Standard Life Investments

IGNIS FUND MANAGERS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Registered in Scotland Number SC85610

General Information

Directors

A S Acheson

J B Aird

S A Fitzgerald

Company Secretary

H S Kidd

Registered Office

1 George Street

Edinburgh

Lothian

EH2 2LL

United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Directors' report
for the year ended 31 December 2016

The Directors present their report, together with the audited financial statements of Ignis Fund Managers Limited (the Company) for the year ended 31 December 2016.

Directors

The names of the current Directors of the Company are shown on page 1.

C A Hankin resigned as Company Secretary on 29 January 2016.

H S Kidd was appointed as Company Secretary on 29 January 2016.

S A Fitzgerald was appointed as a Director on 1 April 2016.

A S Acheson was appointed as a Director on 14 July 2016.

C R Walklin resigned as a Director on 27 May 2016.

C M Clark resigned as a Director on 27 May 2016.

R L Paris resigned as a Director on 27 May 2016.

The Company's ultimate parent company, Standard Life plc, maintains Directors' and Officers' liability insurance on behalf of its Directors and Officers.

Change of registered address

On 31 March 2016 the Company changed registered address from 50 Bothwell Street, Glasgow, G2 6HR, United Kingdom to the address detailed on page 1.

Result for the year

The result for the year ended 31 December 2016 is a profit after tax of £174,000 (2015: £7,402,000). The Directors consider the result to be satisfactory.

Dividends

The Directors recommended and paid dividends of £18,000,000 in 2016 (2015: £nil).

Annual general meeting

There was no annual general meeting held in the year, as permitted by the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP has been the Standard Life Group's auditors since 1994. In order to comply with regulations regarding mandatory auditor rotation and tendering, in last year's annual Standard Life plc accounts it was announced that the Standard Life Group were about to commence a tender process for the appointment of the external auditor. This tender resulted in the proposal, subject to shareholder approval at the 2017 AGM, to appoint KPMG as the external independent auditor for the 2017 financial year.

Disclosure of information to the Auditors

So far as each Director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware.

Each of the Directors has taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board of Directors

H S Kidd, Company Secretary

Edinburgh, 15 February 2017

Strategic report
for the year ended 31 December 2016

Review of the Company's business

The principal activity of the Company is the management of Ignis Strategic Solutions plc, which invests in other hedge funds with an aim of achieving hedge fund equivalent returns.

The Company is a private limited company whose principal place of business is the UK. The Company is authorised and regulated by the Financial Conduct Authority.

Key performance indicators (KPIs)

The Directors of Standard Life Investments (Holdings) Limited (SLIH) manage the operations of the Standard Life Investments (Holdings) Limited group (the Group), on a divisional basis. The Company is an indirect subsidiary of SLIH, therefore a member of the Group. The Company's Directors therefore believe that an analysis using KPIs for the Company is not necessary or appropriate for gaining an understanding of the development, performance and position of the Company. The KPIs of the Group can be found in the Group's annual report and financial statements.

Principal risks and uncertainties and financial risk management

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

The main business risks to which the Company is exposed and its financial risk management objectives and policies, are considered in Note 19 to this report and financial statements. Other key business risks include competition from other providers of investment management services.

Environmental matters

The Company follows the environmental strategy of the Standard Life Group which is disclosed within the Standard Life plc accounts.

On behalf of the Board of Directors

S A Fitzgerald, Director

Edinburgh, 15 February 2017

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. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB).

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Income statement
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue			
Management fee income		132	15,502
Other operating income	3	53	1,006
Total revenue		**185**	**16,508**
Expenses			
Administrative expenses		(35)	(7,208)
Total administrative expenses		**(35)**	**(7,208)**
Revenue less expenses		**150**	**9,300**
Finance income	5	-	19
Foreign exchange gain/(loss)		81	(1)
Finance costs	6	-	(3)
Profit before tax		**231**	**9,315**
Tax expense	7	(57)	(1,913)
Profit for the year attributable to equity holders of the Company		**174**	**7,402**

The notes on pages 9 to 20 form part of these financial statements.

The Company has not recorded any other comprehensive income during the years to 31 December 2016 or 31 December 2015. A separate statement of comprehensive income is therefore not disclosed.

Statement of financial position
as at 31 December 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Deferred tax assets	8	14	18
Total non-current assets		14	18
Current assets			
Investment in associates	9	6,307	21,128
Trade and other receivables	10	475	3,478
Cash and cash equivalents	11	2	2,915
Total current assets		6,784	27,521
Total assets		**6,798**	**27,539**
Equity			
Share capital	13	1,308	1,308
Share premium	14	520	520
Retained earnings	15	1,171	18,997
Total equity		**2,999**	**20,825**
Current liabilities			
Current tax liabilities	8	1,925	2,365
Trade and other payables	16	1,874	4,349
Total current liabilities		**3,799**	**6,714**
Total liabilities		**3,799**	**6,714**
Total equity and liabilities		**6,798**	**27,539**

The notes on pages 9 to 20 form part of these financial statements.

The financial statements on pages 5 to 20 were approved on behalf of the Board of Directors on 9 February 2017 and signed on its behalf on 15 February 2017 by the following Director:

S A Fitzgerald, Director

Statement of changes in equity
for the year ended 31 December 2016

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity attributable to equity holders of the Company £'000
Balance at 1 January 2015		1,308	520	11,595	13,423
Comprehensive income					
Profit for the year		-	-	7,402	7,402
Total comprehensive income for the year		-	-	7,402	7,402
Balance at 31 December 2015		**1,308**	**520**	**18,997**	**20,825**
Balance at 1 January 2016		1,308	520	18,997	20,825
Comprehensive income					
Profit for the year		-	-	174	174
Total comprehensive income for the year		-	-	**174**	**174**
Transactions with owners					
Distributions to equity holders	**12**	-	-	(18,000)	(18,000)
Balance at 31 December 2016		**1,308**	**520**	**1,171**	**2,999**

The notes on pages 9 to 20 form part of these financial statements.

Statement of cash flows
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows generated from / (used in) from operating activities			
Profit before tax		**231**	**9,315**
Interest income classified as investing activity	5	-	(19)
Interest expense classified as financing activity	6	-	3
		231	9,299
Adjustments for:			
Movement in investment in associates		14,821	(17,625)
Movement in operating assets and liabilities	17	528	4,268
Movement in tax included in operating assets and liabilities		(493)	(979)
Net cash flows generated from/(used in) operating activities		**15,087**	**(5,037)**
Cash flows generated from investing activities			
Interest received	5	-	19
Net cash flows generated from investing activities		-	**19**
Cash flows used in financing activities			
Interest paid	6	-	(3)
Dividend paid	12	(18,000)	-
Net cash flows used in financing activities		**(18,000)**	**(3)**
Net decrease in cash and cash equivalents		(2,913)	(5,021)
Cash and cash equivalents at the beginning of the period		2,915	7,936
Cash and cash equivalents at the end of the period	11	**2**	**2,915**

The notes on pages 9 to 20 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies

The Company's significant accounting policies are included at the beginning of the relevant note. This section outlines the basis of preparation, significant accounting policies which apply to the financial statements as a whole, and a summary of the Company's critical accounting estimates and judgements in applying accounting policies.

(a) Basis of preparation

(i) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee (IFRIC), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis and under the historical cost convention.

(ii) New interpretations and amendments to existing standards that have been adopted by the Company

There have been no new interpretations or amendments to existing standards that have impacted the Company.

(iii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 will replace: IAS 11 *Construction contracts*, IAS 18 *Revenue* and related interpretations.

It provides a new five-step revenue recognition model for the recognition of and measurement of revenue from contracts with customers.

A detailed impact assessment commenced in 2015, reviewing contracts and analysing the revenue recognised by the Group. Further analysis of the revenues generated within the investment management business was completed in 2016 with no material impact expected.

(b) Revenue recognition

Management fee income

All fees and costs associated with the provision of investment management services are recognised, subject to recoverability, as the services are provided.

(c) Expense recognition

Impairment of non-financial assets

The carrying amounts of assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. Where there is an indication of impairment, an impairment review is performed and an impairment loss recognised in the income statement to the extent that the carrying amount exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price (fair value less costs to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit, or group of units, to which the asset belongs.

Non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the financial statements for the year ended 31 December 2016 (continued)

(d) Financial assets - designation

(i) Designation as fair value through profit or loss (FVTPL)

Financial assets are designated as FVTPL where the asset or liability is part of a group of assets that are evaluated and managed on a fair value basis.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in 'Current assets', except for maturities greater than 12 months after the statement of financial position date. These are classified as 'Non-current assets'. The Company's loans and receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents' in the statement of financial position.

2. Key estimates and judgements

The preparation of financial statements, in conformity with IFRS, may require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In the process of applying the Company's accounting policies, management has made no key estimates or judgements.

3. Other operating income

Accounting Policy
Other operating income includes investment gains and losses resulting from changes in market value on investments classified as FVTPL which are recognised in the period in which they occur.

'Other operating income' is recognised on an accruals basis.

	2016	2015
	£'000	£'000
Net registrars' fees	-	338
Income from collective investment schemes	53	74
Profit on unit and share dealing	-	594
Total other operating income	**53**	**1,006**

4. Administrative expenses

Accounting Policy
Administrative expenses are recognised on an accruals basis.

The following have been included in arriving at operating profit:

	2016	2015
	£'000	£'000
Auditors' remuneration (see below)	73	98
Fees payable to the Company's auditors for the audit of the financial statements	73	71
Fees payable to the Company's auditors pursuant to legislation	-	27
Total payable to the Company's auditors	**73**	**98**

5. Finance income

All finance income for 2015 was derived from 'Cash and cash equivalents'. There is no finance income in 2016.

6. Finance costs

All finance costs for 2015 related to interest claims and overdraft expenses. There were no finance costs in 2016.

Notes to the financial statements for the year ended 31 December 2016 (continued)

7. Tax expense

Accounting Policy
The current tax expense is based on the taxable results for the year, using tax rates enacted or substantively enacted at the statement of financial position date, including any adjustments in respect of prior years.

Deferred tax is provided using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable results will be available against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Current and deferred tax is recognised in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is credited or charged to other comprehensive income or directly in equity respectively.

(a) Analysis of the tax expense for the year:

	2016	2015
	£'000	£'000
Current tax		
United Kingdom corporation tax	43	1,886
Adjustment in respect of prior year	10	22
Total current tax	**53**	**1,908**
Deferred tax		
Deferred tax charge arising in the current year	4	5
Total deferred tax	**4**	**5**
Total tax expense	**57**	**1,913**

(b) Reconciliation of tax expense :

	2016	2015
	£'000	£'000
Profit before tax	231	9,315
Tax at UK corporation tax rate of 20% (2015: 20.25%)	46	1,886
Effects of:		
Changes in tax rate	1	5
Adjustment in respect of prior year	10	22
Total tax expense	**57**	**1,913**

From 1 April 2015 the main rate of UK corporation tax has decreased from 21% to 20%. Accordingly, this results in an average current tax rate of 20% for the year (2015: 20.25%).

Notes to the financial statements for the year ended 31 December 2016 (continued)

8. Tax assets and liabilities

(a) Tax assets and liabilities

	2016	2015
	£'000	£'000
Deferred tax assets	14	18
Total tax assets	**14**	**18**
Current tax liabilities	1,925	2,365
Total tax liabilities	**1,925**	**2,365**

(b) Recognised deferred tax

	2016	2015
	£'000	£'000
Deferred tax assets comprise:		
Accelerated capital allowances	14	18
Gross deferred tax assets	**14**	**18**
Movements in net deferred tax assets comprise:		
At 1 January	18	23
Amounts debited to the income statement	(4)	(5)
At 31 December	**14**	**18**

The standard rate of UK corporation tax for the accounting period is 20% (2015: 20.25%). The UK tax rate will reduce to 19% from 1 April 2017 and 17% from 1 April 2020. These future rate changes have been taken into account in the calculation of the UK deferred tax balance at 31 December 2016.

9. Investments in associates

Accounting Policy
Associates are entities over which the Company has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee. The Company considers itself to have significant influence over entities where, Standard Life Investments Limited, through its role as investment manager, has decision making power over the relevant activities of that entity. All investments in associates are accounted for using FVTPL.

	2016	2015
	£'000	£'000
Investments in regulated collective investment vehicles	6,307	21,128
	6,307	**21,128**

The following are the particulars of the Company's investments in associates:

Name	Country of registration/ incorporation	Share class	% owned	Nature Of business
Seabury Assets Fund plc (Fund No.1)[1]	Ireland	Ordinary	0.36	Collective investment
Ignis Strategic Solutions Fund plc[2]	Ireland	Ordinary	0.001	Investment Management

The address of the investment in associates is shown below:

1. 70 Sir Rogerson's Quay, Dublin, Ireland
2. 2nd Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland

Notes to the financial statements for the year ended 31 December 2016 (continued)

10. Trade and other receivables

Accounting Policy
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less a provision for impairment where this is deemed necessary.

	2016	2015
	£'000	£'000
Amounts owed by Standard Life Group undertakings	465	2,699
Prepayments and accrued income	10	779
Total trade and other receivables	**475**	**3,478**

All 'Trade and other receivables' are current and have a maturity of less than one year or no contractual maturity date. All of the financial assets above are non-interest bearing. Note 19 to these financial statements provides an analysis of the credit risks from the financial assets noted above.

11. Cash and cash equivalents

Accounting Policy
Cash and cash equivalents include cash at bank, money at call and short notice with banks, and any highly liquid investments with less than three months to maturity from the date of acquisition, and are measured at amortised cost.

	2016	2015
	£'000	£'000
Cash at bank and in hand	2	2,915
	2	**2,915**

Cash at bank and in hand and deposits are subject to variable interest rates.

All of the 'Cash and cash equivalents' balances at the statement of financial position date were held with counterparties rated (Standard & Poor's) A or above (2015: A or above).

12. Dividends

Accounting Policy
Dividend distribution to the Company's sole shareholder is recognised directly in equity in the Company's financial statements in the period in which the dividend is paid.

	2016	2015
	£'000	£'000
Dividends paid to parent undertaking	18,000	-

Notes to the financial statements for the year ended 31 December 2016 (continued)

13. Share capital

Accounting Policy
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable.

	Allotted, Called Up and Fully Paid			
	2016		**2015**	
	No.	**£'000**	**No.**	**£'000**
Ordinary Shares of £1 each	1,307,600	1,308	1,307,600	1,308
	1,307,600	**1,308**	**1,307,600**	**1,308**

14. Share premium

	2016	**2015**
	£'000	**£'000**
Ordinary share premium	520	520
Total share premium	**520**	**520**

15. Retained earnings

	2016	**2015**
	£'000	**£'000**
At 1 January	18,997	11,595
Profit for the year attributable to equity holders	174	7,402
Dividends	(18,000)	-
At 31 December	**1,171**	**18,997**

16. Trade and other payables

Accounting Policy
Trade and other payables are recognised at their initial fair value and subsequently measured at amortised cost.

	2016	**2015**
	£'000	**£'000**
Amounts due to Standard Life Group undertakings	1,874	4,326
Accrued rebates	-	23
Total trade and other payables	**1,874**	**4,349**

All trade and other payables, with the exception of certain accruals, are expected to be settled within 12 months. All of the financial liabilities listed above are non-interest bearing.

Notes to the financial statements for the year ended 31 December 2016 (continued)

17. Movement in operating assets and liabilities

	2016	2015
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	3,003	10,110
	3,003	**10,110**
Movement in operating liabilities:		
Trade and other payables	(2,475)	(5,842)
	(2,475)	**(5,842)**
Movement in operating assets and liabilities	**528**	**4,268**

18. Structured entities

Accounting Policy

The Company has an investment in the Seabury Assets Fund. This vehicle is structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity and as such are classified as structured entities. Investments in this entity are classified as investment in associates because the Group has significant influence.

A structured entity is defined as an entity where control is not necessarily held through voting rights linked to ownership stake but rather through rights arising from contractual agreements that give power to direct the relevant activities. The Company has interests in unconsolidated structured entities.

The Company has an investment in the Seabury Asset Fund, held at FVTPL, where Standard Life Investments is the asset manager and has significant influence.

The Company's maximum exposure to loss in respect of the interests in these vehicles is therefore the management fee debtor. Further information on income relating to this relationship as well as the numerical value of this debtor is included with Note 20 'Related party transactions'.

The purpose and activity of these vehicles is to invest the pooled assets in order to secure investment returns (either capital or income returns) in return for a management fee. The Assets Under Management of these entities is £0.6bn (2015: £1.3bn).

Information on how the Company manages its exposure to risk can be found in Note 19 'Financial risk management'.

19. Financial risk management

(a) Standard Life Group approach to risk management

Standard Life plc, the ultimate parent of the Company, has established an Enterprise Risk Management (ERM) Framework to provide the basis for ensuring that risks inherent in the design and execution of Standard Life Group strategy are managed in line with its expectations.

Notes to the financial statements for the year ended 31 December 2016 (continued)

19. Financial risk management (continued)

(b) The Group's approach to risk and capital management

The Company operates within the governance structure of the Standard Life Group. The Group also has its own established governance framework, with clear terms of reference for the board of directors of SLIH (the Group Board) and risk committees, and a clear organisation structure, with documented, delegated authorities and responsibilities.

The Group takes and manages risks to achieve its corporate, financial and regulatory objectives. The types of risk inherent in the pursuit of these objectives and the extent of exposure to these risks form the Group's risk profile. The Group Board has approved a risk policy which outlines the framework for identifying, assessing, monitoring and controlling risk.

Capital is managed within the regulatory framework in which the Group operates. This makes use of an Internal Capital Adequacy Assessment Process (ICAAP), to identify the risks to which the Company is exposed and to quantify their impact on economic capital, including changes thereto by way of stress and scenario tests. The ICAAP estimates how much capital is needed to cover the risks to which the Company is, or might be, exposed to. The Group is required at all times to maintain at least this level of capital. While the Company does not have its own ICAAP it is a part of the Group ICAAP. The Group's calculation thereof is subject to review by the Financial Conduct Authority (FCA) who also monitor compliance by way of quarterly and annual submissions made by the Group and periodic visits.

The ICAAP is subject to high level quarterly review within the Group, with detailed annual review and approval by the Group Board. The potential impact of any significant risks identified out with these timescales would be subject to immediate review.

(c) The management of financial and non-financial risks

The following tables reconcile the classes of financial instruments used for the risk management analysis to statement of financial position line items.

(i) Statement of financial position reconciliation

	2016			
	Financial assets			
	FVTPL	Loans and receivables	Non-financial assets	Total
	£'000	£'000	£'000	£'000
Deferred tax	-	-	14	14
Investment in associates	6,307	-	-	6,307
Trade and other receivables	-	465	10	475
Cash and cash equivalents	-	2	-	2
Total assets	**6,307**	**467**	**24**	**6,798**

	2015			
	Financial assets			
	FVTPL	Loans and receivables	Non-financial assets	Total
	£'000	£'000	£'000	£'000
Deferred tax	-	-	18	18
Investment in associates	21,128	-	-	21,128
Trade and other receivables	-	3,463	15	3,478
Cash and cash equivalents	-	2,915	-	2,915
Total assets	**21,128**	**6,378**	**33**	**27,539**

Notes to the financial statements for the year ended 31 December 2016 (continued)

19. Financial risk management (continued)

(i) Statement of financial position reconciliation (continued)

	2016		
	Financial liabilities	Non-financial liabilities	Total
	£'000	£'000	£'000
Current tax liabilities	-	1,925	1,925
Trade and other payables	1,874	-	1,874
Total liabilities	**1,874**	**1,925**	**3,799**

	2015		
	Financial liabilities	Non-financial liabilities	Total
	£'000	£'000	£'000
Current tax liabilities	-	2,365	2,365
Trade and other payables	4,349	-	4,349
Total liabilities	**4,349**	**2,365**	**6,714**

(ii) Fair value of assets and liabilities

All assets that are held as FVTPL are carried at their fair value which is stated in the table above. All assets listed as FVTPL are classified as designated on initial recognition. There are no liabilities held at FVTPL. Due to the short term nature of current financial assets and current financial liabilities carried at amortised cost, the carrying value is approximate to the fair value. Trade and other receivables due from fund and collective investment schemes in the prior year are deemed not to have any past default as the amounts would be paid by the fund or the deal cancelled if the amounts were not paid. Intercompany balances with Standard Life Group entities have had no defaults in the past.

The accounting standards define fair value hierarchy levels which describe the nature of an instrument's fair value measurement as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The investment in associate in the current year and prior year is classified as level 2 and consists of amounts held in an unlisted collective investment scheme. This investment is valued using prices sourced from the primary exchange on which it is listed or valued using observable market data. However, since it is not generally considered to be quoted in an active market, it has been treated as level 2 within the fair value hierarchy.

(iii) Credit risk

The Company is exposed to credit risk through investments, cash deposits, trade receivables and intercompany balances. For cash deposits, an internal credit assessment of each counterparty is used to set counterparty limits by the Group. This is presented to the Standard Life Group Credit Risk Committee for review and approval. Intercompany balances with Standard Life Group entities have no past history of default. All trade and other receivable balances due, and the financial suitability of material counterparties, are assessed regularly.

Management fee income provides the bulk of the Company's revenues. Funds are managed in accordance with legal agreements in place with both Standard Life Group companies and third parties, which specify contractual payment terms. The majority of receipts by value are received either monthly or quarterly.

Cash deposits, comprising the majority of 'Cash and cash equivalents', are placed for terms of less than 3 months, with counterparties selected according to the criteria noted above. All of the 'Cash and cash equivalents' balances at the statement of financial position date were held with counterparties rated (Standard & Poor's) A or above (2015: A or above).

Notes to the financial statements for the year ended 31 December 2016 (continued)

19. Financial risk management (continued)

(iii) Credit risk (continued)

The table below provides an analysis of total assets bearing credit risk:

	2016	2015
	£'000	£'000
Investment in associates	6,307	21,128
Trade and other receivables	465	3,463
Cash and cash equivalents	2	2,915
	6,774	**27,506**

At the statement of financial position date, none of the financial assets above were impaired or past due.

(iv) Market risk

Market risk is the risk of adverse impact on the Company of changes in the fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates and market movements.

The Group uses sensitivity test-based analysis, including market movements, foreign exchange and interest rate movements, detailed in its ICAAP, to understand their impact on expected earnings for decision making and planning purposes.

The Company is domiciled in and was incorporated in Scotland.

The impact of a fall in asset values at a point in time would primarily impact revenue, which is accrued based on those values, and is not hedged. A 10% change in market levels would result in a change in profit after tax of £11,000 (2015: £1,236,000).

The Company has no exposure to exchange rate risk.

The Company has no material exposure to interest rate risk in 2016 or 2015.

(v) Liquidity risk

Liquidity risk is the risk of the Company being unable to maintain sufficient cash and marketable securities to enable it to meet cashflow obligations as they fall due.

The Company's cashflows are such that short-term liabilities are generally matched by similarly short-term assets, and longer term liabilities are covered by short-term assets, normally held in cash or highly liquid securities. The Group manages its liquidity risk by regular monitoring of its cash position, credit control including credit risk assessment noted above, forward planning including cash flow analysis and regular reporting thereon to the Board.

Surplus cash is generally invested in cash deposits with institutions meeting the Group's credit risk approval criteria, repayable on demand. These are disclosed in the statement of financial position under 'Cash and cash equivalents'.

The following table represents the Company's ability to meet its cash commitments as they fall due:

	2016			
Financial assets	**Investment in associates**	**Trade and other receivables**	**Cash and cash equivalents**	**Total**
	£'000	£'000	£'000	£'000
Due on demand	6,307	-	2	6,309
No contractual maturity date	-	465	-	465
	6,307	**465**	**2**	**6,774**

Notes to the financial statements for the year ended 31 December 2016 (continued)

19. Financial risk management (continued)

(v) Liquidity risk (continued)

	2015			
Financial assets	**Investment in associates**	**Trade and other receivables**	**Cash and cash equivalents**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Due on demand	21,128	-	2,915	24,043
No contractual maturity date	-	3,463	-	3,463
	21,128	**3,463**	**2,915**	**27,506**

	2016	2015
Financial liabilities	**Trade and other payables**	**Trade and other payables**
	£'000	**£'000**
Due within 1 month	-	23
No contractual maturity date	1,874	4,326
	1,874	**4,349**

(vi) Operational risk

Operational risk is defined as the risk of loss, or adverse consequences for the business, resulting from inadequate or failed internal processes, people and systems, or from external events. The Group sets an acceptable level of operational risk as quantitative and qualitative risk limits.

The types of operational risk the Company is exposed to are identified using the following operational risk categories: fraud or irregularities; regulatory or legal; customer treatment; business interruption; supplier failure; planning; process execution and people. Activities undertaken to ensure the practical operation of controls over financial risks (i.e. market, credit, liquidity and insurance risk) are treated as an operational risk.

The Group assesses its exposure to operational risk to enable efficient allocation of resources to manage such risks. The Group assesses its historical operational risk exposure using objective quantitative data. The Group also assesses the impact and likelihood of operational risks materialising in the future through a combination of qualitative data arising from management's judgement and historical data.

The Group's control environment is subject to quarterly self-assessment by management. Managers are responsible for correcting any control weaknesses identified through this process, taking into account the cost of implementing preventive or corrective action plans and the Group's acceptable level of operational risk.

The impact of new products, significant changes in business operations, or any material one-off transactions on the operational risk profile of the Company is assessed and managed.

20. Related party transactions

(a) Parent and ultimate controlling party

The Company's parent undertaking is Ignis Asset Management Limited, and the ultimate controlling party is Standard Life plc.

Copies of the Annual Report and Accounts of Standard Life plc are available to the public to download on the website www.standardlife.com.

Notes to the financial statements for the year ended 31 December 2016 (continued)

20. Related party transactions (continued)

(b) Transactions between and balances with related parties

In the normal course of business, the Company enters into transactions with related parties in respect of its investment management business. Such related party transactions are at arm's length and are unsecured.

The following are details of significant transactions with related parties during the year and year end balances arising from such transactions:

	2016			
	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	-	1	-	-
Standard Life Group entities (excluding parent)	157	-	465	1,874
Trust manager	28	-	-	-
	185	**1**	**465**	**1,874**

	2015			
	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	-	5,834	-	-
Standard Life Group entities (excluding parent)	2,402	-	2,699	4,326
Unit trust manager and OEIC relationship	13,174	-	-	-
	15,576	**5,834**	**2,699**	**4,326**

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense for bad and doubtful debts has been recognised in the period in respect of the amounts owed by related parties.

(c) Compensation of key management personnel

No amounts are payable to the Directors in respect of their services to the Company (2015: £nil).

21. Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Company's related undertakings. Details on the Company's associates are shown in Note 9. The Company has no other significant holdings and therefore has no other disclosures in related undertakings.

22. Events after the statement of financial position date

There have been no significant events after the reporting period.

Independent Auditors' Report to the Members of Ignis Fund Managers Limited

Report on the financial statements

Our opinion

In our opinion, Ignis Fund Managers Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2016;
- the Income statement for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of Ignis Fund Managers Limited (continued)

Report on the financial statements (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Christopher Meyrick (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

15 February 2017