Company's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Measurement

At initial recognition, financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs. Transaction costs of financial assets carried at FVTPL are recognised as expenses in the income statement. Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate method. The amortised cost of a debt instrument is the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amounts and minus any impairment. The effective interest rate method is a method of calculating the amortised cost and of allocating the interest income or expense over the relevant period.

Fair Value through Other Comprehensive Income

Debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where those cash flows represent solely payments of principal and interest, are measured at FVOCI. Changes in fair value are recognised as a separate component of equity until the asset is derecognised or determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest income from these assets is included in investment income using the effective interest method.

Fair Value through Profit or Loss

Debt instruments that do not meet the criteria for recognition at amortised cost or FVOCI (or for which the fair value option has been applied) are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in the income statement in the period in which it arises.

Impairment

The Company assesses, on a forward looking basis, the expected credit losses associated with its financial instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Fair Value

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). For quoted financial assets for which there is an active market, the fair value is the bid price at the statement of financial position date. In the absence of an active market, fair value is estimated by using present value based or other valuation techniques. Where discounting techniques are applied, the discount rate is based on current market rates applicable to financial instruments with similar characteristics. The valuation

AEGON UK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

techniques that include non-market observable inputs can result in a different outcome than the actual transaction price at which the asset was acquired. Such differences are not recognised in the income statement immediately but are deferred. They are released over time in line with the change in factors (including time) that market participants would consider in setting a price for the asset. Interest accrued to date is not included in the fair value of the financial asset.

Derecognition

A financial asset is derecognised when the contractual rights to the asset's cash flows expire, when the Company has transferred the asset and substantially all the risks and rewards of ownership, or when the Company has transferred the asset without transfer or retaining of substantially all the risks and rewards of ownership, provided the other party can sell or pledge the asset. On derecognition the difference between the disposal proceeds and the carrying amount is recognised in the income statement. Any cumulative gain or loss previously recognised in equity is also recognised in the income statement.

1.8 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 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 liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

AEGON UK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 equity is recognised directly in equity 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.

1.9 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.

1.10 Impairment of assets

The Company assesses at each reporting date whether there is an indication that any 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 profit or loss 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.

1.11 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.

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

1.12 Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the

AEGON UK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

1.13 Defined benefit pensions benefits

The Company recognises a liability (asset) for defined benefit pension plans for which it is the sponsoring employer.

Measurement

The defined benefit obligation is based on the terms and conditions of the plan applicable on the statement of financial position date. In measuring the defined benefit obligation the Company uses the projected unit credit method and actuarial assumptions that represent the best estimate of future variables. The benefits are discounted using an interest rate based on the market yields for high-quality corporate bonds on the statement of financial position date. Plan improvements (either vested or unvested) are recognised in the income statement at the date when the plan improvement occurs.

Plan assets are qualifying insurance policies and assets held by long-term employee benefit funds that can only be used to pay the employee benefits under the plan and are not available to the Company's creditors. They are measured at fair value and are deducted in determining the amount recognised on the statement of financial position.

Profit or loss recognition

The cost of the plans are determined at the beginning of the year and comprise the following components:

- Current year service cost which is recognised in profit or loss; and
- Net interest on the net defined benefit liability (asset) which is recognised in profit or loss;

Remeasurements of the net defined benefit liability (asset) which is recognised in other comprehensive income are revisited quarterly and shall not be reclassified to profit or loss in a subsequent period.

Any employee contributions are deducted from the current year service cost. Net interest on the net defined benefit liability (asset) shall be determined by multiplying the net defined benefit liability (asset) by the applicable discount rate. Net interest on the net defined benefit liability (asset) comprises interest income on plan assets and interest cost on the defined benefit obligation. Whereby interest income on plan assets is a component of the return on plan assets and is determined by multiplying the fair value of the plan assets by the applicable discount rate. The difference between the interest income on plan assets and the actual return on plan assets is included in the remeasurement of the net defined benefit liability (asset).

Remeasurements of the net defined benefit liability (asset) comprise of:

- Actuarial gains and losses;
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Settlements

The gain or loss on a curtailment or settlement is the difference between:

- The present value of the defined benefit obligation being settled, as determined on the date of settlement; and
- The settlement price, including any plan assets transferred and any payments made directly by Aegon in connection with the settlement.

The Company recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

1.14 Foreign exchange translation

Transactions in foreign currencies are translated to the functional currency using the exchange rates prevailing at the date of the transaction. At the statement of financial position date monetary assets and monetary liabilities are translated at the closing rate.

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Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at a fair value are translated at the exchange rate when the fair value was determined.

Exchange differences on monetary items are recognised in the income statement when they arise. Exchange differences on non-monetary items are recognised in equity or the income statement, consistently with other gains and losses on these items.

1.15 Leases

As a lessee, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of real estate and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (using the same rate to measure the lease liability), if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the incremental borrowing rate is used as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimated amount of the expected payable under a residual value guarantee, or if the assessment changes of whether it will exercise a purchase, extension or termination option.

The right-of-use assets are presented in 'Other assets' and lease liabilities in 'lease liabilities' and 'trade and other payables' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including small office equipment. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

2. Investment income

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|---------------------|
| | £m | £m |
| Dividend income from subsidiary undertakings | - | 127.0 |
| Realised gain on sale of Subsidiaries | - | 10.2 |
| Interest income on cash and short term deposits | <u>0.2</u> | <u>1.1</u> |
| | <u><u>0.2</u></u> | <u><u>138.3</u></u> |

For terms and conditions relating to related party transactions, refer to note 18.

In 2019, the realised gain on sale of subsidiaries is made up of £7.3m deferred consideration including interest received in relation to the sale of Positive Solutions in 2013 and the release of a £2.9m provision that is no longer required following final settlement.

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3. Other income

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| | £m | £m |
| Management fees from subsidiary undertakings | 47.8 | 72.6 |
| Realised gain on sale of financial assets | - | 0.1 |
| | <u>47.8</u> | <u>72.7</u> |

Management fees from subsidiary undertakings represents contributions paid to the Aegon UK Group defined benefit pension scheme by other Aegon Group companies. Contributions are made to the scheme by the company who employs the member and recharged to other Aegon Group companies at cost in line with the services provided by the employee. There were no one-off contributions paid into the pension scheme in 2020 (2019: £25.0m).

4. Administrative expenses

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| | £m | £m |
| Expenses included within administrative expenses include: | | |
| Defined benefit pension plan expense | <u>0.7</u> | <u>1.5</u> |

There were £7.7m administrative expenses (2019: £9.0m) relating to recharges to the Company by Aegon UK Corporate Services Limited, a subsidiary undertaking. For terms and conditions relating to related party transactions, refer to note 18.

Included within the recharge from Aegon UK Corporate Services Limited are audit fees of £51.8k (2019: £72.6k), which in 2019 included £24.6k in respect of the audit of its parent Aegon (UK) Holdings Limited.

The Executive Directors of the Company are also Executive Directors of other Aegon UK group companies. The total remuneration of the Executive Directors is disclosed below, all of which was paid by the Aegon UK Group. The Directors do not believe that it is practicable to apportion this amount between their services as Executive Directors of the Company and their services to other Aegon UK Group companies. The performance related bonuses available to the executive Directors are awarded on the advice of the Aegon UK Group Remuneration Committee having regard to corporate performance during the year under review.

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

| The amounts of Directors' remuneration were as follows: | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| | £000's | £000's |
| Fees | 618.7 | 682.6 |
| Remuneration including bonuses | <u>2,738.2</u> | <u>2,906.2</u> |
| | <u>3,356.9</u> | <u>3,588.8</u> |

No contributions were made for Directors to defined contribution schemes (2019: £nil).

Compensation in respect of loss of office to Directors is £nil in 2020 (2019: £nil).

Three Directors received Aegon N.V. shares in relation to long term incentive schemes in 2020 (2019: two).

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

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| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|
| | £000's | £000's |
| Amounts included above: | | |
| Remuneration including bonuses | 1,397.7 | 1,636.0 |
| 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>1,397.7</u></u> | <u><u>1,636.0</u></u> |

The highest paid Director at 31 December 2020 and 31 December 2019 was not a member of the defined benefit pension scheme. Contributions of £nil (2019: £nil) were made to a defined contribution scheme in respect of the highest paid Director at 31 December 2020.

The highest paid Director did not receive Aegon N.V. shares in relation to long-term incentive schemes in 2020 but did receive shares in 2019.

5. Impairment charges

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| | £m | £m |
| Impairment of Investments in subsidiaries | <u>69.3</u> | <u>60.8</u> |
| | <u><u>69.3</u></u> | <u><u>60.8</u></u> |

There has been a £69.3m (2019: £60.8m) impairment to the carrying value of Cofunds Ltd (Cofunds) recognised in the year. Cofunds made a loss during the year as a result of integration costs. This was considered a potential indicator of impairment and hence an impairment assessment was performed. A fair value less costs of disposal was not able to be calculated, because there is no basis for making a reliable estimate of the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions, therefore the value in use was used to determine the recoverable amount. The value in use of £nil is lower than the carrying value £69.3m hence an impairment is required. The key assumptions used in the value in use calculation were 3 year medium term plan cashflows with a 0% terminal growth rate beyond the 3 year period and a pre-tax discount rate of 11.94% applied to these assets.

As the carrying value of Cofunds has been fully impaired sensitivity testing has not been performed.

No indicators of impairment were noted in the current year in relation to the carrying value of Scottish Equitable Holdings Ltd (SEHL).

6. Tax credit

(a) Current year tax credit

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|-------------------|--------------------|
| | £m | £m |
| <u>Current Tax</u> | | |
| Current year | 1.5 | (0.1) |
| Adjustments to prior year | 0.1 | - |
| Total current tax (charge)/ credit | <u>1.6</u> | <u>(0.1)</u> |
| <u>Deferred Tax</u> | | |
| Origination of temporary differences | - | 23.4 |
| Total deferred tax credit | <u>-</u> | <u>23.4</u> |
| Income tax credit for the year | <u><u>1.6</u></u> | <u><u>23.3</u></u> |

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

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17% with effect from 1 April 2020, however in the Spring Budget 2020, the Government announced the corporation tax rate would remain at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020.

In the Spring Budget 2021, the Government announced their intention to increase the corporation tax from 19% to 25% from 1 April 2023. This increase was substantively enacted on 24 May 2021 as part of the Finance Act 2021 but has no impact on the amounts stated above as at 31 December 2020.

(b) Reconciliation of tax credit

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|--------------------|
| | £m | £m |
| (Loss) / profit before tax | <u>(29.8)</u> | <u>139.6</u> |
| Income tax calculated using weighted average applicable statutory rates | 5.7 | (26.5) |
| Non-taxable income | 9.0 | 37.6 |
| Non-tax deductible expenses | (13.2) | (11.6) |
| Changes in deferred tax rate | - | - |
| Adjustments to prior year | 0.1 | - |
| Use of previously unrecognised losses | - | 0.3 |
| Unwind of tax on the Defined Benefit Scheme | - | 23.4 |
| Other | - | 0.1 |
| Income tax credit for the year | <u><u>1.6</u></u> | <u><u>23.3</u></u> |

The Non taxable income relates to the effect of the Defined Benefit scheme contributions to the income statement now that we're in a surplus position.

The Non-tax deductible expenses relate to the tax value of the impairment in the carrying value of investments.

The weighted average applicable tax rate for 2020 is 19.00% (2019: 19.00%).

7. Investments in subsidiaries

| | <u>2020</u> | <u>2019</u> |
|-----------------------|-----------------------|-----------------------|
| | £m | £m |
| At 1 January | 2,512.4 | 2,553.2 |
| Additional investment | 11.0 | 20.0 |
| Impairment charge | <u>(69.3)</u> | <u>(60.8)</u> |
| At 31 December | <u><u>2,454.1</u></u> | <u><u>2,512.4</u></u> |

In 2020, the Company invested an additional £10.0m share capital in Cofunds limited (2019: £20.0m) and an additional £1.0m in Aegon Investments Limited (2019: £nil).

All subsidiaries are carried at cost less impairment. During 2020, following impairment reviews, it was decided to impair the carrying value of Cofunds Limited by a total impairment of £69.3m (2019: £60.8m) as described in note 5.

At 31 December 2020 the Company had the following direct and indirect subsidiary undertakings operating in the UK. The table below and Note 8 represent a complete list of the Company's subsidiaries and associates. Each undertaking has only one class of Ordinary share. An asterisk (*) indicates holdings not held directly by the Company.

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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 Investment Solutions Limited – Nominee 2 (Net) Ltd | Nominee (dormant) | 100 | |
| Aegon SIPP Nominee Limited | Nominee (dormant) | 100 | |
| Aegon SIPP Nominee 2 Limited | Nominee (dormant) | 100 | |
| Aegon UK Corporate Services Limited | Management Services | 100 | |
| Aegon Investment Solutions Limited – Nominee 3 (ISA) Ltd | Nominee (dormant) | 100 | |
| Scottish Equitable (Managed Funds) Ltd* | 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, EC3V 4AB |
| Aegon UK Property Fund Limited | Property holding company (dormant) | 100 | |
| Aegon SIPP Guarantee Nominee Ltd | Nominee (dormant) | 100 | |
| Newcast Property Developments (ONE) Limited* | Property holding company (dormant) | 100 | |
| Newcast Property Developments (TWO) Limited* | Property holding company (dormant) | 100 | |
| Cofunds Limited | Sale of investment products | 100 | |
| Cofunds Nominees Limited* | Nominee (dormant) | 100 | |
| Dorset Nominees Limited* | Nominee (dormant) | 100 | |
| Minster Nominees Limited* | Nominee (dormant) | 100 | |
| Cofunds Leasing Limited* | Dormant | 100 | |
| Lochside Nominees Ltd* | Nominee (dormant) | 100 | |
| Victoria Nominees Limited* | Nominee (dormant) | 100 | |
| Andrews Nominees Limited* | Nominee (dormant) | 100 | |
| Aegon Investments Limited | Fund Management Activities | 100 | |
| Aegon UK Investment Holdings Limited | Holding Company | 100 | |
| Momentum Group Limited | Holding Company | 100 | Ascent 4, 2 Gladiator Way Farnborough Hampshire GU14 6XN |
| Origen Limited* | Management Services | 100 | |
| Origen Financial Services Limited* | Independent Financial Advisers | 100 | |

Aegon UK IT Services Limited and Witham Institutional Nominee Limited were struck off on 22 September 2020. Origen Trustee Services Limited was struck off on 6 October 2020.

8. Investment in associate

| | <u>2020</u> | <u>2019</u> |
|----------------|-------------|-------------|
| | £m | £m |
| At 1 January | 6.2 | 6.2 |
| At 31 December | <u>6.2</u> | <u>6.2</u> |

| Name | Principal Activity | Holding % | Registered Address |
|---------------------|--------------------------------|-----------|---|
| Tenet Group Limited | Independent Financial Advisers | 22.04% | 5 Lister Hill, Horsforth, Leeds, West Yorkshire, LS18 5AZ |

The investment in Tenet Group Limited is not considered to be a material associate.

Summarised financial information of associate for the year ended 30 September:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|--------------|-------------|
| | £m | £m |
| Post-tax (loss) / profit | (4.4) | 3.6 |
| Total comprehensive income | <u>(4.4)</u> | <u>3.6</u> |

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9. Financial assets

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| | £m | £m |
| Non-current financial assets | | |
| Loans to subsidiary undertakings | 0.9 | 0.9 |
| Bonds – Fair value through profit and loss | 6.8 | - |
| | <u>7.7</u> | <u>0.9</u> |
| Current financial assets | | |
| Unconsolidated investment funds – Fair value through profit or loss | 41.1 | 64.5 |
| Bonds – Fair value through profit and loss | 3.1 | - |
| | <u>44.2</u> | <u>64.5</u> |
| | <u><u>51.9</u></u> | <u><u>65.4</u></u> |

Loans to subsidiary undertakings primarily relates to unsecured subordinated loans where repayment is conditional on certain subordination conditions. Interest is charged on the loans at 6 Month LIBOR plus 0.75% and 6 Month LIBOR plus 1.5% as per contractual obligations throughout the loan period.

Credit risk

The Company invests in short-dated investment grade bonds as an alternative to holding cash. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. An indication of the Company's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The Company manages credit risk exposure by individual counterparty, sector and asset class, including cash positions. The Company is most exposed to credit risk on debt securities and cash and cash equivalents. Debt securities comprise of corporate bonds. The Company's general policy is to hold an appropriate spread of assets between counterparties in order to reduce risk. Additionally, the Company would normally expect its fixed interest securities to have credit ratings of BBB or higher.

Aegon N.V. operates a Credit Name Limit Policy (CNLP) under which limits are placed on the aggregate exposure that it has to any one counterparty. Limits are placed on the exposure at both group level and individual country units. The limits placed on the UK relate primarily to the Company with the limits being agreed by management as suitable for the size and nature of the Company's business. The limits also vary by a rating system, which is a composite of the main rating agencies (S&P, Moody's and Fitch) and Aegon N.V.'s internal rating of the counterparty. If an exposure exceeds the stated limit, then the exposure must be reduced to the limit for the Company and rating category as soon as possible.

The Company follows a CNLP in line with Aegon N.V.. Under the CNLP a composite rating is used, which is based on a combination of the ratings of the constituents mentioned. The rating used is the lower of the external rating and the internal rating.

The following table gives an indication of the level of creditworthiness of those categories of assets that are most exposed to credit risk, using principally ratings prescribed by major rating agencies.

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|--------------------|--------------------|
| | £m | £m |
| AA | 2.5 | - |
| A | 2.9 | - |
| BBB | 4.5 | - |
| Assets not rated | 42.0 | 65.4 |
| Total Assets by Credit Risk | <u><u>51.9</u></u> | <u><u>65.4</u></u> |

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Credit risk concentrations by sector for debt securities are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-----------------|
| | £m | £m |
| Financial | 4.8 | - |
| Industrial | 4.5 | - |
| Utility | 0.6 | - |
| Total Credit Risk Concentrations | <u><u>9.9</u></u> | <u><u>-</u></u> |

10. Deferred tax assets

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when income taxes relate to the same fiscal authority. The amounts are as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|-----------------|-----------------|
| | £m | £m |
| Deferred tax assets | | |
| At 1 January | - | 7.8 |
| Credit to income statement | - | 23.4 |
| Charged to equity | - | (31.2) |
| At 31 December | <u><u>-</u></u> | <u><u>-</u></u> |

No deferred tax asset is recognised on the statement of financial position in respect of trade losses carried forward of £22.1m with a potential tax value of £4.6m (2019: Loss £22.1m; Tax £3.8m) as there is insufficient certainty as to the availability of future trade profits and gains.

11. Other assets

| | | <u>2020</u> | <u>2019</u> |
|------------------------|------|--------------------|--------------------|
| | Note | £m | £m |
| Non-current | | | |
| Account held in Escrow | 11.1 | <u>25.0</u> | <u>25.0</u> |
| | | 25.0 | 25.0 |
| Current | | | |
| Right-of use assets | 11.2 | <u>8.0</u> | <u>9.4</u> |
| | | 8.0 | 9.4 |
| | | <u><u>33.0</u></u> | <u><u>34.4</u></u> |

11.1 Account held in Escrow

Account held in Escrow refers to the establishment of a custody account available to cover a deficit in the Defined Benefit pension scheme under a range of specific scenarios. This account is not available for use of the Company other than for the Defined Benefit pension scheme and only with agreement from the Trustees of the scheme. Aegon UK plc can at any time instruct the transfer of any interest or returns on investment to be returned to a corporate account provided the remaining balance does not fall below £25m. The asset is considered non-current.

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11.2 *Right-of-use assets*

| | <u>Real Estate for</u> <u>own use</u> £m | <u>Motor</u> <u>Vehicles</u> £m | <u>Total</u> £m |
|---|--|---------------------------------------|---------------------|
| Cost | | | |
| At 1 January 2020 | 9.3 | 2.0 | 11.3 |
| Additions | <u>0.0</u> | <u>0.5</u> | <u>0.5</u> |
| At 31 December 2020 | <u>9.3</u> | <u>2.5</u> | <u>11.8</u> |
| Accumulated depreciation and impairment losses | | | |
| At 1 January 2020 | (1.2) | (0.7) | (1.9) |
| Depreciation through income statement | <u>(1.3)</u> | <u>(0.6)</u> | <u>(1.9)</u> |
| At 31 December 2020 | <u>(2.5)</u> | <u>(1.3)</u> | <u>(3.8)</u> |
| Net book value at 31 December 2020 | <u>6.8</u> | <u>1.2</u> | <u>8.0</u> |
| Cost | | | |
| At 1 January 2019 | 8.7 | 1.4 | 10.1 |
| Additions | <u>0.6</u> | <u>0.6</u> | <u>1.2</u> |
| At 31 December 2019 | <u>9.3</u> | <u>2.0</u> | <u>11.3</u> |
| Accumulated depreciation and impairment losses | | | |
| At 1 January 2019 | - | - | - |
| Depreciation through income statement | <u>(1.2)</u> | <u>(0.7)</u> | <u>(1.9)</u> |
| At 31 December 2019 | <u>(1.2)</u> | <u>(0.7)</u> | <u>(1.9)</u> |
| Net book value at 31 December 2019 | <u>8.1</u> | <u>1.3</u> | <u>9.4</u> |

For information on the Lease liabilities and maturity analysis, please refer to note 14 Trade and other payables and note 16 Lease obligations, respectively.

12. Cash and cash equivalents

| | <u>2020</u> £m | <u>2019</u> £m |
|---------------------|-------------------|-------------------|
| Short term deposits | <u>-</u> | <u>8.6</u> |
| | <u>-</u> | <u>8.6</u> |

The weighted effective interest rate on short term deposits was 0.2% (2019: 0.3%) and the average maturity date was 2 days (2019: 2 days). Cash and cash equivalents are not subject to any restrictions. The Company only deposits cash surpluses with major banks of high quality credit standing. Short term deposits were placed with banks with a credit rating of A (2019: A).

The fair value of cash and short term deposits is £nil (2019: £8.6m).

13. Defined Pension Benefits

Aegon UK plc Group operated a defined benefit pension scheme providing benefits for staff based on final pensionable salary and years of service. The scheme closed to new entrants a number of years ago and closed to future accrual on March 31, 2013. Aegon UK plc Group now offers a defined contribution pension scheme to all employees.

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The scheme provided benefits to members who provide services to and were employed by a number of Aegon UK plc Group companies. IAS19 requires that where there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual group entities, the net defined benefit cost should be recognised in the separate financial statements of the group entity that is legally the sponsoring employer for the plan. The Company is considered the sponsoring employer for the Aegon UK Group scheme. Accordingly the Company recognises the liability and cost of the defined benefit scheme. Contributions paid to the scheme by other Aegon UK Group companies are recognised as management fee income from subsidiary undertakings within Other Income.

The pension scheme is administered separately from Aegon UK plc and is governed by Trustees, who are required to act in the best interests of the pension scheme members.

The pension scheme Trustees are required to carry out triennial valuations on the scheme's funding position, with the latest valuation being as at March 2019. As part of this triennial valuation process, a schedule of contributions is agreed between the Trustees and Aegon UK plc in accordance with UK pension's legislation and guidance issued by the Pensions Regulator in the UK. The schedule of contributions includes deficit reduction contributions to clear any scheme deficit.

The investment strategy for the scheme is determined by the Trustees in consultation with Aegon UK. Currently 30% of assets are invested in growth assets (i.e. primarily equities) and 70% are Income and Liability Driven Investments where the investments are a portfolio of fixed interest and inflation linked bonds and related derivatives, selected to broadly match the interest rate and inflation profile of liabilities.

During 2019, the scheme purchased a buy-in policy in the name of the Trustee to cover full scheme benefits for a group of pensioners. The liability (and matching asset) calculated on the year end assumptions has been included in the funded position as at both period ends.

Under the scheme rules pensions in payment increase in line with the UK Retail Price Index, and deferred benefits increase in line with the UK Consumer Price Index. The pension scheme is therefore exposed to UK inflation changes as well as interest rate risks, investment returns and changes in the life expectancy of pensioners.

| Movements during the year in defined benefit plans (surplus) / deficit | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| | £m | £m |
| At 1 January | (0.9) | 46.0 |
| Defined benefit expenses | 0.7 | 1.5 |
| Remeasurements of defined benefit plans | (11.2) | 23.8 |
| Contributions paid | (47.8) | (72.6) |
| Effect of restriction on plan surplus | 20.4 | 0.4 |
| At December 31 | <u>(38.8)</u> | <u>(0.9)</u> |

The amounts recognised in the statement of financial position at the statement of financial position date are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| | £m | £m |
| Defined benefit obligation | 1,545.1 | 1,388.4 |
| Fair value of plan assets | <u>(1,604.7)</u> | <u>(1,389.7)</u> |
| Defined benefit pension plan surplus | (59.6) | (1.3) |
| Effect of restriction on plan surplus | 20.8 | 0.4 |
| Defined benefit pension plan surplus net of restriction | <u>(38.8)</u> | <u>(0.9)</u> |

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The surplus on the defined benefit scheme is restricted by 35% withholding tax that would be deducted before any surplus was returned to the Company.

The amounts recognised in the income statement are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| | £m | £m |
| Net interest on the net defined benefit liability | (0.5) | 0.3 |
| Past service cost | 0.2 | - |
| Administration expenses | 1.0 | 1.2 |
| Total defined benefit pension plan expenses | <u>0.7</u> | <u>1.5</u> |

The movement in the defined benefit obligation is as follows:

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| | £m | £m |
| At 1 January | 1,388.4 | 1,181.5 |
| Past service cost | 0.2 | - |
| Interest cost | 28.4 | 34.2 |
| <i>Remeasurements of the defined benefit obligations:</i> | | |
| - Actuarial gains arising from changes in demographic assumptions | (14.3) | (3.2) |
| - Actuarial losses arising from changes in financial assumptions | 205.5 | 206.2 |
| - Actuarial gains arising from changes in experience adjustments | (15.3) | (3.8) |
| Benefits paid | (47.8) | (37.6) |
| Increase due to plan combinations | - | 11.1 |
| At 31 December | <u>1,545.1</u> | <u>1,388.4</u> |

The movement in plan assets is as follows:

| | <u>2020</u> | <u>2019</u> |
|---|----------------|----------------|
| | £m | £m |
| At 1 January | 1,389.7 | 1,135.5 |
| Interest income | 28.9 | 33.9 |
| Contributions from employer | 47.8 | 72.6 |
| Benefits paid | (47.8) | (37.6) |
| Administrative expenses paid from plan assets | (1.0) | (1.2) |
| Increase due to plan combinations | - | 11.1 |
| Return on plan assets (excluding interest income) | 187.1 | 175.4 |
| At 31 December | <u>1,604.7</u> | <u>1,389.7</u> |

The group expects to contribute £32.3m to the defined benefit scheme in 2021.

The weighted average duration of the defined benefit obligation is 22 years (2019: 22 years).

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The principal actuarial assumptions that apply for the year ended December 31 are as follows:

| Actuarial assumptions used to determine defined benefit obligations at year-end | <u>2020</u> | <u>2019</u> |
|--|---------------------------------|---------------------------------|
| Demographic actuarial assumptions | | |
| Mortality | UK mortality table ¹ | UK mortality table ² |
| Financial actuarial assumptions | | |
| | <u>2020</u> | <u>2019</u> |
| Discount rate | 1.45% | 2.08% |
| Price Inflation | 2.95% | 3.08% |

The principal actuarial assumptions have an effect on the amounts reported for the defined benefit obligation. A change as indicated in the table below in the principal actuarial assumptions would have the following effects on the defined benefit obligation per year-end:

| | Estimated approximate effects on the defined benefit obligation | |
|--|--|-------------|
| | <u>2020</u> | <u>2019</u> |
| | £m | £m |
| Demographic actuarial assumptions | | |
| 10% increase in mortality rates | (49.5) | (40.4) |
| 10% decrease in mortality rates | 56.3 | 45.8 |
| Financial actuarial assumptions | | |
| 100 basis points increase in discount rate | (295.4) | (258.8) |
| 100 basis points decrease in discount rate | 401.3 | 350.5 |
| 100 basis points increase in price inflation | 154.1 | 110.4 |
| 100 basis points decrease in price inflation | (283.1) | (238.1) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the pension liability recognised within the statement of financial position.

| | Target allocation of plan assets for retirement benefit plans for the next year is: |
|--------------------|--|
| Equity instruments | 29.5% |
| Debt instruments | 70.5% |

¹ Club Vita tables based on an analysis of scheme membership CMI 2019 1.5%/1.25% p.a. (males/females).

² Club Vita tables based on an analysis of scheme membership CMI 2017 1.5%/1.25% p.a. (males/females).

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The distribution of the plan assets at the statement of financial position date is as follows:

| | <u>2020</u> | | <u>2019</u> | |
|------------------|--------------|----------------|--------------|----------------|
| | £m | | £m | |
| | Quoted | Unquoted | Quoted | Unquoted |
| Debt instrument | 304.3 | 641.7 | 281.5 | 257.6 |
| Derivatives | - | 13.8 | - | 48.4 |
| Investment funds | - | 503.4 | - | 461.7 |
| Other | - | 141.5 | - | 340.5 |
| | <u>304.3</u> | <u>1,300.4</u> | <u>281.5</u> | <u>1,108.2</u> |

14. Trade and other payables

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-------------|-------------|
| | £m | £m |
| Payables to subsidiary undertakings | 0.7 | 3.2 |
| Lease liability | 1.8 | 1.4 |
| | <u>2.5</u> | <u>4.6</u> |

* The 2019 lease liabilities have been restated to split between liabilities current and non current liabilities (the latter are presented on the statement of financial position).

For terms and conditions relating to related parties, refer to note 18.

15. Capital and reserves

| | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|
| | £m | £m |
| Allotted, called up and fully paid capital | | |
| 1,695,000,100 Ordinary shares of £0.1 each (2019: 1,695,000,100 Ordinary shares of £0.1 each) | <u>169.5</u> | <u>169.5</u> |

Information on capital management and risk management is included in the Directors' report under 'corporate governance', 'risk and 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. £45.7m of the reserve is considered distributable as it is deemed realised as a result of the Company receiving cash as qualifying consideration and the remaining reserve is considered non-distributable (2019: £45.7m).

Retained Earnings

There were no dividends paid out of retained earnings during the year (2019: £127.0m). In February 2021 a final dividend payment of £42.0m for the year ended 31 December 2020 was paid (2019: £nil).

16. Capital commitments, contingent liabilities and commitments

- (a) The Company has given letters of support which confirms that the Company will continue to provide financial support to Origen Limited, Origen Financial Services Limited, Aegon Investments Limited and Cofunds Limited for a period of at least 12 months from the date of approval of the statement of financial position of those subsidiary companies.

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(b) Obligations under leases:

The remaining contractual maturity of the lease liability, presented in note 14, is set out in the table below.

| | <u>< 1 yr</u> | <u>1<2 yrs</u> | <u>2<3 yrs</u> | <u>3<4 yrs</u> | <u>4<5yrss</u> | <u>>5 yrs</u> | <u>Total</u> |
|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> |
| | <u>2020</u> | <u>2020</u> | <u>2020</u> | <u>2020</u> | <u>2020</u> | <u>2020</u> | <u>2020</u> |
| | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> |
| Lease liabilities | 2.0 | 1.7 | 1.4 | 1.2 | 1.1 | 1.4 | 8.8 |
| | <u>2019</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> |
| | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> |
| Lease liabilities | 2.1 | 2.0 | 1.7 | 1.3 | 1.2 | 2.6 | 10.9 |

Certain sections of one of the properties is subject to a sublease, which is with an unrelated third party. The expected future rental income under the sublease to the above leases are:

| | <u>< 1 yr</u> | <u>1<2 yrs</u> | <u>2<3 yrs</u> | <u>3<4 yrs</u> | <u>4<5yrs</u> | <u>>5 yrs</u> | <u>Total</u> |
|------------------------|------------------|-------------------|-------------------|-------------------|------------------|------------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> |
| | <u>2020</u> | <u>2020</u> | <u>2020</u> | <u>2020</u> | <u>2020</u> | <u>2020</u> | <u>2020</u> |
| | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> |
| Operating lease rights | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 2.5 |
| | <u>2019</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> |
| | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> |
| Operating lease rights | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.9 | 3.0 |

17. Fair value

The estimated fair value of the Company's assets and liabilities correspond with the amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Company uses quoted market prices in active markets to determine the fair value of investments and derivatives. In the absence of an active market, the fair value of investments in financial assets is estimated by using other market observable data, such as corroborated external quotes and present value or other valuation techniques. An active market is one in which transactions are taking place regularly on an arm's length basis. A fair value measurement assumes that an asset or liability is exchanged in an orderly transaction between market participants, and accordingly, fair value is not determined based upon a forced liquidation or distressed sale.

Valuation techniques are used when the Company determines the market is inactive or quoted market prices are not available for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). Therefore, unobservable inputs reflect Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available.

The Company employs an oversight structure over valuation of financial instruments that includes appropriate segregation of duties. Senior management, independent of the investing functions, is responsible for the oversight of control and valuation policies and for reporting the results of these policies. For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilised to corroborate those inputs. Further details of the validation processes are set out below.

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Valuation of assets and liabilities is based on a pricing hierarchy, in order to maintain a controlled process that will systematically promote the use of prices from sources in which the Company has the most confidence, where the least amount of manual intervention exists and to embed consistency in the selection of price sources. Depending on asset type the pricing hierarchy consists of a waterfall that starts with making use of market prices from indices and follows with making use of third-party pricing services or brokers.

Debt securities

When available, the Company uses quoted market prices in active markets to determine the fair value of its debt securities. These market quotes are obtained through index prices or pricing services.

The fair values of debt securities are determined by management after taking into consideration several sources of data. The Company's valuation policy dictates that publicly available prices are initially sought from several third-party pricing services. In the event that pricing is not available from these services, those securities are submitted to brokers to obtain quotes. The majority of brokers' quotes are non-binding. As part of the pricing process the Company assesses the appropriateness of each quote (i.e., as to whether the quote is based on observable market transactions or not) to determine the most appropriate estimate of fair value. Lastly, securities are priced using internal cash flow modelling techniques. These valuation methodologies commonly use the following inputs: reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, and/or estimated cash flows. Only pricing services and brokers with a substantial presence in the market and with appropriate experience and expertise are used.

Third party pricing services will often determine prices using recently reported trades for identical or similar securities. The pricing service makes adjustments for the elapsed time from the trade date to the statement of financial position date to take into account available market information. Lacking recently reported trades, third party pricing services and brokers will use modelling techniques to determine a security price where expected future cash flows are developed based on the performance of the underlying collateral and discounted using an estimated market rate.

Shares

Fair values for unquoted shares are estimated using observations of the price/earnings or price/cash flow ratios of quoted companies considered comparable to the companies being valued. Valuations are adjusted to account for company-specific issues and the lack of liquidity inherent in an unquoted investment. Illiquidity adjustments are generally based on available market evidence. In addition, a variety of other factors are reviewed by management, including, but not limited to, current operating performance, changes in market outlook and the third-party financing environment.

Debt securities

When available, the Company uses quoted market prices in active markets to determine the fair value of its debt securities. These market quotes are obtained through index prices or pricing services.

The fair values of debt securities are determined by management after taking into consideration several sources of data. The Company's valuation policy dictates that publicly available prices are initially sought from several third-party pricing services. In the event that pricing is not available from these services, those securities are submitted to brokers to obtain quotes. The majority of brokers' quotes are non-binding. As part of the pricing process the Company assesses the appropriateness of each quote (i.e., as to whether the quote is based on observable market transactions or not) to determine the most appropriate estimate of fair value. Lastly, securities are priced using internal cash flow modelling techniques. These valuation methodologies commonly use the following inputs: reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, and/or estimated cash flows. Only pricing services and brokers with a substantial presence in the market and with appropriate experience and expertise are used.

Third party pricing services will often determine prices using recently reported trades for identical or similar securities. The pricing service makes adjustments for the elapsed time from the trade date to the statement of financial position date to take into account available market information. Lacking recently reported trades, third party pricing services and brokers will use modelling techniques to determine a security price where expected future cash flows are developed based on the performance of the underlying collateral and discounted using an estimated market rate.

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Other short-term investments

The fair value of assets maturing within a year is assumed to be approximated by their carrying amount adjusted for credit risk, where appropriate, based on market observable credit spreads.

| 2020 | | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> | <u>2020</u> |
|--|------|----------------|-----------------|------------------|-------------|
| | Note | £m | £m | £m | Total £m |
| Financial assets | | | | | |
| <i>Fair Value through profit or loss</i> | | | | | |
| Debt securities | 9 | - | 9.9 | - | 9.9 |
| Unconsolidated investment funds | 9 | - | 41.1 | - | 41.1 |
| 2019 | | | | | |
| | Note | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> | <u>2019</u> |
| | | £m | £m | £m | Total £m |
| Financial assets | | | | | |
| <i>Fair Value through profit or loss</i> | | | | | |
| Unconsolidated investment funds | 9 | - | 64.5 | - | 64.5 |

There were no transfers between levels in the year (2019: nil).

Fair value information about assets and liabilities not measured at fair value

The following table presents the carrying values and estimated fair values of assets and liabilities, excluding assets and liabilities which are carried at fair value on a recurring basis.

| | Carrying amount December 31, 2020 | Level I | Level II | Level III | Total estimated fair value December 31, 2020 |
|---|---|---------|----------|-----------|--|
| | £m | £m | £m | £m | £m |
| Assets | | | | | |
| Loans to subsidiary undertakings – held at amortised cost | 0.9 | - | 0.9 | - | 0.9 |
| | Carrying amount December 31, 2019 | Level I | Level II | Level III | Total estimated fair value December 31, 2019 |
| | £m | £m | £m | £m | £m |
| Assets | | | | | |
| Loans to subsidiary undertakings – held at amortised cost | 0.9 | - | 0.9 | - | 0.9 |

Management do not consider that there are any significant unobservable inputs in the fair value measurements and as such have categorised as level II.

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18. Related party transactions

(a) Immediate parent undertaking

The entire issued share capital of the Company at the year-end is held by Aegon Holdings (UK) Limited, registered in England and Wales.

(b) Ultimate parent undertaking

The results of the Company are consolidated in the financial statements of Aegon N.V., the ultimate parent company 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

Administrative expenses are recharged to the company at cost by Aegon UK Corporate Services Limited, a subsidiary; and on an arms-length basis by Aegon N.V., the ultimate parent undertaking. See note 4 for total amount of such. The terms of loans to related parties are described in note 9.

Investment income and other income from subsidiary undertakings are described in note 2 and 3.

Outstanding payables are unsecured, interest free and cash settlement is generally expected within 30 to 90 days of invoice. Outstanding receivables relate to unsecured, interest free intercompany accounts with no specified credit period. The company has not provided or benefited from any guarantees for any related party receivables or payables, other than as described in this note. During the year ended 31 December 2020, the Company has made no provision for doubtful debts relating to amounts owed by related parties (2019: £nil).

Year end balances related to related party transactions are detailed in notes 9 and 15.

(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 (2019: £nil).

19. Events after the reporting period

On the 1 January 2021, Cofunds Limited, Aegon Investment Solutions Limited, Aegon Investments Limited, Momentum Group Limited, Origen Limited and Origen Financial Services Limited were transferred to Aegon UK Investment Holdings Limited a subsidiary of Aegon UK plc at their carrying values. This follows increased regulatory expectation to consider the prudential position of our investment-type businesses (regulated by the FCA) as a single group and report its financial strength in line with that expectation. By creating a single holding company into which the investment-type companies become legal subsidiaries, we can satisfy this overall objective.

On 23 April 2021, the Company purchased the entire share capital of Pensions Geeks limited an award-winning engagement business that specialises in connecting people with their finances through innovative techniques, communication and events. The Company was purchased for £1.1m with £0.7m due upon acquisition and £0.1m payable in each of the next 4 years.