

# Aberdeen Asset Managers Limited

## Annual Report and Financial Statements

Registered number SC108419

For the period ended 31 December 2017

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## Strategic Report

The Directors present their Strategic Report on Aberdeen Asset Managers Limited ("the Company") for the period ended 31 December 2017, in accordance with section 414A of the Companies Act 2006.

### Business review and future developments

The Company's principal activity is the provision of investment management services across a number of asset classes. There are no plans to change the principal activity of the Company.

On 14 August 2017 Aberdeen Asset Management PLC ("AAM PLC"), the Company's immediate parent undertaking, was party to an all-share merger with Standard Life PLC ("SL PLC"), at which point the Company's ultimate parent undertaking became Standard Life Aberdeen plc ("SLA PLC"). As a result the Company is a subsidiary of SLA PLC or, together with its subsidiaries, "the Standard Life Aberdeen Group". Following the merger the Company changed its accounting reference date from 30 September to 31 December, and accordingly the results currently presented reflect the 15 month period to 31 December 2017.

The Company is a Markets in Financial Instruments Directive ("MiFID") investment firm and is regulated by the Financial Conduct Authority ("FCA") under the Capital Requirements Directive ("CRD IV").

### Key performance indicators

The Company uses a number of financial performance measures to monitor the performance of the business throughout the period. Key financial metrics are measured and reported to the Board on a quarterly basis including those shown below:

	15 months to 31 Dec 2017	12 months to 30 Sep 2016
Assets under management ("AuM")	£65.8bn	£60.9bn
Turnover	£555.4m	£419.9m
Operating profit before amortisation	£95.2m	£90.3m
Operating margin before amortisation	17.1%	21.5%
Net assets	£512.9m	£498.2m
Regulatory capital surplus	£35.9m	£12.6m

#### *AuM*

AuM contracted with the Company has increased by £4.9bn (8%) as a result of favourable market movements, partly offset by net client outflows during the period.

#### *Turnover*

Turnover has increased by £135.5m (32%), largely as a result of recognising three months of additional revenues during the reporting period, the full year impact of funds transferred during the prior year and favourable market movements. This has been partly offset by net client outflows during the period.

#### *Operating profit before amortisation*

Operating profit before amortisation has increased by £4.9m (5.4%), largely as a result of the aforementioned increase in turnover.

#### *Net assets*

Net assets have increased by £14.7m (3.0%), reflecting profits earned in the period which have been partly offset by dividends paid.

## Strategic Report (*continued*)

### Key performance indicators (*continued*)

#### **Regulatory capital surplus**

The regulatory capital surplus at 31 December 2017 has increased to £35.9m (2016: £12.6m), a result of including audited profits for the prior year in the available capital resource, partly offset by dividends paid in the period.

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.

Group policies in relation to employees are detailed in the Directors' Report.

#### **Principal risks and uncertainties**

The Standard Life Aberdeen Group, of which the Company is part, has an established Enterprise Risk Management framework, integrating oversight of strategic planning, operational management of the business and internal control.

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

The list below does however provide a summary of the key risks facing both Standard Life Aberdeen Group and the Company. Further details on each of the risks, together with how they link to our new strategy, how they have evolved over the period and how they are managed can be found in the Standard Life Aberdeen Group accounts.

The principal risks to which the Company is most specifically exposed can be categorised as follows:

**Strategic risks:** notably investment performance; distribution and client management; and ensuring we meet the evolving needs of our clients and customers. Political change, (including Brexit), also continues to be a key strategic risk with the new laws and regulations having the potential to impact both client behaviours and our global operating model.

**Operational risk:** notably talent management; change management, especially at the current time; IT failure and security including cyber risk; third party oversight; and process execution failure.

**Conduct risk:** specifically the risk that our behaviours, strategies, decisions and actions deliver unfair outcomes to our customers and clients and/or poor market conduct. We have no appetite for either of these.

**Regulatory and legal risk:** we operate in a highly regulated industry and our global footprint exposes us to an increasing number of regulatory regimes which have the potential to expose the Company to risks.

**Financial market risk:** notably market risk; liquidity risk and counterparty failure.

By order of the Board



**A W Mitchell**  
Director  
17 April 2018

## Director's Report

The Directors present their Annual Report and Financial Statements (audited) for the period ended 31 December 2017.

### Dividends

Interim dividends of £47.6m (2016: £80.0m) were paid to the Company's immediate parent, AAM PLC. No final dividend has been recommended by the Directors (2016: £nil).

### Directors

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

C Pittard (Resigned 13 July 2017)	R A Chaplin (Resigned 31 December 2017)
R M MacRae (Resigned 31 October 2017)	J Whitley (Resigned 31 March 2017)
C Fleming (Appointed 25 September 2017)	A A Laing
M Pike (Appointed 15 March 2017)	G R Marshall
J R Loukes (Resigned 21 July 2017)	R E B Crombie (Resigned 30 January 2018)
A McCaffery	I Plunkett (Resigned 2 February 2017)
A Mitchell (Appointed 25 August 2017)	S Docherty (Appointed 6 June 2017)
K Malcolm (Appointed 17 August 2017)	L Bowley (Appointed 8 December 2017)

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

### Modern slavery act

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

### People

SLA PLC is committed to embedding the ten UN Global Compact principles throughout the organisation and during the period has further developed the way in which it integrates ESG considerations into the investment processes across all asset classes, in line with the requirements of the Principles for Responsible Investment ("PRI").

On an annual basis SLA PLC refines its approach and continues to make progress in embedding responsible business practices throughout the organisation. This is integrated into the process for reporting to the Board on developments, risks and opportunities, and is not managed separately. Further information on SLA PLC's approach to responsible business can be found in the annual corporate stewardship 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.

### Independent auditor

Following the merger of AAM PLC and SL PLC, KPMG LLP was appointed as auditor for the Standard Life Aberdeen Group of entities effective for periods beginning on or after 1 October 2016. The Independent Auditor, KPMG, have indicated their willingness to continue in office.

## Directors' Report (*continued*)

### Statement of Directors' responsibilities in respect of the Strategic Report, 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 period. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**A W Mitchell**  
Director  
17 April 2018

## **Independent Auditor's Report to the members of Aberdeen Asset Managers Limited**

### **Opinion**

We have audited the financial statements of Aberdeen Asset Managers Limited ("the company") for the period ended 31 December 2017 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

## **Independent Auditor's Report to the members of Aberdeen Asset Managers Limited (continued)**

### **Directors' responsibilities**

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Philip Merchant (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
17 April 2018



## Profit and loss account

For the period ended 31 December 2017

	<i>Note</i>	<b>15 months to 31 Dec 2017 £'000</b>	<b>12 months to 30 Sep 2016 £'000</b>
<b>Turnover</b>	4	<b>555,350</b>	419,916
Administrative expenses		<b>(460,184)</b>	(329,599)
<b>Operating profit before amortisation</b>	5-7	<b>95,166</b>	90,317
Amortisation of intangibles	9	<b>(17,377)</b>	(10,132)
<b>Operating profit after amortisation</b>		<b>77,789</b>	80,185
Net finance income	7	<b>856</b>	1,744
<b>Profit on ordinary activities before taxation</b>		<b>78,645</b>	81,929
Tax on profit on ordinary activities	8	<b>(15,064)</b>	(17,662)
<b>Profit for the financial period/year</b>		<b>63,581</b>	64,267

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

The notes on pages 11 to 23 form part of these financial statements.

## Statement of comprehensive income

For the period ended 31 December 2017

	15 months to 31 Dec 2017 £'000	12 months to 30 Sep 2016 £'000
Profit for the financial period/year	63,581	64,267
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified subsequently to the profit or loss</b>		
Remeasurement loss on defined benefit pension scheme	-	(168)
<b>Items that may be reclassified to profit and loss</b>		
Merger Reserve	(1,476)	-
Currency translation differences	(282)	(1,365)
Tax on items that may be recycled to profit or loss	488	13
<b>Total recognised profit relating to the financial period/year</b>	<b>62,311</b>	<b>62,747</b>

The notes on pages 11 to 23 form part of these financial statements.

## Balance sheet

At 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Goodwill and intangible assets	9	78,344	83,556
Tangible fixed assets	10	102	64
Investments		51	-
		<u>78,497</u>	<u>83,620</u>
<b>Current assets</b>			
Debtors	11	114,485	115,739
Debtors > 1 year	12	2,301	2,079
Deferred tax assets > 1 year	13	13,498	13,431
Cash and cash equivalents		427,054	367,280
		<u>557,338</u>	<u>498,529</u>
<b>Creditors: amounts due within one year</b>	14	(122,021)	(83,139)
<b>Net current assets</b>		<u>435,317</u>	<u>415,390</u>
<b>Total assets less current liabilities</b>		<u>513,814</u>	<u>499,010</u>
<b>Creditors: amounts greater than one year</b>			
Deferred tax liability > 1 year	13	(896)	(615)
Pension deficit		-	(188)
		<u>(896)</u>	<u>(803)</u>
<b>Net assets</b>		<u>512,918</u>	<u>498,207</u>
<b>Capital and reserves</b>			
Called up share capital	15	28,592	28,592
Share premium account		179,724	179,724
Other reserves		96,173	97,931
Profit and loss account		208,429	191,960
<b>Shareholders' funds</b>		<u>512,918</u>	<u>498,207</u>

The notes on pages 11 to 23 form part of these financial statements.

These financial statements were approved by the Board of Directors on 17 April 2018 and were signed on its behalf by:



**A W Mitchell**  
Director

## Statement of changes in equity

At 31 December 2017

	Share capital	Share premium	Profit and loss account	Foreign exchange reserve	Merger reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 October 2015</b>	28,592	179,724	207,848	395	98,901	515,460
Profit for the year	-	-	64,267	-	-	64,267
Other comprehensive income for the year	-	-	(162)	(1,365)	-	(1,527)
<b>Total comprehensive income for the year</b>	-	-	64,105	(1,365)	-	62,740
Dividends	-	-	(80,000)	-	-	(80,000)
Share based compensation	-	-	7	-	-	7
<b>Balance at 30 September 2016</b>	28,592	179,724	191,960	(970)	98,901	498,207
Profit for the period	-	-	63,581	-	-	63,581
Other comprehensive income for the period	-	-	488	(282)	(1,476)	(1,270)
<b>Total comprehensive income for the period</b>	-	-	64,069	(282)	(1,476)	62,311
Dividends	-	-	(47,600)	-	-	(47,600)
<b>Balance at 31 December 2017</b>	28,592	179,724	208,429	(1,252)	97,425	512,918

The notes on pages 11 to 23 form part of these financial statements.

## Notes to the financial statements

### 1. General information

The Company is a private company limited by share capital and incorporated and domiciled in United Kingdom. The address of the registered office is:

10 Queens Terrace  
Aberdeen  
Scotland  
AB10 1YG

The Company's business activities, together with expected future developments and key risks facing the Company are detailed in the Strategic Report. The Company also has branches that operate outside the UK in Belgium, France, Germany, Hungary, Italy, Netherlands, Norway, Spain, and Sweden.

These financial statements were authorised for issue by the Board of Directors on 17 April 2018.

### 2. Accounting policies

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

#### *Basis of preparation*

The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for period ended 31 December 2017 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure ("FRS 101") as issued by the Financial Reporting Council.

Application of FRS 101, in conjunction with the equivalent disclosures being available in the group accounts of AAM PLC and SLA PLC, has allowed the Company to take advantage of various disclosure exemptions. These include presentation of a cash-flow statement, new IFRSs not yet effective, financial instruments, capital management, impairment of assets, key management compensation and transactions with group companies.

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006.

The Company is a wholly owned subsidiary of SLA PLC and is therefore exempt from the requirement to prepare consolidated accounts by virtue of section 401 of the Companies Act 2006.

#### *Going concern*

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

The Company has made profits in the financial period and is forecast to make profits for the foreseeable future, has sufficient financial resources and a strong cash position. The Board believes that the Company holds adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

#### *Foreign currency translation*

##### *(a) Functional currency*

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

## Notes to the financial statements (*continued*)

### 2. Accounting policies (*continued*)

#### *Foreign currency translation (continued)*

##### *(b) Transactions and balances*

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

#### *Turnover*

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and such revenue can be reliably measured. Revenue is recognised as services are provided and includes management fees, performance fees and other income.

Management fees are based on the value of the Company's assets under management and the Company is entitled to earn performance fees from a number of clients where the actual performance of the clients' assets exceeds defined benchmarks or target returns over a set time period. Performance fees are recognised when the quantum of the fee can be reliably estimated and it is probable the fee will be received. Other income represents income from the recharge of costs to other group companies for investment management services sub-delegated to the Company.

#### *Financial assets*

##### *Classification*

- *Fair value through profit or loss* – These instruments include investments which are designated as fair value through profit or loss. This category also includes investments held for trading, acquired principally for the purpose of selling in the short term.
- *Loans and receivables* – These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These instruments are included in current assets and consist of trade debtors and amounts due to group undertakings.
- *Other financial assets* – These instruments include cash and cash equivalents, other debtors and prepayments and accrued income.

##### *Recognition and measurement*

- *Fair value through profit or loss* – Fair value changes are recognised through profit or loss. The fair value of financial instruments that are actively traded on organised financial markets is determined by reference to market bid prices at the close of business on the balance sheet date. For investments where there is no active market, the fair value is determined using valuation techniques. These techniques include arm's length market transactions, reference to the current market value of another financial instrument which is substantially the same and discounted cash flow analysis.
- *Loans and receivables* – These instruments are initially recognised at fair value, net of any transaction costs, and subsequently at amortised cost using the effective interest rate method.
- *Other financial assets* – These instruments are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, with the exception of cash and cash equivalents

The Company has adopted trade date accounting. Accordingly, a financial asset is recognised on the date the Company commits to its purchase and derecognised on the date on which the Company commits to its sale.

#### *Impairment of financial assets*

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

## Notes to the financial statements (*continued*)

### 2. Accounting policies (*continued*)

#### *Financial liabilities*

##### *Classification*

- *Other financial liabilities* - These instruments include trade creditors, amounts owed to group undertakings, accruals and deferred income and other creditors.

##### *Recognition and measurement*

- *Other financial liabilities* - These instruments are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

#### *Current and deferred tax*

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

Current tax is the expected tax payable on the taxable profit for the period, 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 calculated at the tax rates enacted or substantively enacted that are expected to apply when the asset is realised or the liability settled. 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, except in respect of taxable or deductible temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that they will not reverse in the foreseeable future.

#### *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 year.

#### *Other employee benefits*

##### *Share-based payments and deferred fund awards*

The Company's ultimate parent company, currently SLA PLC and prior to 14 August 2017 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 the parent company 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.

The equity-settled share-based payments previously issued by AAM PLC were replaced by SLA PLC awards following the merger and are treated as modifications to the original awards. The modifications recognise the cost of the original award spread over the original vesting period.

#### *Leases*

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight line basis over the period of the lease.

## Notes to the financial statements (*continued*)

### 2. Accounting policies (*continued*)

#### *Critical accounting estimates*

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, contingent or otherwise, at the balance sheet date as well as affecting the reported profit or loss for the period. Although the estimates are based on management's best knowledge of current facts as at the balance sheet date, the actual outcome may differ from those estimates. Critical estimates and assumptions are detailed in note 3.

#### *Intangible assets*

##### *(a) Goodwill*

Goodwill, representing the excess of the cost of acquisition over the fair value of the Company's share of the identifiable assets and liabilities acquired, is capitalised in the balance sheet. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses.

##### *(b) Management contracts*

Intangible assets, such as management contracts acquired as part of a business combination, are capitalised where it is probable that future economic benefits attributable to the assets will flow to the Company and the fair value of the assets can be measured reliably. They are recorded initially at fair value and then amortised over their useful lives. The fair value at the date of acquisition is calculated using discounted cash flow methodology and represents the valuation of the net residual income stream arising from the management contracts or distribution agreements in place at the date of acquisition. The contracts are included in the balance sheet as an intangible asset.

All management contracts are considered to have a definite life and are therefore amortised on a straight line basis over the lower of their estimated useful lives. Management contracts are amortised over a period of between 5 and 9 years.

#### *Impairment of non-financial assets*

The Company performs annual impairment reviews in respect of goodwill. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs to sell. Impairment losses in respect of goodwill are not reversed.

In respect of definite useful life intangible assets an impairment loss is recognised when events or changes in circumstances indicate that the recoverable amount of the asset may not exceed its carrying value. If any such indication exists, the asset's recoverable amount is estimated and any provision for impairment recognised. Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

### 3. Critical accounting judgements and estimates

Critical estimates and assumptions are disclosed beneath:

- *Impairment of goodwill and intangibles* - Impairment testing is an area requiring management judgement to determine whether indicators of impairment exist, setting the relevant cash generating units ("CGUs") and determining the recoverable amount of the relevant CGU for the annual impairment review of goodwill.
- *Disclosure of interests in other entities* - The Company held interests in unconsolidated structured entities during the year and management's judgement has been exercised when applying the principles of IFRS 12 Disclosure of Interests in Other Entities. Details can be found in note 18.



## Notes to the financial statements (*continued*)

### 4. Turnover

	15 months to 31 Dec 2017 £'000	12 months to 30 Sep 2016 £'000
Management fees	487,059	352,695
Performance fees	6,159	6,235
Other income	62,132	60,986
	<u>555,350</u>	<u>419,916</u>

### 5. Notes to the profit and loss account

	15 months to 31 Dec 2017 £'000	12 months to 30 Sep 2016 £'000
<i>Operating profit before amortisation is stated after charging:</i>		
Operating lease charges	622	269
Foreign exchange losses/(gains)	2,383	(3,036)
Provision for doubtful debts	-	47
	<u>          </u>	<u>          </u>
<i>Auditor remuneration :</i>		
Statutory audit	58	103
	<u>          </u>	<u>          </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 AAM PLC throughout the period and SLA PLC from 14 August 2017 onwards.

### 6. Employees and directors

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

	15 months to 31 Dec 2017 Number	12 months to 30 Sep 2016 Number
Fund management and administration	<u>874</u>	<u>833</u>

The aggregate payroll costs of these persons were as follows:

	15 months to 31 Dec 2017 £'000	12 months to 30 Sep 2016 £'000
Salaries and bonuses	119,590	84,212
Share-based element of remuneration	40,986	29,475
Redundancy	2,276	2,055
Social security costs	22,730	15,103
Pension costs	13,064	11,431
Other benefits	2,193	2,093
	<u>200,839</u>	<u>144,369</u>

## Notes to the financial statements (*continued*)

### 6. Employees and directors (*continued*)

Directors' remuneration was as follows:

	15 months to 31 Dec 2017 £'000	12 months to 30 Sep 2016 £'000
Aggregate remuneration	5,533	2,676
Company contributions to personal pension plan	216	205
Other benefits	7	8
	<u>5,756</u>	<u>2,889</u>

The emoluments of those directors who are paid by other Standard Life Aberdeen Group companies are included in the financial statements of those companies.

There are a total of 4 (2016: 5) directors accruing retirement benefits from the Company under a personal pension plan.

#### *Highest paid director*

The aggregate emoluments of the highest paid director during the year was £1.9m (2016: £0.9m), and company pension contributions of £57,000 (2016: £59,000) were made to a personal pension plan on their behalf. The highest paid director was awarded share options/deferred shares under the ultimate parent company's deferred share scheme.

### 7. Net finance income

	15 months to 31 Dec 2017 £'000	12 months to 31 Sep 2016 £'000
<i>Finance income</i>		
Bank interest income	866	1,713
Interest income other	-	50
	<u>866</u>	<u>1,763</u>
<i>Finance expense</i>		
Bank interest payable	(7)	(1)
Interest expense other	(3)	(18)
	<u>(10)</u>	<u>(19)</u>
Net finance income	<u>856</u>	<u>1,744</u>

### 8. Taxation

*Analysis of tax charge in the period/year:*

	15 months to 31 Dec 2017 £'000	12 months to 30 Sep 2016 £'000
<i>UK corporation tax</i>		
Current tax on profit for the period/year	14,764	19,336
Adjustments in respect of prior years	(1,038)	209
	<u>13,726</u>	<u>19,545</u>
<i>Foreign tax</i>		
Current tax on profit for the period/year	471	407
Withholding tax and other	375	333
Adjustments in respect of prior years	(93)	16
	<u>753</u>	<u>756</u>

## Notes to the financial statements (*continued*)

### 8. Taxation (*continued*)

#### *Deferred tax*

Deferred tax on share based payments	100	(3,449)
Deferred tax on goodwill	395	409
Deferred tax on other timing differences	203	37
Effect of tax rate change on opening deferred tax balances	(113)	660
Adjustments in respect of prior years	-	(296)
	<u>585</u>	<u>(2,639)</u>

Tax on profit on ordinary activities	<u>15,064</u>	<u>17,662</u>
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#### *Analysis of tax charge in other comprehensive income in the period/year:*

	15 months to 31 Dec 2017 £'000	12 months to 30 Sep 2016 £'000
Current tax impact	(118)	-
Deferred tax impact	<u>(370)</u>	<u>(13)</u>
	<u>(488)</u>	<u>(13)</u>

#### *Reconciliation of the tax charge in the period/year*

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.4% (2016: 20%). The differences are explained below:

	15 months to 31 Dec 2017 £'000	12 months to 30 Sep 2016 £'000
Current tax reconciliation		
Profit for the financial period/year	<u>78,645</u>	<u>81,929</u>
Current tax at 19.4% (2016: 20%)	15,257	16,386
<i>Effects of:</i>		
Non-deductible expenses	405	968
Non-taxable income	-	(459)
Withholding tax and other	375	333
Change in UK tax rates on deferred tax balances	(113)	660
Deferred shares and funds	271	(155)
Adjustments in respect of previous years	<u>(1,131)</u>	<u>(71)</u>
Total tax charge	<u>15,064</u>	<u>17,662</u>

#### *Factors affecting the future tax charge*

The UK tax rate for the period/year is 19.4% (2016: 20%). The tax rate was reduced from 20% to 19% effective from 1 April 2017.

A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

## Notes to the financial statements (continued)

### 9. Goodwill and intangible assets

	Goodwill £'000	Management contracts £'000	Total £'000
<b>Cost</b>			
At 1 October 2016	40,064	122,777	162,841
Additions	-	12,160	12,160
Exchange movements	(1)	6	5
At 31 December 2017	<u>40,063</u>	<u>134,943</u>	<u>175,006</u>
<b>Amortisation</b>			
At 1 October 2016	-	79,285	79,285
Charge for the period	-	17,377	17,377
At 31 December 2017	<u>-</u>	<u>96,662</u>	<u>96,662</u>
<b>Net book value</b>			
At 31 December 2017	<u>40,063</u>	<u>38,281</u>	<u>78,344</u>
At 30 September 2016	<u>40,064</u>	<u>43,492</u>	<u>83,556</u>

An intangible asset was recognised during the period following the acquisition of the mandate to manage the Aberdeen Income Credit Strategies Fund. This will be amortised over a period of 3 years.

### 10. Tangible assets

	Furniture and Equipment £'000
<b>Cost</b>	
At 1 October 2016	262
Additions	7
Intra-group transfer	240
Exchange movements	(2)
At 31 December 2017	<u>507</u>
<b>Depreciation</b>	
At 1 October 2016	198
Charge for the period	41
Intra-group transfer	166
At 31 December 2017	<u>405</u>
<b>Net book value</b>	
At 31 December 2017	<u>102</u>
At 30 September 2016	<u>64</u>

## Notes to the financial statements (*continued*)

### 11. Debtors

	2017 £'000	2016 £'000
Trade debtors	5,703	3,998
Amounts owed by Group undertakings	84,224	87,276
Other debtors	593	743
Prepayments and accrued income	23,965	23,722
	<u>114,485</u>	<u>115,739</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. This amount includes £105m (2016: £105m) in relation to the consideration for share capital issued to AAM PLC on 1 March 2012 which remains outstanding.

### 12. Debtors > 1 year

	2017 £'000	2016 £'000
Prepayments and accrued income	2,218	2,024
Other debtors	83	55
	<u>2,301</u>	<u>2,079</u>

Prepayments and accrued income relate to deferred costs in respect of placement fees.

### 13. Deferred tax

	2017 £'000	2016 £'000
At 1 October	12,816	9,809
Transfer from other group companies	-	361
Credit to the profit and loss account	(585)	2,639
Credit through other comprehensive income	370	7
At 31 December / 30 September	<u>12,601</u>	<u>12,816</u>

*The deferred tax asset can be analysed as follows:*

	2017 £'000	2016 £'000
Deferred bonus awards	13,101	12,302
Temporary differences – other	397	1,129
	<u>13,498</u>	<u>13,431</u>

*The deferred tax liability can be analysed as follows:*

	2017 £'000	2016 £'000
Goodwill	896	615
	<u>896</u>	<u>615</u>

Deferred tax has been calculated based on the substantively enacted rate at the balance sheet date of 19% (2016: 19%), except for goodwill which has been calculated at 17% based on the period in which we expect the amount to unwind. The future changes in tax rates per note 8 will also impact the deferred tax assets.

## Notes to the financial statements (continued)

### 14. Creditors: amounts due within one year

	2017 £'000	2016 £'000
Trade creditors	99	121
Amounts owed to Group undertakings	42,763	5,686
Taxes and social security	14,492	14,503
Accruals and deferred income	61,718	60,595
Other creditors	2,949	2,234
	<u>122,021</u>	<u>83,139</u>

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

### 15. Called up share capital

	2017 £'000	2016 £'000
<b>Authorised, allotted, called up and fully paid:</b>		
210,809,325 (2016: 210,809,325) ordinary shares of 10p each	21,081	21,081
<b>Authorised, allotted and called up:</b>		
75,112,127 (2016: 75,112,127) ordinary shares of 10p each	<u>7,511</u>	<u>7,511</u>
	<u>28,592</u>	<u>28,592</u>

### 16. Commitments

The Company has obligations under non-cancellable operating lease rentals which are payable as follows:

	2017		2016	
	Land and buildings £'000	Motor Vehicles £'000	Land and buildings £'000	Motor Vehicles £'000
Operating leases which expire:				
In less than one year	375	93	121	134
In the second to fifth years inclusive	<u>503</u>	<u>79</u>	<u>212</u>	<u>230</u>
	<u>878</u>	<u>172</u>	<u>333</u>	<u>364</u>

The operating leases relate to the rental of offices in Madrid, Milan, Paris, Brussels and Budapest and in relation to the rental of motor vehicles in France, Hungary, the Netherlands and Italy.

### 17. Share-based payments and deferred funds awards

#### Share-based payments

The Company's ultimate parent company, currently SLA PLC and prior to 14 August 2017 AAM PLC, operates share-based payment schemes in which employees of the parent and certain subsidiary companies participate. The parent company 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. The parent company recharges each subsidiary with the specific cost of the schemes based on the cost incurred for each employee.

For awards exercised during the year, the weighted average share price at the point of exercise throughout the year was 329.35p. The number of outstanding options at the period end is summarised beneath.

## Notes to the financial statements (*continued*)

### 17. Share-based payments and deferred funds awards (*continued*)

#### *Share-based payments (continued)*

Date of award	Outstanding options Number (000)	Earliest vesting date
17 June 2008	1,893	Jun 2013
1 December 2008	17,982	Dec 2010 – Dec 2011
1 December 2009	153,583	Dec 2010 – Dec 2012
1 December 2010	157,408	Dec 2011 – Dec 2013
31 December 2011	233,520	Dec 2012 – Dec 2014
31 December 2012	293,251	Dec 2013 – Dec 2015
2 May 2013	5,040	May 2013 – May 2016
1 June 2013	21,988	Dec 2013 – Dec 2015
2 December 2013	559,226	Dec 2014 – Dec 2017
1 April 2014	78,304	Dec 2014 – Dec 2016
2 May 2014	1,638	Dec 2014 – Dec 2016
1 December 2014	735,044	Dec 2015 – Dec 2019
22 June 2015	40,178	Mar 2018
1 December 2015	2,053,496	Dec 2016 – Dec 2020
8 February 2016	3,815	Dec 2016 – Dec 2018
10 April 2016	19,069	Oct 2016 – May 2019
1 December 2016	2,231,242	Dec 2017
23 March 2017	26,668	Mar 2017
27 March 2017	4,150,857	Dec 2018 – Dec 2020
28 June 2017	1,692	June 2018
14 August 2017	1,917,988	Dec 2018 – Dec 2020

#### *Deferred awards – Equity settled*

Awards made in 2010 to 2017 reach their earliest vesting dates in equal tranches over a three year period, subject to the continued employment of the participant. On reaching the earliest vesting date, participants may require immediate exercise or may choose to defer exercise until a later date; if deferred, participants may thereafter require exercise, without condition, at any time until the end of the exercise period.

#### *Deferral awards – Cash settled*

An element of variable pay awards will be settled in cash by reference to the share prices of certain Aberdeen managed funds. These are accounted for as cash settled awards and are revalued to market price at the end of each reporting period.

### 18. Unconsolidated structured entities

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

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

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

## Notes to the financial statements (*continued*)

### 18. Unconsolidated structured entities (*continued*)

AuM within unconsolidated structured entities is shown below:

	2017 £'000	2016 £'000
Unconsolidated structured entities	<u>85,214,639</u>	<u>54,848,516</u>

Turnover includes £175.7m (2016: £153.3) of fees received from structured entities managed by the Company.

The table below summarises the carrying values in the balance sheet, representing the Company's interests in unconsolidated structured entities, as at 31 December 2017 / 30 September 2016:

	2017 £'000	2016 £'000
Debtors	745	4,657
Creditors	<u>-</u>	<u>(665)</u>

#### *Maximum exposure to loss*

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

#### *Financial support*

The Company does not ordinarily provide financial support to any consolidated or unconsolidated structured entity through guarantees over the repayment of borrowings, or otherwise. However, in limited circumstances the Company will consider supporting structured entities by way of short term financing to manage the timing of cash flows. At 31 December 2017, the financial support provided by the Company was £Nil (2016: £0.3m).

### 19. Contingent liabilities

The Company's bank balance is part of a Group working capital facility in support of which cross guarantees are provided by the parent company, the Company and certain fellow subsidiary undertakings. At 31 December 2017, the net amount guaranteed under this arrangement was £321.0m (2016: £307.8m).

### 20. Related party transactions

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

See note 6 for disclosure of directors' remuneration.

### 21. Ultimate parent company

The Company's immediate parent company is AAM PLC and its ultimate parent company is SLA PLC, both of which are incorporated in the United Kingdom and registered in Scotland.

The results of the Company are consolidated in the Group accounts of AAM PLC, which is the 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. From 14<sup>th</sup> August 2017 the results of the Company are also consolidated in the Group accounts of SLA PLC, which are available to the public and may be obtained from 30 Lothian Road, Edinburgh, EH1 2DH.



## Notes to the financial statements (*continued*)

### 22. Investment holdings

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

Name of undertaking	Country of registration	Direct/indirect	Percentage owned other than 100%
Aberdeen Asset Management Nominees Limited <sup>1</sup>	United Kingdom	Direct	
AFM Nominees Limited <sup>1</sup>	United Kingdom	Direct	
Arthur House (No.6) Limited <sup>2</sup>	United Kingdom	Indirect	
Griffin Nominees Limited <sup>2</sup>	United Kingdom	Direct	
Aberdeen Global Services S.A. <sup>3</sup>	Luxembourg	Direct	0.001%

The carrying value of investments held directly by the Company is £nil (2016: £nil).

#### Registered office

<sup>1</sup> Atria one, 144 Morrison Street, Edinburgh, EH3 8EX, United Kingdom

<sup>2</sup> Bow Bells House, 1 Bread Street, London, EC4M 9HH, United Kingdom

<sup>3</sup> 35a Avenue John F Kennedy. L-1855, Luxembourg