

Aberdeen Asset Investments Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Registration number: 00794936



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Company Information

Directors

A Donaldson
C D Fleming
C A MacDonald
N L N Machray
G R Marshall
N K Skeoch
M Tumilty

Company secretary

Aberdeen Asset Management PLC

Registered office

Bow Bells House
Bread Street
London
EC4M 9HH

Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report on Aberdeen Asset Investments Limited ("the Company") for the year ended 31 December 2019, in accordance with section 414A of the Companies Act 2006.

Business review and future developments

The Company's principal activity is the provision of investment management services across a number of asset classes and is part of Standard Life Aberdeen plc ("SLA plc" or, together with its subsidiaries, "the Standard Life Aberdeen Group"). There are no plans to change the principal activity of the company.

On 24 July 2019, the Standard Life Aberdeen Group announced a final settlement with Lloyds Banking Group ("LBG") in relation to the arbitration proceedings concerning LBG's attempt to terminate investment management arrangements. The retention of c£35bn of assets within passive strategies as well as active real estate portfolios positions allows the Standard Life Aberdeen Group to benefit from scale and growth in these growing parts of the asset management industry. As part of the settlement the Company received an upfront payment of £140m. The initial withdrawals of £41bn of the previously announced c£70bn of transferring LBG AuM were made in H2 2019. The final tranches of £29bn were withdrawn in February and March 2020.

The Company is a Markets in Financial Instruments Directive investment firm and is regulated by the Financial Conduct Authority under the Capital Requirements Directive ("CRD IV"). The Company is within the scope of CRD IV country by country reporting ("CBCR") obligations, which are included in the final note to the financial statements.

Key performance indicators ("KPIs")

The Company uses a number of KPIs to monitor the performance of the business throughout the year. These KPIs are shown below:

	2019	Restated*
	£ 000	£ 000
Assets under management ("AUM")	73,892,355	109,171,483
Revenue	116,038	136,086
Operating profit before restructuring	154,772	56,339
Equity attributable to equity holders of the parent	90,415	106,035
Regulatory capital surplus	61,726	10,291

*See note 17 for an explanation of the restatement.

AuM

AuM contracted with the Company has decreased by £35,279,128k (32%) as a result of the withdrawal of LBG AuM.

Revenue

Revenue has decreased by £20,048k (15%), largely as a result of the withdrawal of LBG AuM.

Operating profit

Operating profit has increased by £98,433k (175%), largely as a result of receipting LBT arbitration monies during the year, partly offset by the aforementioned withdrawal of LBG AuM and an increase in central cost allocations.

Strategic Report for the Year Ended 31 December 2019 (continued)

Key performance indicators ("KPIs") (continued)

Equity attributable to equity holders of the parent

Equity attributable to equity holders of the parent has decreased by 15,620k (15%) as a result of an interim dividend paid, partly offset by profits made in the year.

Regulatory capital surplus

The regulatory capital surplus at 31 December 2019 has increased by £51,435k (500%) as a result of including audited profits in the available capital resource and revising the capital requirement, partly offset by dividends paid in the year.

In addition, CRD IV requires disclosure of return on assets, calculated as the profit after tax divided by total assets. This increased to 74% (2018: 36%).

Enhancing our governance

Section 172 of the Companies Act 2006 requires a Director of a company to act 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 as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to:

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

The Directors give careful consideration to the factors set out above in discharging their duties under section 172.

The Board recognises that the long-term success of the business is dependent on the way it works with a large number of important stakeholders. The Directors have had regard to the interests of stakeholders (including clients and customers, our people, society and our shareholders) while complying with their obligations to promote the success of the Company in line with section 172 of the Companies Act. The Board has discussed these obligations throughout the year, including how stakeholder engagement is incorporated into our long-term decision-making and how the Company operates as a subsidiary within the wider SLA plc group of companies.

In managing the Company, the Directors have taken into account the requirements of section 172 (1) of the Companies Act 2006 as summarised below:

Strategic Report for the Year Ended 31 December 2019 (continued)

Enhancing our governance (continued)

The likely consequence of any decision in the long term

The Board of Directors of the Company operate the Company in accordance with the Company's Articles, the Board Charter and the overall Standard Life Aberdeen plc (SLA plc) business plan, which considers the long term success of the Company and the group as a whole, and the likely long term consequences of any decisions by the company are taken into account. Throughout the year the Directors oversaw the continuing implementation of the integration of the merged Aberdeen Asset Management and Standard Life businesses as part of the long term plan for the SLA plc group, and was involved in the successful resolution of the dispute with LBG.

The interests of the company's employees

The Company has no direct employees. Within the SLA plc Group of companies, engagement with employees is considered at group level and employee engagement matters have been disclosed in the SLA plc Annual Report and Accounts which does not form part of this report. The Directors have determined that there are no company specific matters appropriate to disclose in relation to engagement with employees.

The need to foster the company's business relationships with suppliers, customers and others

Supplier relationships within the SLA plc group of companies are managed under the Outsourcing and Third Party Management Policies, which apply to all subsidiary companies. Engagement with suppliers, customers and others is considered at group level and engagement matters have been disclosed in the SLA plc Annual Report and Accounts which does not form part of this report. The Board of Directors receives reports from the client function, the function within the SLA plc group which engages with clients and customers, as part of its regular meetings. The Directors have determined that there are no company specific matters appropriate to disclose in relation to suppliers, customers and others.

The impact of the company's operations on the community and the environment

Engagement on environmental and community matters is considered at SLA plc level and such matters have been disclosed in the SLA plc Annual Report and Accounts which does not form part of this report. The Directors have determined that there are no company specific matters appropriate to disclose, as the disclosures contained within the SLA plc Annual report and Accounts, which do not form part of this report, adequately reflect the engagement by the Company in respect of environmental and community matters.

The desirability of the company maintaining a reputation for high standards of business conduct

Maintaining a reputation for, and upholding, high standards of business conduct is vital to the ongoing success of the SLA plc group of companies, including the Company.

The need to act fairly as between members of the company

The Company has a single member, and is a wholly owned subsidiary of SLA plc.

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks.

The Standard Life Aberdeen Group, of which the Company is a part, has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across SLA plc that includes a clearly stated corporate organisational structure, appropriately delegated authorities and independent internal audit and risk management functions. Risk management for the Company operates within this governance framework.

The principal risks and uncertainties facing the Company are integrated into the principal risks of the Standard Life Aberdeen Group and are therefore not managed separately. Accordingly, the principal risks and uncertainties of SLA plc, which include those of the Company, are discussed fully in the SLA plc Annual Report and Accounts which does not form part of this report.

The list below does however provide a summary of the key risks facing both SLA plc and the Company:

Brexit: the Company has considered the impact of Brexit and does not consider there to be any material impact on the Company's financial statements during 2020 and beyond. Clients of the Company have been considered and are UK based. Brexit is not expected to have a significant impact on the structure or operations of the Company.

Coronavirus (COVID-19): in early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The SLA Group is utilising business continuity and resilience processes with the objective of mitigating the impact of COVID -19.

Operational risk: notably IT failure and security including cyber risk; third party oversight including both outsourcing and supplier relationships; process execution failure; and the impact of inaccurate or incomplete information for financial management and decision making. The risks are mitigated by the Company and the SLA Group maintaining a strong and well established risk management framework as a foundation for the effective management of process risk across the business.

Conduct risk: specifically the risk that behaviours, strategies, decisions and actions deliver unfair outcomes to customers and clients. We have no appetite for conduct risk. The risks are mitigated by having conduct risk embedded within our risk management framework and conduct risk being formally considered and assessed at the Risk Committee and Client and Fund Governance Committee.

Regulatory and legal risk: we operate in a highly regulated industry which has the potential to expose the Company to risks. The risks are mitigated by having specialist compliance and legal teams in place to support our senior management and by maintaining open and transparent relationships with our regulators.


Strategic risks: notably investment performance; ensuring we meet the evolving needs of our clients and customers and adapting to preference changes. Geopolitical unrest and associated risks continue to be a key strategic risk and can impact the market in which we operate, impact our reputation and increase our capital exposure. Risks are mitigated by ongoing Board consideration of strategic risks.

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

Financial Risk: the Company has no appetite to fail to maintain sufficient resources to meet its capital requirements and liabilities as they fall due. It will ensure it can do so under both normal conditions and an appropriate range of stressed scenarios. SLA has an appetite for market and credit risk exposures where these are required in pursuit of its business objectives. Risks are mitigated by regular monitoring and reporting of capital and liquidity requirements.

Approved by the Board on 19 June 2020 and signed on its behalf by:



.....
N L N Machray
Director

Directors' Report for the Year Ended 31 December 2019

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2019.

Directors of the Company

The Directors, who held office during the year, were as follows:

A Donaldson (appointed 17 December 2019)

C D Fleming

C A MacDonald (appointed 17 December 2019)

N L N Machray (appointed 31 July 2019)

G R Marshall

N K Skeoch (appointed 18 September 2019)

M Tumilty (appointed 31 July 2019)

L A Bowley (resigned 19 March 2019)

A McCaffery (resigned 12 April 2019)

A A Laing (resigned 31 March 2019)

S C A Docherty (resigned 29 July 2019)

K L Malcom (resigned 14 August 2019)

A W Mitchell (resigned 31 July 2019)

M Pike (resigned 18 September 2019)

The Company's ultimate parent company, SLA plc maintains directors' and officers' liability insurance on behalf of its directors and officers.

Company secretary

The Company secretary during the year, was as follows:

Aberdeen Asset Management PLC (resigned 31 March 2020)

SLA Corporate Secretary Limited (appointed 31 March 2020)

Going concern

The Company has made profits in the financial year and has sufficient financial resources. The Board's assessment of going concern took into account recent market developments and the uncertainty caused by COVID-19. The Board considered the impact of reasonably possible downside scenarios as a result of COVID-19. Based on their assessment, the Board is satisfied that the Company has and will maintain sufficient resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Further information is provided in note 1.

Directors' Report for the Year Ended 31 December 2019 (continued)

Dividends

The Directors recommended and paid an interim dividend of £139,800k (2018: £65,000k) to the Company's immediate parent company, namely Aberdeen Asset Investment Group Limited.

Political donations

It is the Company's policy not to make donations for political purposes.

Charitable donations

The Company made donations during the year of £ 31k (2018: nil).

Modern slavery act

As a global investment company, SLA plc wants to do all it can to help tackle human trafficking, forced labour, bonded labour and child slavery by focusing on its operations, supply chain and investment process. SLA plc has published a modern slavery statement, reinforcing its commitment to this important issue. This can be found on the SLA plc website.

Independent auditor

The Independent Auditor, KPMG LLP, has indicated their willingness to continue in office.

Disclosure of information to the auditors

Each director has taken 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 Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Statement of directors' responsibilities in respect of the strategic report, the Director's report and the financial statement

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Directors' Report for the Year Ended 31 December 2019 (continued)

Statement of directors' responsibilities in respect of the strategic report, the Director's report and the financial statement (continued)

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for preparing the CBCR information in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013. In preparing the CBCR Information, the Directors are responsible for:

- interpreting the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013;
- determining the acceptability of the basis of preparation of the CBCR information;
- making judgements and estimates that are reasonable and prudent; and
- establishing such internal control as the Directors determine is necessary to enable the preparation of CBCR Information that is free from material misstatement, whether due to fraud or error.

Approved by the Board on 19 June 2020 and signed on its behalf by:



.....
N L N Machray
Director

Independent Auditor's Report to the Members of Aberdeen Asset Investments Limited

Opinion

We have audited the financial statements of Aberdeen Asset Investments Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of Aberdeen Asset Investments Limited (continued)

Strategic Report and Directors' Report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 8 and 9, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**Independent Auditor's Report to the Members of Aberdeen Asset Investments Limited
(continued)**

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Philip Merchant (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

19 June 2020

Profit and Loss Account for the Year Ended 31 December 2019

		2019	Restated*
	Note	£ 000	2018
			£ 000
Revenue	3	116,038	136,086
Administrative expenses		(101,356)	(79,747)
Other operating income	4	<u>140,090</u>	<u>-</u>
Operating profit before restructuring costs		154,772	56,339
Restructuring costs	5	<u>(2,612)</u>	<u>-</u>
Operating profit		152,160	56,339
Net finance income	6	<u>1,147</u>	<u>685</u>
Profit before tax		153,307	57,024
Tax expense	7	<u>(29,127)</u>	<u>(10,833)</u>
Profit for the year		<u>124,180</u>	<u>46,191</u>

The Company has not recorded any other comprehensive income during the years to 31 December 2019 or 31 December 2018. A separate statement of comprehensive income is therefore not disclosed.

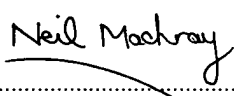
* See note 17 for an explanation of the restatement.

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	Restated* 2018 £ 000
Assets			
Non-current assets			
Investments in subsidiaries	8	252	252
Other non-current financial assets		18	18
Total non-current assets		270	270
Current assets			
Trade and other receivables	9	45,498	33,407
Cash and cash equivalents		122,010	94,019
		167,508	129,426
Total current assets		167,508	127,426
Total assets		167,778	127,696
Equity and liabilities			
Equity			
Called up share capital	10	20,125	20,125
Share premium reserve		20,375	20,375
Profit and loss account		49,915	65,535
Equity attributable to equity holders of the parent		90,415	106,035
Total non-current liabilities		-	-
Current liabilities			
Trade and other payables	11	77,363	21,661
Total current liabilities		77,363	21,661
Total liabilities		77,363	21,661
Total equity and liabilities		167,778	127,696

* See note 17 for an explanation of the restatement.

Approved by the Board on 19 June 2020 and signed on its behalf by:



N L N Machray
 Director

The notes on pages 16 to 26 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Share premium £ 000	Restated* Retained earnings £ 000	Restated* Total £ 000
At 1 January 2018 (As originally reported)	20,125	20,375	86,091	126,591
Prior period adjustments	-	-	(1,747)	(1,747)
At 1 January 2018 (As restated)	20,125	20,375	84,344	124,844
Profit for the year	-	-	46,191	46,749
Dividends	-	-	(65,000)	(65,000)
At 31 December 2018	20,125	20,375	65,535	106,035

	Share capital £ 000	Share premium £ 000	Restated* Retained earnings £ 000	Restated* Total £ 000
At 1 January 2019 (As originally reported)	20,125	20,375	67,840	108,340
Prior period adjustments	-	-	(2,305)	(2,305)
At 1 January 2019 (As restated)	20,125	20,375	65,535	106,035
Profit for the year	-	-	124,180	124,180
Dividends	-	-	(139,800)	(139,800)
At 31 December 2019	20,125	20,375	49,915	90,415

* See note 17 for an explanation of the restatement.

The notes on pages 16 to 26 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The following accounting policies have been applied consistently to all years presented when dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for period ended 31 December 2019 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") as issued by the Financial Reporting Council.

Summary of disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IAS 1 Presentation of Financial Statements requirement for comparative period reconciliations for share capital;
- IAS 1 Presentation of Financial Statements disclosures in respect of capital management;
- IAS 7 Statement of Cash Flows and related notes;
- IAS 8 Accounting Policies requirement to disclose the effects of new but not yet effective IFRS, and
- IAS 24 Related Party disclosures in respect of transactions with wholly owned subsidiaries.

As the consolidated financial statements of SLA plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

Certain disclosures required by IFRS 7 Financial Instrument Disclosures and IFRS 13 Fair Value Measurement.

The Company is a wholly owned subsidiary of SLA plc which prepares consolidated financial statements and is therefore exempt from the requirement to prepare consolidated accounts by virtue of section 400 of the Companies Act 2006.

Changes in accounting policy

An analysis have been done of new standards, interpretations and amendments effective for the first time from 1 January 2019, and it has been determined they have no impact on the Company.

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position, are set out in the Strategic Report.

In the prior year, the Directors were considering their options regarding the future operations of the business following the announcement of LBG terminating the Company's services. These circumstances represented a material uncertainty that may have cast significant doubt on the Company's ability to continue as a going concern.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Going concern (continued)

The Company has made profits in the financial year and it has sufficient financial resources. Despite LBG withdrawing c70bn of assets managed by the Company, c35bn has been retained within passive strategies as well as active real estate portfolio positions. The retention of this book of business, in conjunction with existing mandates and a decrease in the cost base means the Directors forecast that the Company will continue to be profitable and cash generative. The Directors foresee the Company operating in its current form for a period of at least 12 months from the date of approval of the financial statements and consequently there is no longer any material uncertainty in relation to the trading activities of the Company.

In preparing these financial statements, the Directors have also considered the uncertainty created by COVID 19, focussing specifically on:

- the current level of regulatory capital, which was £61.7m in excess of capital requirements at 31 December 2019;
- the level of liquid resources, including cash and cash equivalents, which far exceed the level of creditors;
- the potential impact of potential downside scenarios on revenue, assets flows and costs, including potential management actions. These scenarios assume that key indexes hold at the low levels witnessed during the COVID outbreak, with only modest growth during 2021;
- the effectiveness of the Company's operational resilience processes including the ability of key outsourcers to continue to provide services. The Company is working closely with its key outsource providers who, at this point, continue to provide appropriate service levels; and
- consideration of the going concern assessment of the Standard Life Aberdeen plc Group

Based on a review of the above factors the Board is satisfied that the Company remains well capitalised and has sufficient liquidity to withstand the potential downside scenarios as a result of COVID 19.

Consequently the Board is satisfied that the Company has and will maintain sufficient resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Revenue recognition

The Company's primary source of revenue is fee income from investment management activities. Management fees are generated through investment management agreements and are generally based on agreed rates as a percentage of AuM. The fees are recognised as the service is provided and in accordance with the performance obligations of the agreements.

Other income represents: LBG arbitration payment, income from the recharge of costs to other Standard Life Aberdeen Group companies.

Dividends

Dividends paid are recognised directly in equity in the Company's financial statements in the year in which they are approved.

Net finance income

Interest income and costs are derived on cash and cash equivalents. Interest is recognised on an accruals basis using the effective interest rate method.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Administrative expenses

Administrative expenses are recognised on an accruals basis.

Foreign currency transactions and balances

(i) Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in thousands of pounds sterling, which is the Company's presentational and functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account.

Financial assets

(i) Amortised cost

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These instruments are included in current assets and consist of trade receivables, amounts owned by Standard Life Aberdeen Group undertakings and accrued income. These instruments are initially recognised at fair value, net of any transaction costs, and subsequently at amortised cost using the effective interest rate method. The Company has adopted trade date accounting. Accordingly, a financial asset is recognised on the date the Company commits to its purchase and derecognised on the date on which the Company commits to its sale.

Impairment of financial assets

The carrying amounts of all financial assets are formally reviewed for impairment purposes at the end of each reporting year, or during the year where objective evidence exists that impairment exists. Trade receivables are reviewed for impairment on an ongoing basis where any impairment is offset against the carrying amount of the balance.

Financial liabilities

(i) Amortised cost

These instruments include amounts owed to Standard Life Aberdeen Group undertakings, accruals and deferred income and other payables. These instruments are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and money market funds.

Current & deferred tax

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements can necessitate the use of key estimates and judgements. These estimates and judgements can affect the reported amounts of assets and liabilities, contingent or otherwise, at the balance sheet date as well as affecting the reported profit or loss for the period. Key estimates and judgements are disclosed beneath:

Critical judgements:

Disclosure of interest in other entities - The Company has interests in unconsolidated structured entities during the year and management's judgement has been exercised when assessing the relationship with these entities and exposures to variable returns from the performance of that entity.

3 Revenue

The analysis of the company's turnover for the year from continuing operations is as follows:

	2019	Restated*
	£ 000	2018
		£ 000
Management fees	115,718	135,092
Other revenue	320	994
Total revenue	116,038	136,086

* See note 17 for an explanation of the restatement.

4 Operating profit

Arrived at after charging/(crediting):

	2019	2018
	£ 000	£ 000
Foreign exchange losses/(gains)	81	(26)

Fees payable to the Company's Independent Auditor:

	2019	2018
	£ 000	£ 000
Audit of the financial statements	39	37

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of SLA plc.

Other operating income relates to arbitration proceeds received from LBG.

5 Restructuring costs

Restructuring costs related to expenses for supplier service rationalisation across the Standard Life Aberdeen Group.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

6 Net finance income

	2019 £ 000	2018 £ 000
Finance income		
Interest income on bank deposits	1,152	688
Finance expense		
Interest expense on bank deposits	(5)	(3)
Net finance income	1,147	685

7 Tax expense

Analysis of tax charge in the year:

	2019 £ 000	Restated* 2018 £ 000
Current taxation		
UK corporation tax	29,128	10,835
UK corporation tax adjustment in prior year	(1)	(2)
	29,127	10,833

The tax charge assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £ 000	Restated* 2018 £ 000
Profit before tax	153,307	57,024
Corporation tax at standard rate	29,128	10,835
Decrease in current tax from adjustment for prior year	(1)	(2)
Total tax expense	29,127	10,833

The standard UK corporation tax rate for the accounting period is 19% (2018 – 19%).

* See note 17 for an explanation of the restatement.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

8 Investments in subsidiaries

	2019 £ 000	2018 £ 000
As at 1 January	<u>252</u>	<u>252</u>
As at 31 December	<u>252</u>	<u>252</u>

The particulars of the Company's subsidiary undertakings as at the statement of financial position date are detailed in note 18.

The Company also holds investments disclosed separately on the balance sheet that are classified as fair value through other comprehensive income. These investments comprise units held in the SWIP Global Emerging Markets Fund Series at a fair value of £18k (2018: £18k).

9 Trade and other receivables

	2019 £ 000	Restated* 2018 £ 000
Current trade and other receivables:		
Trade receivables	10,507	13,344
Amounts owed by Standard Life Aberdeen Group undertakings	14,629	201
Accrued income	<u>20,362</u>	<u>19,862</u>
Total current trade and other receivables	<u>45,498</u>	<u>33,407</u>

Amounts owed by Standard Life Aberdeen Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

* See note 17 for an explanation of the restatement.

10 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Authorised, allotted, called up and fully paid: of £1 each	<u>20,125</u>	<u>20,125</u>	<u>20,125</u>	<u>20,125</u>

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Trade and other payables

	2019	2018
	£ 000	£ 000
Current trade and other payables:		
Trade creditors	-	164
Accruals and deferred income	5,239	3,047
Amounts owed to Standard Life Aberdeen Group undertakings	60,612	17,500
Taxes and social security	11,512	950
Total current trade and other payables	77,363	21,661

Amounts owed to Standard Life Aberdeen Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The Company has assessed whether the funds it manages are structured entities, through review of the above factors, including the rights to remove the Group as fund manager or other key management role. The Company considers the following as structured entities - Open ended investment companies, Unit Trusts, Mutual Funds and Fonds Commun de Placement.

The structured entities are generally financed by the purchase of units or shares by investors, although some funds are able to obtain external debt financing, and allow clients to invest in a portfolio of assets in order to provide a return through capital appreciation and/or investment income. Accordingly, they are susceptible to market price risk arising from uncertainties about future values of the assets they hold.

AuM within unconsolidated structured entities is shown below:

	2019	Restated*
	£ 000	2018
	£ 000	£ 000
Unconsolidated structured entities	10,915,336	10,984,112

The table below summarises the revenue & carrying values in the balance sheet:

	2019	Restated*
	£ 000	2018
	£ 000	£ 000
Revenue	6,612	8,486
Receivables	4,265	5,857

* Comparatives for the year ended 31 December 2018 have been restated to include previously unidentified relationships with entities which were not assessed as being unconsolidated structured entities. AuM has increased from £537,428k to £10,984,112k (restated above). Revenue has increased from £1,614k to £8,486k (restated above). Receivables have increased from £240k to £5,857k (restated above).

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Unconsolidated structured entities (continued)**Maximum exposure to loss**

The Company does not have a direct exposure to the AuM it manages, with the associated risks and rewards residing with external investors. The Company's maximum exposure to loss is therefore limited to future fee income, where investors decide to withdraw funds, reducing the net asset value of the entities and the fair value of any investments in structured entities held by the Company at each reporting date.

Financial support

The Company has not provided financial support to any unconsolidated structured entity through guarantees over the repayment of borrowings, or otherwise, and has no contractual obligations or current intention of providing financial support in the future.

13 Contingent liabilities

The Company's bank balance is part of a group working capital facility in support of which cross guarantees are provided by the parent company, the Company and certain fellow subsidiary undertakings. At 31 December 2019, the net amount guaranteed under this arrangement was £103,723k (2018: £77,670k).

14 Related party transactions

In the normal course of business, the Company enters into transactions with related parties in respect of investment management business.

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

The following are details of significant transactions with related parties (excluding fellow wholly owned subsidiaries and key management personnel) during the year and the year end balances arising from such transactions.

	2019	
	Revenue £ 000	Receivables £ 000
Management fees	5,439	3,876
	<u>5,439</u>	<u>3,876</u>
	2018	
	Restated* Revenue £ 000	Restated* Receivables £ 000
Management fees	6,903	5,617
	<u>6,903</u>	<u>5,617</u>

* Comparatives for the year ended 31 December 2018 have been restated to include previously unidentified relationships with entities which were not assessed as being related parties. Revenue has increased from £31k to £6,903k (restated above). Receivables have increased from £nil to £5,617k (restated above).

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Parent and ultimate parent undertaking

The company's immediate parent company is Aberdeen Asset Investment Group Limited and its ultimate parent company is SLA plc, both of which are incorporated in the United Kingdom and registered in Scotland.

The most senior parent entity producing publicly available financial statement is SLA plc. Copies of the consolidated Annual Report and Accounts of SLA plc are available to the public from 1 George Street, Edinburgh, EH2 2LL, or to download on the website www.standardlifeaberdeen.com.

16 Events after the balance sheet date

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact.

17 Prior-year adjustments

In preparing these financial statements, the following restatements have been reflected for the year ended 31 December 2018:

The Company has invoiced and recognised revenues from Scottish Widows Trust Managers Limited ("SWUTM") funds between November 2014 and July 2019. However, the contracting party in this arrangement was Aberdeen Investment Solutions Limited ("AISL"), another entity in the wider Group. In line with internal revenue sharing policies, AISL should have recognised these revenues and paid 90% of them to the Company for management services, with AISL retaining 10% as the contracting entity.

During this period, the total revenue billed by the Company was £32.4m, of which £28.5 relates to the period November 2014 to December 2018. Consequently, these revenues have been adjusted to reflect that 90% should have been recognised in the Company (through transfer pricing), instead of 100% of the income.

Consequently 10% of the revenues earned over the period November 2014 to December 2018, after an adjustment for tax, has been removed from the profit and loss reserve in the Company and recognised in the profit and loss reserve of AISL (£2,305k) at 31 December 2018. This includes a corresponding decrease in trade and other receivables, specifically the net amount receivable from AISL (£2,305k). Net profit of the Company for 2018 has decreased (£689k) with a corresponding tax impact (£131k).

The opening balance sheet position at 1 January 2018 has been restated to decrease the profit and loss reserve (£1,747k) and trade and other receivables, specifically amounts receivable from AISL (£1,747k). This reflects the impact of adjustments relating to periods ending on or before 31 December 2017.

The adjustments made are shown below:

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Prior-year adjustments (continued)

	Reported at 31 December 2018 £ 000	PYA £ 000	Restated at 31 December 2018 £ 000
Profit and loss account			
Revenue	136,775	(689)	136,086
Income tax expense	(10,964)	131	(10,833)
Balance sheet			
Trade and other receivables	35,712	(2,305)	33,407
Profit and loss account	<u>67,840</u>	<u>(2,305)</u>	<u>65,535</u>

The impact of these restatements on the 2018 opening balances is shown below:

	Reported at 1 January 2018 £ 000	PYA £ 000	Restated at 1 January 2018 £ 000
Balance sheet			
Trade and other receivables	38,903	(1,747)	37,156
Profit and loss account	<u>86,091</u>	<u>(1,747)</u>	<u>84,344</u>

It was identified in the current-year that a population of funds had not been disclosed as either related parties or unconsolidated structured entities in the prior-year. The disclosure of the prior year balances has been restated to reflect this population. Please see notes 12 and 14.

18 Investment holdings

Direct and indirect holdings of the Company are listed below. Holdings are at 100%, unless stated otherwise.

Name of undertaking	Country of registration	Direct \ Indirect	Percentage owned other than 100%
Airport Industrial GP Limited ¹	United Kingdom	Direct	
Airport Industrial Nominees B Limited ¹	United Kingdom	Indirect	
Airport Industrial Nominees Limited ¹	United Kingdom	Indirect	
Aberdeen Asset Managers (Luxembourg) S.à r.l. ²	Luxembourg	Direct	
PURetail Luxembourg Management Co S.à r.l. ²	Luxembourg	Direct	50%

Registered office

¹ Bow Bells House, 9 Bread Street, London, EC4M 9HH, United Kingdom

² 80 Route d'Esch, L-1470, Luxembourg

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Country by country reporting

Country	Company	Nature of activities	Number of employees	Revenue £ 000	Profit/(loss) before tax £ 000	Corporation tax paid £ 000
United Kingdom	Aberdeen Asset Investment Limited	Fund management	-	256,737	153,234	-
United Kingdom	Airport Industrial GP Limited	Property Fund General Partner	-	10	11	-
Luxembourg	Aberdeen Asset Managers (Luxembourg) S.a.r.l	Fund management	-	-	(5)	-
Luxembourg	PURetail Luxembourg Management Company S.a.r.l	Fund management	-	1,613	37	-

The below provides a brief outline of our approach to the country by country reporting (CBCR) disclosure:

Company	The company highlighted in bold is CRD IV regulated. All additional entities listed are subsidiaries of this company.
Country	This is based on tax residence.
Nature of activities	This explains the primary purpose of the legal entity.
Number of employees	The number of employees reported is the average number of full time employees who were permanently employed by the entity during the year. Contractors are excluded.
Revenue	The approach to revenue disclosed in these CBCR disclosures is consistent with that applied in the underlying financial statements of the entity. It should be noted however that the disclosures have been prepared including inter-company transactions.
Profit/(loss) before tax	This is the accounting profit or loss before tax. As noted above for 'revenue', these numbers include inter-company transactions.
Corporation tax paid	This is the amount of corporation tax paid during the year to taxation authorities. In the financial year ending 31 December 2019 the figures disclosed represent payments on the quarterly due dates in respect of the tax liabilities arising the current financial year and prior financial year. None of the amount relates to any other period. Amounts quoted are net of any group relief received.
Public subsidies received	There were no public subsidies received by any of the entities during the period.