

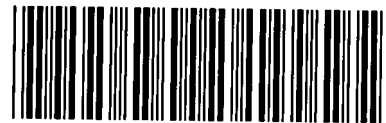
Aberdeen Asset Managers Limited

Directors' report and financial
statements

Registered number SC108419

For the year ended 30 September 2014

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Strategic report

In accordance with section 414A(11) of the Companies Act 2006, we have set out in the strategic report: a review of the Company business and future developments, key performance indicators and a description of the principal risks and uncertainties facing the Company.

Business review and future developments

Our principal activity is predominantly the active management of financial assets for third parties. We adopt a team-based approach to the management of equities, fixed income, property and alternatives, founded on a disciplined investment process under which we seek to identify investments which will deliver good long term performance for our clients.

The Company delegates some investment management activities to fellow regulated subsidiaries within the Aberdeen Asset Management Group ('the Group'). The Company is regulated by the Financial Conduct Authority ('FCA').

During the year the Group acquired the Scottish Widows Investment Partnership ('SWIP') business and SWIP's related private equity infrastructure fund management business from Lloyds Banking Group plc ('LBG') as part of a strategic step in Aberdeen's growth.

On 1 October 2014 all staff employed by SWIP transferred to a corresponding Aberdeen company. A number of these people have transferred to the Company. Accordingly there will be an increase in the Company's headcount and staff costs in future years. However, the directors do not expect any change in activities of the Company in the near future.

Key performance indicators

The Company uses a number of financial performance measures to monitor the performance of the business throughout the year. These key performance indicators ('KPIs') are measured and reported to management on a monthly basis and are shown below:

	2014 £'000	2013 £'000
Net turnover	438,199	468,428
Operating profit before amortisation	118,840	146,248
Operating margin	27.1%	31.2%
Operating profit after amortisation	95,252	121,296
Assets under management ('AuM')	£65.0bn	£70.2bn

In addition, a number of non-financial performance indicators are used by the Board to monitor the activities of the Company. These include:

- investment performance;
- compliance and regulatory status; and
- key staff turnover.

Performance during the year

AuM at the start of the year was £70.2bn and decreased during the year by £5.2bn to a total of £65.0bn at 30 September 2014; this decrease is as a result of both outflows during the year across all asset classes and together with the transfer of £4 billion of investment trust mandates to a fellow subsidiary in July 2014 due to the requirements of the Alternative Investment Managers Directive.

Strategic report (continued)

Performance during the year (continued)

The results for the year are set out on page 9. Net revenues for 2014 were £438.2m, 6.5% lower than 2013 (£468.4m). This was driven by a reduction in net management fees (£24.3m, 5.8%) and performance fees (£23.2m, 68.4%), offset by an increase in other income (£17.3m, 120%). Other income represents revenue generated for services provided by AAML staff to other group companies. In order to achieve efficient compliance with regulatory requirements a number of resources and services are centralised in AAML with appropriate charges made to other group companies that benefit from these services.

2014 saw difficult market conditions and net management fees reduced as a result of net outflows across all asset classes in the first 9 months of the year. In particular there were large outflows from the global emerging markets asset class as market sentiment moved against the region as a whole and global equities where performance was challenging. Performance fees reduced in the most part due to performance.

Operating profit before amortisation was £118.8m compared to prior year of £146.2m. Operating margin decreased as a result of the lower net revenues driven by performance fees. Operating costs were £314.9m, which is 1% lower than in the prior year, reflecting strong cost control.

Operating profit after amortisation was £95.3m compared to prior year of £121.9m.

Interim dividends of £101.0m (2013: £112.0m) were paid to the Company's parent undertaking, Aberdeen Asset Management PLC ('AAM PLC'). No final dividend has been recommended by the directors (2013: £nil).

Our investment approach has remained consistent with prior year. We take a long term approach towards investment recognise that this approach may from time to time result in underperformance against relevant benchmarks over shorter time periods; 2014 was one such period. The Company's results for 2014 were adversely impacted by weak market sentiment towards global emerging markets and the resultant net outflows of AuM through some channels.

There has not been significant staff turnover in the year.

During the year the Group acquired the SWIP business and SWIP's related private equity fund management business from LBG. During 2014 the investment teams of AAML and SWIP merged and the Company has incurred one-off severance costs of £0.9m in relation to this integration.

Risk management

The Company's risks are recorded within the Group risk management database and are subject to the Group risk management processes. The Group's risk management framework is designed to meet business needs, regulatory requirements and align the Group and Company with best practice in terms of corporate governance.

Principal risks and uncertainties

In common with many businesses, the Company is exposed to a range of risks. The management of risk is embedded in the culture of the Company, the wider Group and the way that we conduct our business. The oversight and implementation of risk strategy for the Company and the Group is managed at an executive level through the risk management committee, together with the risk, compliance, legal and internal audit departments. The board of the Company meet regularly and consider the risks facing the Company and controls required to manage these risks, as well as the output from the aforementioned governance committees held at an executive level. Detailed reports are presented at these board meetings from all functions including risk and internal audit

There are risks which apply to the Company and to the Group. These are described on pages 44 to 47 of the 2014 Aberdeen Asset Management PLC annual report. The principal financial risks that the Company is exposed to include:

Strategic report (continued)

Investment process

The Company's revenue is mainly earned from management fees, calculated on the basis of the value of assets managed or distributed by the Company. This will be affected by general market movements, as well as investor appetite and actual investment performance achieved by the fund managers. Equities remain our largest asset class and future revenues may be sensitive to stock market fluctuations and changes in investor risk appetite to equities. We make investment decisions based on the long-term, which may occasionally lead to periods of underperformance. We mitigate this by ensuring clients and investment consultants fully understand our investment philosophy and by openly discussing performance drivers, supported by relevant analysis of the performance components. We believe that our conservative style has helped to attract assets through a period of ongoing economic uncertainty. Our equities business has grown significantly in recent years. Where necessary, we may moderate inflows to some products to avoid any risk of dilution in the quality of the portfolios.

There is a market risk team, independent of the fund managers, which monitors the investment profile across all asset classes. We also forecast financial results using different scenarios to stress test the impact of major market falls on our capital base. Macroeconomic and political events may continue to impact markets significantly over coming months; they also impact our investment performance.

Investment mandate

There is risk of breach of investment mandate terms leading to action for compensation, which could arise from mis-management of an investment mandate. We have robust controls throughout the client lifecycle to mitigate breaches and monitor client and fund limits on our systems. There are also overarching controls in various committees, as well as an independent review of portfolio data by the market risk team.

Loss of key investment personnel

Our reputation and client retention could be damaged through significant changes in investment personnel. We have a team based approach, which seeks to avoid reliance upon any one individual. There is a strong development programme for fund managers and we seek to encourage performance and loyalty through appropriate remuneration and our benefits package, which includes a significant deferred element. Recognising the importance of a small number of teams to the Group's future performance, we aim to mitigate this risk both through the team approach, remuneration and development programmes – as well as actions to grow the business outside of our core equities products.

Client management

Client relationships are fundamental to our business and retention of AuM. This incorporates the risk that we mislead or misrepresent products to clients, which could create regulatory censure as well as loss of clients. In creating new products risks can arise from poor product design, delivery of the final product was not what was intended, or that products no longer meet investor requirements. We ensure that our client relations teams keep in regular contact with clients to ensure that we address their changing needs. The Board views meeting customers' needs and expectations as integral to the corporate culture.

As the business evolves, we continue to strengthen governance and oversight over conduct with our customers and developing and managing our products and we also consider it important that all areas of the business work together on this.

Strategic report (continued)

External service providers

The Company relies on a number of third party relationships and services to carry out business functions. Risks arise from the inability to effectively carry out robust evaluations of third parties prior to Aberdeen engaging in dealings, as well as having poor on-going oversight. There is offsite back up for our systems in place to cover each of the Group's principal operating sites. We regularly test our back up plans and the tests also cover potential availability of key staff. We use a small number of strategic suppliers. This ensures a degree of competition, whilst ensuring that we have significant influence and leverage. However, it also exposes us to concentration risk and dependence on strategic providers. Our operations team oversee these third party administrators. We have contingency plans reviewed by the Board on how we would best manage a withdrawal or failure of a strategic supplier.

Brand

Reputation could be damaged if brand or marketing activities are inconsistent with our culture or operations. The compliance team works closely with the business to check that marketing materials are consistent with products and capabilities.

Legal and regulatory

The Company operates in a complex and dynamic regulatory environment. Risks arise from legal and regulatory obligations and the failure to correctly interpret law or changes in the law which may materially and adversely impact the Company. We may also be subject to regulatory sanctions or loss of reputation from failure to comply with regulations. The legal and compliance teams track legal and regulatory developments to ensure that the Company is well prepared for changes. As well as developing policies, delivering training and performing monitoring checks, they provide advice to other divisions to enable compliance with legal and regulatory requirements. In general, the volume of regulation impacting the industry and the Company is increasing.

Foreign currency risk

The Company's results are reported in sterling. Due to the nature of the client base, business is conducted in a number of currencies. These include the US dollar and Euro. The Board reviews the currency profile of the Company, including cash flows and balance sheet. The treasury function prepares a sensitivity analysis of the effect of changes in rates. The current policy is not to hedge foreign currency risk.

By order of the Board



Scott E Massie
For Aberdeen Asset Management PLC
Secretaries
10 Queen's Terrace
Aberdeen
AB10 1YG
19 January 2015

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 September 2014.

Performance during the year

For commentary on performance during the year see the Strategic report on page 1.

Employees

The Company recognises that employee involvement is key to the future success of the business. The practice of keeping employees informed on all matters affecting them (via email and the Company's intranet) and internally circulating all publicly announced documents to all employees continues. The Company is also committed to following good practice in employment matters, recognising the part this plays in attracting and retaining staff. The Company promotes the importance of high ethical standards to all employees and staff have the opportunity to voice any concerns they may have, either directly with management or on a confidential basis via the whistleblowing process.

Equal opportunities

Aberdeen Asset Management is a global group with customers spanning a multitude of countries, cultures and professions, and we view diversity as a valuable business asset. By having a workforce that reflects the communities where we work, we gain an important competitive advantage. We do not tolerate harassment or bullying. Details of the Group's equal opportunities policy are available on the corporate social responsibility ('CSR') section of the website. The Company gives full and fair consideration to applications for employment from disabled persons. If employees become disabled, we provide continuing employment wherever possible and subject to local laws and regulations. For the purposes of training and career development, all employees are treated equally.

Health and safety

The Company has in place a health and safety policy which can be accessed by all staff via an internal database. The aim is to provide both staff and visitors with a safe and healthy working environment. The Company is committed to adhering to the high standards of health and safety set out by its policies and procedures and to providing training as necessary.

Directors

The directors who held office during the year and to the date of this report were as follows:

A Richards	MJ Gilbert (resigned – 26/06/2014)
R MacRae	AA Laing
K Fry	GR Marshall
CAJ Pittard	A Kearney (resigned – 11/07/2014)
J Loukes	B Crombie
R Chaplin (appointed 01/05/2014)	

All the directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



Scott E Massie
For Aberdeen Asset Management PLC
Secretaries
10 Queen's Terrace
Aberdeen
AB10 1YG
19 January 2015

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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).

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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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.

Under section 454 of the Companies Act 2006 the directors have the authority to revise the financial statements and the directors' report if they do not comply with the Act. These require that the financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

Independent auditor's report to the members of Aberdeen Asset Managers Limited

We have audited the financial statements of Aberdeen Asset Managers Limited for the year ended 30 September 2014 set out on pages 9 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Catherine Burnet (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
19 January 2015

Profit and loss account

For the year ended 30 September 2014

	Note	2014 £'000	2013 £'000
Net turnover	2	438,199	468,428
Administrative expenses	3-5	(319,359)	(322,180)
Operating profit before amortisation		118,840	146,248
Amortisation of intangibles	3	(23,588)	(24,322)
Operating profit after amortisation		95,252	121,926
Net finance expense	6	(458)	(802)
Profit on ordinary activities before taxation	3-6	94,794	121,124
Tax on profit on ordinary activities	7	(18,872)	(26,429)
Profit for the financial year	17	75,922	94,695

Turnover and operating profit arise primarily from continuing operations in the UK.

There are no recognised gains or losses other than the profit for the financial year. Accordingly, no statement of total recognised gains and losses has been presented.

The notes on pages 11 to 21 form part of these financial statements.

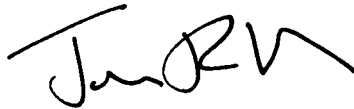
Balance sheet

At 30 September 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Goodwill and intangible assets	9	94,135	117,773
Tangible assets	10	<u>97</u>	<u>75</u>
		<u>94,232</u>	<u>117,848</u>
Current assets			
Debtors including £7.8m (2013: £9.3m) due after more than one year	11	170,797	136,780
Cash at bank and in hand		<u>308,357</u>	<u>345,492</u>
		<u>479,154</u>	<u>482,272</u>
Creditors: amounts due within one year	13	(63,514)	(65,170)
Net current assets		<u>415,640</u>	<u>417,102</u>
Total assets less current liabilities		<u>509,872</u>	<u>534,950</u>
Provision for liabilities	14	(5,000)	(5,000)
Net assets		<u>504,872</u>	<u>529,950</u>
Capital and reserves			
Called up share capital	15	28,592	28,592
Share premium account	17	179,724	179,724
Merger reserve	17	98,901	98,901
Profit and loss account	17	197,655	222,733
Shareholders' funds	16	<u>504,872</u>	<u>529,950</u>

The notes on pages 11 to 21 form part of these financial statements.

These financial statements were approved by the board of directors on 19 January 2015 and were signed on its behalf by:



J Loukes
 Director

Notes to the financial statements

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historic cost accounting rules.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Aberdeen Asset Management PLC, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Aberdeen Asset Management PLC, within which this Company is included, can be obtained from 10 Queen's Terrace, Aberdeen, AB10 1YG.

Going concern

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

The Company has considerable financial resources and a strong cash position and the Board believes that the Company will continue to generate healthy profit and cash flows for the foreseeable future.

On the basis of their assessment of the Company's financial position and of enquiries made of the Company's ultimate parent undertaking, AAM PLC, the Board considers that the Company has adequate resources to meet its business needs and it is therefore appropriate to adopt the going concern basis in preparing these annual financial statements.

Turnover

Net turnover is recognised to the extent that it is probable that economic benefits will flow to the Company and it can be measured reliably; it includes management fees, which are based on the value of the Company's assets under management and performance fees. The Company is entitled to earn performance fees from a number of clients where the actual performance of the clients' assets exceeds defined benchmarks by an agreed level over a set time period. Performance fees are recognised when the quantum of the fee can be reliably estimated and it is probable that the fee will be received. Other income represents revenues for services performed by the Company other than asset management as well as services provided to other Group companies.

Pension costs

The Company contributes to a Group personal pension plan operated by the ultimate parent company. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Share-based payments

The Company's parent company AAM PLC awards deferred shares and deferral into funds to employees as an element of annual bonus awards. These deferred shares are expensed on a straight-line basis over the service period to vesting, based on the Group's estimate of equity instruments that will eventually vest. Where AAM PLC makes awards under the deferred share schemes to employees of its subsidiaries, it recharges the cost of these awards to each subsidiary based on the cash value of the shares at the award date.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account. 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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding basis used for tax purposes. Deferred tax is generally recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Foreign currencies

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 income statement.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Intangible assets – management contracts and distribution agreements

Management contracts and distribution agreements are initially recognised at cost and they are amortised in equal annual instalments over their estimated remaining useful economic life. Each contract is reviewed individually and the estimated useful life considered. Distribution agreements are amortised over a period of 5 years. A useful economic life of between 5 and 9 years is applied to management contracts. Provision is made for any impairment.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense. No provision is established where a reliable estimate of the obligation cannot be made.

2. Net turnover

	2014 £'000	2013 £'000
Net management fees	395,752	420,068
Performance fees	10,712	33,933
Other income	31,735	14,427
	<u>438,199</u>	<u>468,428</u>

3. Notes to the profit and loss account

	2014 £'000	2013 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Land and buildings – operating leases	93	7
Motor vehicles – operating leases	58	75
Depreciation of tangible fixed assets	34	24
Amortisation of intangibles – goodwill	2,643	2,643
Amortisation of intangibles – distribution agreements	9,040	9,040
Amortisation of intangibles – management contracts	11,905	12,639
	<u>45</u>	<u>35</u>
<i>Auditor remuneration :</i>		
Statutory audit	<u>45</u>	<u>35</u>

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 the Company's parent, AAM PLC.

4. Staff numbers and costs

The average number of persons employed by the Company (including directors), during the year, analysed by category, was as follows:

	2014 Number	2013 Number
Fund management and administration	<u>464</u>	<u>427</u>

Notes to the financial statements *(continued)*

4. Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2014 £'000	2013 £'000
Salaries and bonuses	57,769	51,114
Share-based element of remuneration (note 19)	23,859	23,873
Redundancy	2,054	754
Social security costs	14,332	17,557
Other pension costs	7,329	6,675
Other benefits	1,215	957
	<u>106,558</u>	<u>100,930</u>

Included in redundancy costs in the current year are one-off severance costs (£0.9m) arising from the integration of the respective Aberdeen and SWIP teams.

5. Remuneration of directors

	2014 £'000	2013 £'000
Directors' emoluments	3,919	4,459
Company contributions to personal pension plan	209	236
Other benefits	6	8
	<u>4,134</u>	<u>4,703</u>

The emoluments of those directors who are paid by other Group companies are included in the financial statements of those companies. Those directors who are also directors of AAM PLC are separately disclosed in the remuneration report of that Company.

The aggregate emoluments of the highest paid director during the year was £2.1m (2013: £2.3m), and Company pension contributions of £64,000 (2013: £68,000) were made to a personal pension plan on their behalf. The highest paid director was awarded deferred shares under the parent company's deferred share scheme with a value of £1.3m (2013: £1.4m).

The directors have been awarded bonuses of £3.1m for meeting their defined objectives for the year (2013: £3.3m). £0.8m of this award was paid in cash in December 2014 and a further £2.3m will be deferred and used to acquire a combination of the parent company's shares and a notional investment in funds managed by the Aberdeen Group. Details of directors who exercised share options and are paid by Aberdeen Asset Management PLC, the parent company, are disclosed in the accounts of that company.

	Number of directors	
	2014	2013
Retirement benefits are accruing in the Company to the following number of directors under:		
Personal pension plan	<u>3</u>	<u>5</u>

Notes to the financial statements (continued)

6. Net finance expense

	2014 £'000	2013 £'000
Interest receivable and similar income	1,845	1,502
Interest payable and similar charges	(2,303)	(2,304)
	<u>(458)</u>	<u>(802)</u>

7. Taxation

Analysis of tax charge in year

	2014 £'000	2013 £'000
UK corporation tax		
Current tax on income for the year	17,517	29,053
Adjustments in respect of prior years	(611)	(552)
	<u>16,906</u>	<u>28,501</u>
Foreign tax		
Current tax on income for the year	644	391
Adjustments in respect of prior years	307	(89)
Total current tax	<u>17,857</u>	<u>28,803</u>
Deferred tax		
Effect of changes in tax rate on opening liability	(413)	(36)
Deferred tax on deferral into funds	(788)	(1,829)
Deferred tax on deferred shares	2,216	(509)
Total deferred tax	<u>1,015</u>	<u>(2,374)</u>
Tax on profit on ordinary activities	<u>18,872</u>	<u>26,429</u>

Factors affecting the tax charge for the current year

The UK tax rate for the year is 22% (2013: 23.5%). The tax rate was reduced from 23% to 21% effective from 1 April 2014. The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 22%. The differences are explained below.

	2014 £'000	2013 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	94,794	121,124
Current tax at 22% (2013: 23.5%)	20,854	28,464
Effects of:		
Timing differences on share based payments	(4,517)	(1,252)
Other timing differences	1,239	2,232
Foreign tax on income for the year	500	-
Adjustments in respect of previous periods	(219)	(641)
Total current tax charge (see above)	<u>17,857</u>	<u>28,803</u>

Notes to the financial statements (continued)

7. Taxation (continued)

Factors affecting the future tax charge

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) was substantively enacted on 2 July 2013. A further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly. UK deferred tax assets and liabilities that will unwind in the future have been recognised at the rate of 20.5%. This is an average rate which has been calculated based on the future rate substantively enacted at the estimated timing of unwinding.

8. Dividends

	2014 £'000	2013 £'000
The aggregate amount of dividends comprise		
Ordinary shares		
- Interim dividend paid (£ 0.25 per share (2013: £0.24 per share))	71,000	70,000
- Interim dividend paid (£ 0.10 per share (2013: £0.15 per share))	30,000	42,000
	<u>101,000</u>	<u>112,000</u>

9. Goodwill and intangible assets

	Goodwill £'000	Distribution agreements £'000	Management contracts £'000	Total £'000
Cost				
At 1 October	51,163	45,200	101,203	197,566
Exchange movements	-	-	(50)	(50)
At 30 September	<u>51,163</u>	<u>45,200</u>	<u>101,153</u>	<u>197,516</u>
Amortisation				
At 1 October	8,671	33,148	37,974	79,793
Charge for the year	2,643	9,040	11,905	23,588
At 30 September	<u>11,314</u>	<u>42,188</u>	<u>49,879</u>	<u>103,381</u>
Net book value				
At 30 September 2014	<u>39,849</u>	<u>3,012</u>	<u>51,274</u>	<u>94,135</u>
At 30 September 2013	<u>42,492</u>	<u>12,052</u>	<u>63,229</u>	<u>117,773</u>

Notes to the financial statements (continued)

10. Tangible assets

	Furniture and equipment £'000
Cost	
At 1 October	201
Additions	66
Exchange movements	(10)
At 30 September	<u>257</u>
Depreciation	
At 1 October	126
Charge for the year	34
At 30 September	<u>160</u>
Net book value	
At 30 September 2014	<u>97</u>
At 30 September 2013	<u>75</u>

11. Debtors

	2014 £'000	2013 £'000
Trade debtors	9,822	13,315
Amount owed by Group undertakings:		
Due from parent undertaking	72,191	53,580
Due from fellow subsidiary undertakings	50,395	26,500
Other debtors	1,336	987
Deferred tax (see note 12)	7,762	8,777
Prepayments and accrued income	29,291	33,621
	<u>170,797</u>	<u>136,780</u>

Debtors include amounts due after more than one year of £7.8m (2013: £9.3m). In the current year this balance relates to deferred tax, in the prior year this related to deferred tax (£8.8m) and a loan to another Group company (£0.5m).

Amounts owed by Group undertakings varies depending on the timing of settlement of amounts due.

12. Deferred tax

	2014 £'000	2013 £'000
At 1 October	8,777	6,403
(Charge)/credit to the profit and loss account	<u>(1,015)</u>	<u>2,374</u>
At 30 September	<u>7,762</u>	<u>8,777</u>

Notes to the financial statements (continued)

12. Deferred tax (continued)

The deferred tax asset can be analysed as follows:

	2014 £'000	2013 £'000
Other timing differences – deferral into funds	4,395	3,522
Other timing differences – deferred shares	3,367	5,255
	<u>7,762</u>	<u>8,777</u>

Deferred tax has been calculated based on the rate which will be substantively enacted and is expected to apply when the asset is realised. Future changes in tax rates will also impact deferred tax assets.

13. Creditors: amounts due within one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	11,109	17,882
Taxes and social security	12,910	14,633
Other creditors	39,495	32,655
	<u>63,514</u>	<u>65,170</u>

14. Provisions for liabilities

	2014 £'000	2013 £'000
At 1 October	5,000	5,000
Legal provision utilised during the year	-	(1,000)
Legal provision created in the year	-	1,000
At 30 September	<u>5,000</u>	<u>5,000</u>

From time to time and in the normal course of business, the Company may be subject to a variety of legal claims, actions or proceedings. When such circumstances arise, the Board considers the likelihood of a material outflow of economic resources and provides for its best estimate of costs where an outflow of economic resources is considered probable. While there can be no assurances, the directors believe, based on information currently available to them, that the likelihood of other material outflows is remote.

15. Called up share capital

	2014 £'000	2013 £'000
Allotted, called up and fully paid:		
198,792,500 (2013: 198,792,500) ordinary shares of 10p each	19,879	19,879
Allotted and called up:		
87,128,952 (2013: 87,128,952) ordinary shares of 10p each	8,713	8,713
	<u>28,592</u>	<u>28,592</u>

As a result of the group reorganisation which was approved on 1 March 2012 the Company issued 87,128,952 ordinary shares of £0.10 each in share capital to AAM PLC. The fully paid value was £1.40 per share giving a total consideration of £122.0m for the transfer. The consideration remains outstanding at 30 September 2014.

Notes to the financial statements *(continued)*

16. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	75,922	94,695
Dividends on shares classified in shareholders' funds	<u>(101,000)</u>	<u>(112,000)</u>
Net reduction in shareholders' funds	(25,078)	(17,305)
Opening shareholders' funds	<u>529,950</u>	<u>547,255</u>
Closing shareholders' funds	<u>504,872</u>	<u>529,950</u>

17. Share capital and reserves

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2013	28,592	179,724	98,901	222,733	529,950
Profit for the financial year	-	-	-	75,922	75,922
Dividends on shares classified in shareholders' funds	-	-	-	(101,000)	(101,000)
At 30 September 2014	<u>28,592</u>	<u>179,724</u>	<u>98,901</u>	<u>197,655</u>	<u>504,872</u>

18. Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014		2013	
	Land and buildings £'000	Motor vehicles £'000	Land and buildings £'000	Motor vehicles £'000
Operating leases which expire:				
In less than one year	116	60	44	44
In the second to fifth years inclusive	109	75	36	62
	<u>225</u>	<u>135</u>	<u>80</u>	<u>106</u>

The operating leases relate to the rental of offices in Madrid and Milan and in relation to the rental of motor vehicles in the Netherlands.

19. Share-based payments

The Company's parent company AAM PLC operates share-based payment schemes in which employees of the parent and certain subsidiary companies participate. AAM PLC and employing subsidiaries are required to account for the fair value of the share options and long-term incentive at grant date over the vesting period. AAM PLC recharges each subsidiary with the specific cost of the schemes based on the cost incurred for each employee.

The following disclosures relate to the share schemes operated by AAM PLC in which employees of the Company participate. The disclosures are for the employees of the Company participating in the Group schemes. The cost recharged by AAM PLC relating to the Company's employees is disclosed below.

Notes to the financial statements (continued)

19. Share-based payments (continued)

The following table shows the costs recharged by AAM PLC to the Company for the share-based costs relating to employees of the Company participating in the above schemes.

	2014 £'000	2013 £'000
Expenses arising from award of deferred shares	15,792	16,257
Expenses arising from award of deferral into funds	8,067	7,473
Expenses arising from award of LTIP options	-	143
	<u>23,859</u>	<u>23,873</u>

Deferred share awards

Employees of the Company participate in the deferred share award scheme operated by the parent company. Shares awarded do not have on-going performance conditions, but have a time vesting condition. Awards made in respect of annual bonus awards vest annually in three (or four if a member of AAM PLC Board) equal tranches. All awards are subject to the continued employment of the participant.

	Weighted average share price 2014	Number 2014	Weighted average share price 2013	Number 2013
Outstanding at 1 October		14,684,465		20,163,771
Granted during the year	469p	4,439,397	333p	4,673,572
Exercised during the year	471p	(7,608,117)	168p	(8,971,613)
Forfeited during the year		(243,568)		(452,461)
Lapsed during the year		-		(728,804)
Outstanding at 30 September		<u>11,272,177</u>		<u>14,684,465</u>

The awards outstanding at 30 September 2014 had a weighted average remaining contractual life of 8 years.

Deferral into funds

An element of bonus awards will be settled in cash by reference to the share prices of certain Aberdeen managed funds. For these awards, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. The profit and loss account recharge amount from AAM PLC was £8.1m (2013: £7.5m).

20. 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 30 September 2014, the net amount guaranteed under this arrangement was £nil (2013: £nil).

Notes to the financial statements *(continued)*

21. Related party transactions - asset management vehicles

In the ordinary course of business, the Company and its fellow AAM Group subsidiary undertakings carry out transactions with related parties, as defined by FRS 8 *Related Party Disclosures*. Material transactions for the year are set out below.

The Company provides investment management services for a number of collective investment schemes where the Company directly sponsor or are investment advisors of underlying funds, which meet the criteria for related parties. In return the Company receives management fees for provision of these services.

The investment management fees received from these asset management vehicles by the Company are summarised below:

	2014 £'000	2013 £'000
Gross revenues	10,274	16,211
Outstanding at 30 September	1,634	3,314

22. Ultimate parent company

The Company's ultimate parent company is Aberdeen Asset Management PLC, which is incorporated in the United Kingdom and registered in Scotland.

The results of the Company are consolidated in the Group accounts of Aberdeen Asset Management PLC, which is the largest and smallest group that the results are consolidated within, which are available to the public and may be obtained from 10 Queen's Terrace, Aberdeen, AB10 1YG.

No other Group accounts include the results of the Company.