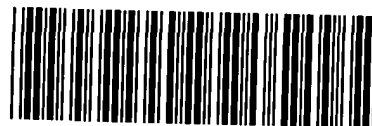


IQUO LIMITED

Registered in England and Wales: No. 03558333

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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IQUO LIMITED

Registered in England and Wales: No. 03558333

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IQUO LIMITED

Registered in England and Wales: No. 03558333

Directors and officers

Directors

R Barker
N Hankin
J McLaughlin
R Tolhurst

Officer - Company secretary

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

East Farmhouse
Cams Hall Estate
Fareham
Hampshire
PO16 8UT

Company number

Registered in England and Wales: No. 03558333

Other information

IQUO Limited ("the Company") is a member of the Aviva plc group of companies ("the Group").

IQUO LIMITED

Registered in England and Wales: No. 03558333

Strategic report

For the year ended 31 December 2017

The directors present their Strategic report for the Company for the year ended 31 December 2017.

Review of the Company's business

The principal activity of the Company is that of insurance software development.

Financial position and performance

The financial position of the Company at 31 December 2017 is shown in the statement of financial position on page 15, with the trading results shown in the income statement on page 14 and the statement of cash flows on page 17.

The Company's largest source of revenue is from the provision of software development services within the Aviva Group. Revenue for the year has decreased to £3,513,000 (2016 £4,100,000) due to a lower level of demand for the Company's development consultants from outside the Aviva Group. Cost of sales and administrative expenses have also decreased resulting in an operating profit of £734,000 (2016: £768,000).

Future outlook

The directors consider that the Company's principal activity will continue unchanged into the foreseeable future.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 18 to the financial statements.

Key performance indicators

The directors consider that the Company's key performance indicators ("KPIs") that communicate the financial performance are as follows:

- revenue
- profit before tax as a proportion of revenue

A summary of the KPIs is set out below:

	<u>2017</u>	<u>2016</u>
Revenue (£'000)	3,513	4,100
Profit before tax as a proportion of revenue	21.0%	18.9%

Revenue has decreased by 14.3% (2016: increased by 12.6%) as described above. Profit before tax as a proportion of revenue has increased from 18.9% to 21.0% as a result of a change in the product mix.

By order of the Board on 5 July 2018



For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary

IQUO LIMITED

Registered in England and Wales: No. 03558333

Directors' report

For the year ended 31 December 2017

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2017.

Directors

The names of the present directors of the Company appear on page 1. The changes in directors in office since the start of the accounting period are as follows:

A Warwick resigned as a director of the Company on 5 September 2017.

T Bishop resigned as a director of the Company on 14 July 2017.

R Barker was appointed as a director of the Company on 1 September 2017.

N Hankin was appointed as a director of the Company on 1 September 2017.

R Tolhurst was appointed as a director of the Company on 26 February 2018.

Dividends

Interim dividends of £400 per share on the "A" Ordinary shares and £400 per share on the "B" Ordinary shares, amounting to £400,000 and £200,000 respectively, were paid in August 2017 (2016: £430 per share on "A" and £430 per share on "B", amounting to £430,000 and £215,000 respectively, were paid in March 2016). The directors do not recommend the payment of a final dividend for 2017 (2016: £nil).

Interim 2018 dividends of £600 per share on the "A" Ordinary shares and £600 per share on the "B" Ordinary shares, amounting to £600,000 and £300,000 respectively were approved in July 2018

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Future outlook

Likely future developments in the business of the Company is discussed in the Strategic report on page 2.

Financial instruments and financial risk management

Details of the Company's risk management objectives and policies and exposures to risk relating to financial instruments are set out in note 18 to the financial statements.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through in-house newsletters and the distribution of the annual report.

IQUO LIMITED

Registered in England and Wales: No. 03558333

Directors' report (continued)

Disclosure of information to the auditors

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

- (a) so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware; and
- (b) each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Independent auditors

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

Qualifying indemnity provisions

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

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

IQUO LIMITED

Registered in England and Wales: No. 03558333

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

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

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

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

By order of the Board on 5 July 2018



For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary

Independent auditors' report to the members of IQUO Limited

Report on the audit of the financial statements

Opinion

In our opinion, IQUO Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Zahid Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 July 2018

IQUO LIMITED

Registered in England and Wales: No. 03558333

Accounting policies

The Company is a limited liability company incorporated and domiciled in Great Britain. Its principal activity is that of insurance software development and consultancy for Group and non-Group companies in the United Kingdom ("UK").

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

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The financial statements have been prepared under the historical cost convention. The financial statements of the Company have been prepared and approved by the directors on the going concern basis as described in the Directors' report on page 3.

The financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling ("£000").

New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2017:

(i) Narrow scope amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The revisions to IAS 12 Income Taxes clarify the accounting for deferred tax assets on unrealised losses and state that deferred tax assets should be recognised when an asset is measured at fair value and that fair value is below the asset's tax base. It also provides further clarification on the estimation of probable future taxable profits that may support the recognition of deferred tax assets.

The adoption of this amendment does not have an impact on the Company's financial statements as the clarifications are consistent with existing interpretation.

(ii) Amendments to IAS 7 – Disclosure initiative

The amendments to IAS 7, Statement of Cash Flows, which form part of the IASB's Disclosure Initiative, require disclosure of the movements in liabilities arising from financing activities with cash and non-cash changes presented separately. The adoption of this amendment does not have an impact on the Company's financial statements.

IQUO LIMITED

Registered in England and Wales: No. 03558333

Accounting policies (continued)

(A) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following new standards, amendments to existing standards have been issued, are not yet effective and have not been adopted early by the Company:

(i) IFRS 16 Leases

In January 2016, the IASB published IFRS 16 Leases which will replace IAS 17 Leases. IFRS 16 introduces a definition of a lease with a single lessee accounting model eliminating the classification of either operating or finance leases. Lessees will be required to account for all leases in a similar manner to the current finance lease accounting recognising lease assets and liabilities on the statement of financial position. Lessor accounting remains similar to current practice. The impact of the adoption of IFRS 16 has yet to be assessed by the Company. This standard applies to annual reporting periods beginning on or after 1 January 2019 and has been endorsed by the EU.

Standards, interpretations and amendments to published standards that are not yet effective and are not expected to have a significant impact on the Company

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

(i) IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach. This standard applies to annual reporting periods beginning on or after 1 January 2018 and has been endorsed by the EU.

(ii) IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. This standard applies to annual reporting periods beginning on or after 1 January 2018 and has been endorsed by the EU. The impact of the adoption of IFRS 15 has yet to be fully assessed by the Company.

(iii) Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment. The amendments are effective from 1 January 2018 and have not yet been endorsed by the EU.

(iv) IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. The standard is effective for annual reporting beginning on or after 1 January 2019 and has not yet been endorsed by the EU.

IQUO LIMITED

Registered in England and Wales: No. 03558333

Accounting policies (continued)

(B) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

Although estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions, actual results may differ from those estimates, possibly significantly.

The Company does not consider any particular policy or estimate to be susceptible to changes in estimates and assumptions.

(C) Revenue recognition

(i) Fee income

Revenue, representing fee income for the provision of software development services, is recognised on an accruals basis in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method and is presented within interest receivable in the income statement.

(D) Cost of sales

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

(E) Administrative expenses

Administrative expenses, comprising general overheads and full time employee costs, are recognised on an accruals basis.

(F) Property, plant and equipment

Depreciation is calculated by the following method to write down the cost of fixed assets to their residual values over their useful lives as follows:

Computer equipment:	Three to five years on a straight line basis
Fixtures and fittings:	15% on a reducing balance basis

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

(G) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

IQUO LIMITED

Registered in England and Wales: No. 03558333

Accounting policies (continued)

(H) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

(I) Leases

Leases, where a significant portion of the risks and rewards of ownership is retained by the lessor, are classified as operating leases. Where the Company is the lessee, payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the relevant leases. Where the Company is the lessor, lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. The Company has not entered into any material finance lease arrangements either as lessor or lessee.

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

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

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

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

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

IQUO LIMITED

Registered in England and Wales: No. 03558333

Accounting policies (continued)

(K) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Current and deferred tax, relating to items recognised in other comprehensive income and directly in equity, is similarly recognised in other comprehensive income and directly in equity respectively. Deferred tax related to fair value re-measurement of available for sale investments, owner-occupied properties and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(L) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(M) Employee benefits

The Company operates a defined contribution pension plan, the assets of which are held in separate trustee-administered funds.

For this plan, the Company pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Company, as the employer, has no further payment obligations. The Company contributions are charged to the income statement in the year to which they relate and are included in staff costs.

IQUO LIMITED

Registered in England and Wales: No. 03558333

Accounting policies (continued)

(N) Share capital and dividends

Equity instruments

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

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

IQUO LIMITED

Registered in England and Wales: No. 03558333

Income statement**For the year ended 31 December 2017**

	Note	<u>2017</u> <u>£000</u>	<u>2016</u> <u>£000</u>
Revenue		3,513	4,100
Cost of sales		(1,565)	(2,131)
Gross profit		<u>1,948</u>	<u>1,969</u>
Other operating income		17	110
Administrative expenses		(1,231)	(1,311)
Operating profit		<u>734</u>	<u>768</u>
Interest receivable	2	<u>3</u>	<u>6</u>
Profit before tax	1	<u>737</u>	<u>774</u>
Tax	6	(142)	(155)
Profit for the year		<u><u>595</u></u>	<u><u>619</u></u>

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

The accounting policies on pages 8 to 13 and notes on pages 18 to 31 form an integral part of these financial statements.

IQUO LIMITED

Registered in England and Wales: No. 03558333

Statement of financial position**As at 31 December 2017**

	Note	2017 £000	2016 £000
ASSETS			
Non-current assets			
Property, plant and equipment	8	60	33
		<u>60</u>	<u>33</u>
Current assets			
Trade and other receivables	9	1,271	885
Cash and cash equivalents	17(b)	2,244	2,690
		<u>3,515</u>	<u>3,575</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	147	233
Other liabilities	12	80	21
Current tax liabilities	10(a)	69	76
		<u>296</u>	<u>330</u>
Net current assets		<u>3,219</u>	<u>3,245</u>
Non-current liabilities			
Deferred tax liabilities	10(b)	9	3
Net assets		<u>3,270</u>	<u>3,275</u>
EQUITY			
Ordinary share capital	13	2	2
Share premium	14	249	249
Other reserves	14	1	1
Retained earnings		3,018	3,023
Total equity		<u>3,270</u>	<u>3,275</u>

The accounting policies on pages 8 to 13 and notes on pages 18 to 31 form an integral part of these financial statements.

The financial statements on pages 8 to 31 were approved by the Board of Directors on 5 July 2018 and signed on its behalf by:



N Hankin
Director

IQUO LIMITED

Registered in England and Wales: No. 03558333

Statement of changes in equity
For the year ended 31 December 2017

	Note	Ordinary share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016		2	249	1	3,049	3,301
Profit for the year		-	-	-	619	619
Dividends	7	-	-	-	(645)	(645)
Total movements in the year		-	-	-	(26)	(26)
Balance at 31 December 2016		2	249	1	3,023	3,275
Profit for the year		-	-	-	595	595
Dividends	7	-	-	-	(600)	(600)
Total movements in the year		-	-	-	(5)	(5)
Balance at 31 December 2017		2	249	1	3,018	3,270

The accounting policies on pages 8 to 13 and notes on pages 18 to 31 form an integral part of these financial statements.

IQUO LIMITED

Registered in England and Wales: No. 03558333

Statement of cash flows**For the year ended 31 December 2017**

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Net cash inflow from operating activities	17(a)	330	831
Tax paid		(123)	(145)
<i>Net cash inflow from operating activities</i>		207	686
Cash flows from investing activities			
Purchases of equipment	8	(56)	(30)
Interest received	2	3	6
<i>Net cash outflow from investing activities</i>		(53)	(24)
Cash flows from financing activities			
Ordinary dividends paid	7	(600)	(645)
<i>Net cash used in financing activities</i>		(600)	(645)
Net (decrease)/increase in cash and cash equivalents		(446)	17
Cash and cash equivalents at 1 January		2,690	2,673
Cash and cash equivalents at 31 December	17(b)	2,244	2,690

The accounting policies on pages 8 to 13 and notes on pages 18 to 31 form an integral part of these financial statements.

IQUO LIMITED

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Notes to the financial statements**1. Profit before tax**

The following items have been included in arriving at profit before tax:

	<u>2017</u> <u>£000</u>	<u>2016</u> <u>£000</u>
Depreciation of equipment		
- Owned assets	29	17
Operating lease rentals payable		
- Property	26	20

2. Interest receivable

	<u>2017</u> <u>£000</u>	<u>2016</u> <u>£000</u>
Interest income:		
Bank interest receivable	2	5
Interest on corporation tax	1	1
Total interest receivable	3	6

3. Employee information

The monthly average number of persons employed by the Company during the year was:

	<u>2017</u> <u>Number</u>	<u>2016</u> <u>Number</u>
Management	5	5
Software writers	6	6
	11	11

Total staff costs were:

	<u>2017</u> <u>£000</u>	<u>2016</u> <u>£000</u>
Wages and salaries	792	837
Social security costs	97	104
Other pension costs (note 16)	14	14
	903	955

These costs were charged within administrative expenses.

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Notes to the financial statements (continued)**4. Directors' remuneration**

With the exception of one director, whose details are given below, all directors of the Company are remunerated for their roles as employees across the Group. They are not remunerated directly for their services as directors of this Company and the amount of time spent performing their duties is incidental to their roles across the Group. No cost is borne by the Company for these services.

During the year, none of the directors exercised share options (2016: one) and three directors received shares under long term incentive schemes (2016: two).

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Highest paid director		
Aggregate emoluments	218	288
Money purchase pension contributions	-	2
	<u>218</u>	<u>290</u>

5. Auditors' remuneration

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

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Fees payable to the Company's auditors for the audit of the Company's financial statements	<u>7</u>	<u>7</u>

Fees paid to PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the Company's ultimate parent company, Aviva plc, are required to disclose other (non-audit) services on a consolidated basis.

Audit fees are paid by Aviva Central Services UK Limited, a fellow Group company, and borne by Aviva Insurance Limited.

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Notes to the financial statements (continued)**6. Tax****(a) Tax charged to the income statement****(i) The total tax charge comprises:**

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Current tax:		
For this year	136	152
Total current tax	<u>136</u>	<u>152</u>
Deferred tax:		
Origination and reversal of temporary differences	6	3
Total tax charged to the income statement	<u>142</u>	<u>155</u>

(ii) Deferred tax recognised in the income statement represents movements on the following items:

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Capital allowances in excess of depreciation	6	3
Total deferred tax charged to income statement	<u>6</u>	<u>3</u>

(b) Tax reconciliation

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

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Profit before tax	737	774
Tax calculated at standard UK corporation tax rate of 19.25% (2016: 20%)	<u>142</u>	<u>155</u>
Total tax charged to income statement	<u>142</u>	<u>155</u>

The rate of corporation tax changed to 19% with effect from 1 April 2017. The Finance Act 2016, which received Royal Assent on 15 September 2016, will reduce the corporation tax rate further to 17% from 1 April 2020. The future tax rate changes have no impact on the Company's current year tax charge (2016: £nil).

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Notes to the financial statements (continued)**7. Dividends**

	<u>2017</u> £000	<u>2016</u> £000
Ordinary dividends declared and charged to equity in the year		
Interim 2017		
"A" Ordinary - £400 per share paid in August 2017	400	-
"B" Ordinary - £400 per share paid in August 2017	200	-
Interim 2016		
"A" Ordinary - £430 per share paid in March 2016	-	430
"B" Ordinary - £430 per share paid in March 2016	-	215
	<u>600</u>	<u>645</u>

IQUO LIMITED

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Notes to the financial statements (continued)**8. Property, plant and equipment**

	Computer equipment £000	Fixtures and fittings £000	Total £000
2017			
Cost			
At 1 January 2017	413	4	417
Additions	53	3	56
At 31 December 2017	466	7	473
Accumulated depreciation			
At 1 January 2017	(381)	(3)	(384)
Charge for the year	(28)	(1)	(29)
At 31 December 2017	(409)	(4)	(413)
Carrying amount			
At 31 December 2017	57	3	60
2016			
Cost			
At 1 January 2016	383	4	387
Additions	30	-	30
At 31 December 2016	413	4	417
Accumulated depreciation			
At 1 January 2016	(364)	(3)	(367)
Charge for the year	(17)	-	(17)
At 31 December 2016	(381)	(3)	(384)
Carrying amount			
At 31 December 2016	32	1	33

9. Trade and other receivables

	2017 £000	2016 £000
Trade receivables		
- due from related parties (note 20(a)(ii))	679	36
- due from third parties	346	600
Prepayments and accrued income	229	230
Other debtors	17	19
Total trade and other receivables	1,271	885
Expected to be recovered within one year	1,271	885

All receivables are carried at amortised cost, which approximates to fair value.

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Notes to the financial statements (continued)**10. Tax assets and liabilities****(a) Current tax**

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Tax liability		
Expected to be payable within one year	<u>69</u>	<u>76</u>

(b) Deferred tax**(i) The balance at the year end comprises:**

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Depreciation in excess of capital allowances	<u>(9)</u>	<u>(3)</u>
Net deferred tax liability	<u>(9)</u>	<u>(3)</u>

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

Net liability at 1 January	(3)	-
Amounts debited to profit (note 6(a)(ii))	<u>(6)</u>	<u>(3)</u>
Net liability at 31 December	<u>(9)</u>	<u>(3)</u>

11. Trade and other payables

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Trade payables	88	200
Social security and other taxes	<u>59</u>	<u>33</u>
Total trade and other payables	<u>147</u>	<u>233</u>
Expected to be settled within one year	<u>147</u>	<u>233</u>

Trade and other payables are carried at amortised cost, which approximates to fair value.

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Notes to the financial statements (continued)**12. Other liabilities**

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Accruals and deferred income	79	15
Other liabilities	1	6
Total other liabilities	<u>80</u>	<u>21</u>
Expected to be settled within one year	<u>80</u>	<u>21</u>

13. Ordinary share capital

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

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Allotted, called up and fully paid		
1,000 (2016: 1,000) "A" Ordinary shares of £1 each	1	1
500 (2016: 500) "B" Ordinary shares of £1 each	1	1
	<u>2</u>	<u>2</u>

14. Share Premium and other reserves

	<u>2017</u>	<u>2016</u>
Share Premium		
Balance at 1 January and 31 December	<u>249</u>	<u>249</u>

Share premium arose on the issue of 1,000 "A" Ordinary shares of £1 each at £249 per share in 2000.

	<u>2017</u>	<u>2016</u>
Capital redemption reserve		
Balance at 1 January and 31 December	<u>1</u>	<u>1</u>

The capital redemption reserve arose on the acquisitions of shares from a former shareholder between 2003 and 2005.

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Notes to the financial statements (continued)**15. Operating lease commitments**

The Company has obligations under operating leases for property. Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Within 1 year	27	25
Later than 1 year and not later than 5 years	89	109
After 5 years	-	7
	<u>116</u>	<u>141</u>

16. Retirement benefit obligations

The Company contributes to a defined contribution pension scheme for its employees and one of the directors. The contributions recognised as an expense in the year amounted to £14,000 (2016: £14,000).

17. Statement of cash flows

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
(a) The reconciliation of profit before tax to the net cash inflow from operating activities is:		
Profit before tax	737	774
Adjustments for:		
Depreciation of property and equipment	29	17
Interest receivable	(3)	(6)
Changes in working capital		
(Increase)/decrease in trade and other receivables	(386)	141
(Decrease)/increase in trade and other payables	(86)	22
Increase/(decrease) in other liabilities	59	(101)
Other receivables offset against tax liabilities	(20)	(16)
Net cash inflow from operating activities	<u>330</u>	<u>831</u>

(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Cash at bank	2,244	2,690
	<u>2,244</u>	<u>2,690</u>

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Notes to the financial statements (continued)

18. Risk management

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

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

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

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence model' where ownership for risk is taken at all levels. Line management in the business are accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. The Risk function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework. Internal Audit provides an independent assessment of the risk management framework and internal control processes.

(a) Financial risk management

(i) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty and the type of exposure.

The following table provides information regarding the aggregated credit risk exposure of the Company, excluding intragroup transactions. "Non-rated" assets captures assets not rated by external ratings agencies.

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Notes to the financial statements (continued)**18. Risk management (continued)****(a) Financial risk management (continued)****(i) Credit risk (continued)**

	Credit rating						Carrying value in the statement of financial position
	AAA	AA	A	BBB	Speculative grade	Non-rated	
31 December 2017	£000	£000	£000	£000	£000	£000	£000
Trade receivables	-	-	-	-	-	346	346
Cash and cash equivalents	-	-	2,244	-	-	-	2,244

	Credit rating						Carrying value in the statement of financial position
	AAA	AA	A	BBB	Speculative grade	Non-rated	
31 December 2016	£000	£000	£000	£000	£000	£000	£000
Trade receivables	-	-	-	-	-	600	600
Cash and cash equivalents	-	-	2,690	-	-	-	2,690

The Company's cash and cash equivalents of £2,244,000 (2016: £2,690,000) are placed with one counterparty (2016: one).

Of the Company's trade and other receivables of £1,271,000 (2016: £885,000), £679,000 (2016: £36,000) is due from related parties and details are set out in note 20.

At 31 December 2017 and 2016, no financial assets were impaired or overdue.

The management of credit risk is overseen by the Board.

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Notes to the financial statements (continued)**18. Risk management (continued)****(a) Financial risk management (continued)****(ii) Liquidity risk**

Liquidity risk is the risk of the Company not being able to make payments as they become due because there are insufficient liquid assets.

The Company ensures it has sufficient liquid funds to meet its expected obligations as they fall due. In extreme circumstances, the Company would approach the Aviva Group for additional short-term borrowing whilst the Company liquidated other assets.

The management of liquidity risk is overseen by the Board.

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise:

	Within 1 year	1 to 5 years	5 to 15 years	No fixed terms	Total
31 December 2017	£000	£000	£000	£000	£000
Trade receivables	1,025	-	-	-	1,025
Cash and cash equivalents	2,244	-	-	-	2,244
	<u>3,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,269</u>
	Within 1 year	1 to 5 years	5 to 15 years	No fixed terms	Total
31 December 2016	£000	£000	£000	£000	£000
Trade receivables	636	-	-	-	636
Cash and cash equivalents	2,690	-	-	-	2,690
	<u>3,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,326</u>

The following table shows the Company's financial liabilities:

	Within 1 year	1 to 5 years	5 to 15 years	No fixed terms	Total
31 December 2017	£000	£000	£000	£000	£000
Trade payables	88	-	-	-	88
	Within 1 year	1 to 5 years	5 to 15 years	No fixed terms	Total
31 December 2016	£000	£000	£000	£000	£000
Trade payables	200	-	-	-	200

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Notes to the financial statements (continued)**18. Risk management (continued)****(b) Operational risk management**

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

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

The management of operational risk is overseen by the Board.

IQUO LIMITED

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Notes to the financial statements (continued)**19. Capital structure**

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's overall risk profile and market requirements of the business. This note describes the way the Company manages capital and shows where this is employed.

(a) General

IFRS underpins the Company's capital structure and, accordingly, the capital structure is analysed on this basis.

(b) Capital management

In managing its capital, the Company seeks to:

- (i) maintain financial strength to support new business growth;
- (ii) retain financial flexibility by maintaining strong liquidity; and
- (iii) allocate capital efficiently and repatriate excess capital where appropriate.

(c) Measure of capital

The Company reports its results on an IFRS basis.

(d) Capital structure

	IFRS net assets 2017 £000	IFRS net assets 2016 £000
Insurance software development	3,270	3,275
Total capital employed	3,270	3,275
Financed by		
Equity	3,270	3,275

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Notes to the financial statements (continued)**20. Related party transactions**

(a) The Company had the following related party transactions in 2017 and 2016:

(i) Transactions with directors

On 22 March 2012, J McLaughlin acquired the leasehold of the Company's registered office building and subsequently sublet the building to the Company on an arm's length basis. Following the five-year rent review in the year, rent of £27,250 per annum is payable under the sublease, which is for a term of 10 years.

(ii) Services provided to related parties

	2017		2016	
	Income earned in year	Receivable at year end	Income earned in year	Receivable at year end
	£000	£000	£000	£000
Other Group companies	1,783	679	1,622	36

The Company provides development services to fellow Group companies.

The related parties' receivables are not secured and no guarantees have been received in respect thereof. The receivables will be settled in accordance with normal credit terms.

(iii) Services provided by related parties

	2017		2016	
	Expense incurred in year	Payable at year end	Expense incurred in year	Payable at year end
	£000	£000	£000	£000
Employee pension schemes (recognised in other liabilities)	14	1	14	3
	14	1	14	3

(iv) Key management compensation

The key management of the Company are considered to be the statutory directors of the Company. Note 4, Directors' remuneration, gives details of their compensation as directors of the Company.

(b) Immediate parent company

The Company's immediate parent company is Aviva Insurance Services UK Limited, registered in England and Wales.

(c) Ultimate controlling entity

The ultimate controlling entity, and parent of the largest and smallest groups which consolidate the results of the Company, is Aviva plc. Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ, and on the Aviva Plc website at www.aviva.com.

21. Events after the statement of financial position date

In July 2018, the directors declared interim dividends of £900,000.