

Standard Life Premises Services Limited

Annual report and accounts
for the year ended 31 December 2019

Registration number: SC332171



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Standard Life Premises Services Limited

Directors and officers

Directors

Patrick Bartlett
Denise Thomas

Secretary

Paul McKenna

Independent Auditors

KPMG LLP
Chartered Accountants and Statutory Auditors
Saltire Court
20 Castle Terrace
Edinburgh
EH3 8EX

Registered Office

1 George Street
Edinburgh
EH2 2LL

Registered Number

SC332171

Bankers

HSBC Bank plc
31 Holborn
Holborn Circus
London
EC1N 2HR

Report by the Directors

The Directors submit their audited Annual Report and Accounts of Standard Life Premises Services Limited (the Company), registration number: SC332171, for the year ended 31 December 2019.

Results and dividend

The Company made a profit for the year ended 31 December 2019 of £1,159k (2018: £195k).

The Directors do not recommend the payment of a cash dividend in respect of 2019 (2018: £nil).

Directors

The current directors of the Company are listed on page 3. The Directors are not subject to retirement by rotation. As per the Company's Articles of Association, the Company maintained a qualifying third party indemnity provision on behalf of its Directors and officers to provide cover should any legal action be brought against them. This provision was in force at the date of signing.

Employee involvement

The Company has no employees (2018: nil).

Auditors

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

Going Concern

In assessing whether the Company is a going concern the Directors have considered the Company's net assets, current results and the liquidity of the Company's assets. On this basis the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being 12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the financial statements. As part of their assessment, the Directors considered the impact of COVID-19 on the Company (see below) and the wider Group.

Statement on disclosure of information to the independent auditors

So far as each Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow Directors and the Company's auditors, each of the Directors have taken all the steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Events after the reporting date

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Directors consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The impact of COVID-19 is inherently uncertain, however it is not expected to have a significant impact on the Company.

Approved on behalf of the Board of Directors on 30 September 2020.



Patrick Bartlett
Director

Strategic report

Principal and ongoing activity

The Company's principal activity is the provision of landlord services to 3rd party tenants and other Standard Life Aberdeen Group (the Group) companies.

Review of business and future developments

The Company intends to continue with the principal activity of the provision of landlord services to 3rd party tenants and other companies within the Group. The Company made a profit for the year ended 31 December 2019 of £1,159k (2018: profit £195k).

The leases managed by the Company are long-term and as such the Company will continue its operations for the foreseeable future.

Given the straightforward nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Brexit

While there remains unavoidable uncertainty due to Brexit, the Board consider the risk to the Company from Brexit to be low due to the nature of the business.

Section 172 statement

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to:

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

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

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

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

<ul style="list-style-type: none"> • <u>The likely consequence of any decision in the long term</u> 	<p>The Board of Directors of the Company operate the Company in accordance with the Board Charter and the overall Standard Life Aberdeen plc business plan, which considers the long term success of the Company and the group as a whole, and the likely long term consequences of any decisions by the Company are taken into account.</p>
<ul style="list-style-type: none"> • <u>The interests of the company's employees</u> 	<p>The Company does not have any direct employees. Within the SLA plc Group of companies, engagement with employees is considered at group level and employee engagement matters have been disclosed in the SLA plc Annual Report and Accounts, which does not form part of this report. The Directors have determined that there are no company specific matters appropriate to disclose in relation to engagement with employees.</p>
<ul style="list-style-type: none"> • <u>The need to foster the company's business relationships with suppliers, customers and others</u> 	<p>Supplier relationships within the SLA plc group of companies are managed under the Outsourcing and Third Party Management Policies, which apply to all subsidiary companies. Engagement with suppliers, customers and others is considered at group level and engagement matters have been disclosed in the SLA plc Annual Report and Accounts, which does not form part of this report. Key customers of the Company are 3rd party tenants who lease property from the Company. The Board recognises the importance of these relationships and the Company has regular engagement with these tenants.</p>

Strategic report *continued*

Section 172 statement *continued*

<ul style="list-style-type: none">• <u>The impact of the company's operations on the community and the environment</u>	Engagement on environmental and community matters is considered at SLA plc level and such matters have been disclosed in the SLA plc Annual Report and Accounts, which does not form part of this report. The Directors have determined that there are no company specific matters appropriate to disclose, as the company has no direct environmental or community impact beyond the impact of the wider group.
<ul style="list-style-type: none">• <u>The desirability of the company maintaining a reputation for high standards of business conduct</u>	Maintaining high standards of business conduct is vital to the ongoing success of the SLA plc group of companies, and remains a focus of the Company.
<ul style="list-style-type: none">• <u>The need to act fairly as between members of the company</u>	The Company has a single member, and is a wholly owned subsidiary of SLA plc.

Corporate governance and risk management

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

The principal risks to which the Company is most specifically exposed are credit risk, liquidity risk and operational risk. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's Annual Report and Accounts which does not form part of this report.

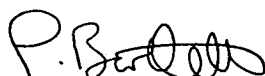
The Company is not exposed to significant financial instrument risk. Credit risk is significantly reduced as assets are primarily cash and short-term deposits, which are placed with high credit-rated banks and intercompany receivables from other Group companies.

In relation to COVID-19, this risk could materially impact the global economy and the provision of landlord services to 3rd party tenants and other Standard Life Aberdeen Group (the Group) companies. We are managing the impact of COVID-19, utilising business continuity and resilience processes where appropriate.

Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, to ensure that there are adequate resources to meet the Company's external liabilities as they fall due, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company's capital is managed in conjunction with that of other companies in the Group. The Company manages its capital by measuring its resources and cash available on a regular basis. The Company's capital position and the movement in this from the prior year are disclosed within the Statement of changes in equity. The Company has no externally imposed capital requirements.

Approved on behalf of the Board of Directors on 30 September 2020.



Patrick Bartlett
Director

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit for that period. In preparing the 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
- 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 its 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.

Independent auditors' report to the members of Standard Life Premises Services Limited

Opinion

We have audited the financial statements of Standard Life Premises Services Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and related notes, including the accounting policies in notes (a) to (g).

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

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

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on 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; 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.

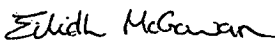
Auditor's responsibilities

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.

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.



Eilidh McGowan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30 September 2020

Statement of comprehensive income
For the year ended 31 December 2019

	Notes	2019 £000	2018 ¹ £000
Income			
Revenue	1	1,666	4,322
Investment return	2	578	–
Other income	3	1,642	–
Total Income		3,886	4,322
Expenses			
Administrative expenses	4	2,002	4,081
Finance costs	9	440	–
Total Expenses		2,442	4,081
Profit before tax		1,444	241
Tax charge	7	285	46
Profit for the year		1,159	195
Total comprehensive income for the year		1,159	195

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

The accounting policies and notes on pages 13 to 21 form an integral part of these financial statements.

**Statement of financial position
As at 31 December 2019**

	Notes	2019 £000	2018 ¹ £000
Assets			
Deferred tax assets	10	–	12
Receivables and other financial assets	11	21,118	3,246
Other assets	12	–	649
Cash and cash equivalents	13	2,434	4,268
Total assets		23,552	8,175
Equity			
Share capital	14	–	–
Retained earnings		6,189	3,572
Total equity		6,189	3,572
Liabilities			
Deferred tax liability	10	579	–
Other financial liabilities	15	16,120	4,401
Other liabilities	16	664	202
Total liabilities		17,363	4,603
Total equity and liabilities		23,552	8,175

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

Approved on behalf of the Board of Directors on 30 September 2020.



Patrick Bartlett
Director

The accounting policies and notes on pages 13 to 21 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Retained earnings	Share capital	Total equity
	£'000	£'000	£'000
At 1 January 2018	3,777	–	3,777
Total comprehensive income for the year	195	–	195
Dividends paid on ordinary shares	(400)	–	(400)
At 31 December 2018	3,572	–	3,572
Effect of change in accounting policy to IFRS 16 ¹	1,458	–	1,458
At 1 January 2019	5,030	–	5,030
Total comprehensive income for the year	1,159	–	1,159
Dividends paid on ordinary shares	–	–	–
At 31 December 2019	6,189	–	6,189

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

Accounting policies

(a) Basis of preparation

These separate financial statements are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). In the year ended 31 December 2018 the Company adopted Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) as issued by the FRC and transitioned from reporting under International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) to FRS 101. The transition to FRS 101 had no impact on measurement or recognition in the financial statements. The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (FVTPL).

The Company has made profits in the financial year and it has sufficient financial resources and a strong cash position. In preparing these financial statements, the Directors have also considered the uncertainty created by COVID 19, considering specifically:

- The Company has a strong balance sheet with net assets of £6,189k
- The Company has significant liquid resources including £2,434k of cash and cash equivalents
- Forecast cash inflows from subleases are substantially higher in the next 12 months than forecast cash outflows from intercompany leases.
- The effectiveness of the Company's operational resilience processes including the ability of key outsourcers to continue to provide services. The Company is working closely with its key outsource providers who, at this point, continue to provide appropriate service levels.
- Consideration of the going concern of the wider Group

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

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under that standard:

- A cash flow statement and related notes
- Revenue from contracts with customers
- Capital management
- Effect of IFRSs issued but not effective
- Related party transactions with wholly owned subsidiaries

As equivalent disclosures are given in the consolidated financial statements of Standard Life Aberdeen plc, we have also applied the disclosure exemptions for share based payments and financial instruments.

(a)(i) New standards, interpretations and amendments to existing standards that have been applied by the Company

IFRS 16 Leases

On 1 January 2019 the Company adopted IFRS 16 Leases. IFRS 16 replaces IAS 17 Leases and introduces a new single accounting approach for lessees for all leases (with limited exceptions). As a result there is no longer a distinction between operating leases and finance leases, and lessees will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The accounting for leases by lessors remains largely unchanged. However, the Company's subleases which were operating leases under IAS 17 now qualify as finance leases under IFRS 16.

Transition

The Company applied the cumulative catch up approach to IFRS 16 and therefore comparatives have not been restated. On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities. Right-of-use assets for property were calculated as if IFRS 16 had always been applied, recognising the difference between the assets and liabilities in retained earnings. The right-of-use assets were then immediately derecognised as they were all sublet under finance leases with the difference between the right-of-use assets derecognised and the net investment in finance leases also recognised in retained earnings.

Practical expedients

The Company has used the following practical expedients permitted under IFRS 16:

- To apply the new standard solely to leases previously identified in accordance with IAS 17 and IFRIC 4 Determining whether an Arrangement Contains a Lease
- To not recognise leases with a low value or short-term leases including those whose term ends within 12 months at 1 January 2019
- To apply a single discount rate to leases with similar characteristics

Accounting policies continued**(a) Basis of preparation continued****(a)(i) New standards, interpretations and amendments to existing standards that have been applied by the Company continued****IFRS 16 Leases continued****Impact of transition**

The impact on opening retained earnings at 1 January 2019 is summarised below:

	1 January 2019 £000
Recognised under IFRS 16	
Net investment in finance leases (within Receivables and other financial assets)	15,295
Lease liabilities (within Other financial liabilities)	(11,604)
Derecognised on application of IFRS 16	
Accrued income (within Receivables and other financial assets)	(1,920)
Other (within Receivables and other financial assets)	(427)
Prepayments (within Other assets)	(649)
Deferred income (within Other financial liabilities)	799
Due to related parties (within Other financial liabilities)	649
Net assets recognised before tax	2,143
Deferred tax	(685)
Increase in opening retained earnings	1,458

As noted above, all properties leased by the Company at 1 January 2019 were sublet under leases classified as finance leases under IFRS 16 so no right-of-use assets were recognised on the implementation of IFRS 16.

When measuring lease liabilities for leases previously classified as operating leases, the Company used discount rates determined on a portfolio basis depending on the geographic location and term of the lease. The weighted average rate used at initial application was 2.5%. The lease commitments for operating leases as previously disclosed in the Company's Annual report and accounts for the year ended 31 December 2018 is reconciled to the lease liabilities at 1 January 2019 below:

	1 January 2019 £000
Operating lease commitments at 31 December 2018 as disclosed in the Company's Annual report and accounts for the year ended 31 December 2018	14,958
Discounted value of operating lease commitments at 31 December 2018	11,604
Lease liabilities recognised at 1 January 2019	11,604

Disclosure

IFRS 16 introduces new disclosure requirements for lessees and lessors which are provided in Note 9. The objective of the disclosures is for lessees and lessors to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows. These disclosures for lessees include:

- A maturity analysis for the lease liabilities
- Interest on lease liabilities along with total cash outflow for leases
- A maturity analysis for the contractual undiscounted cash flows from finance leases where the Company has sublet properties

Interpretations and amendments to other standards

- IFRIC 23: *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 19 *Amendment, Curtailment or Settlement*
- Amendments to IAS 28 *Long-term interests in associates and joint ventures*
- Annual Improvements 2015-2017 cycle

The Company's accounting policies have been updated to reflect these. Management considers the implementation of the above interpretations and amendments to existing standards has had no significant impact on the Company's financial statements.

Accounting policies *continued*

(b) Revenue recognition

Revenue from contracts with customers is recognised by the Company as performance obligations are satisfied where it is highly probable that the revenue will be received. Services provided to other companies are invoiced to those companies, and recognised as revenue, in the month that the services are used. Such revenue represents amounts charged to companies outside the Group, and also to the parent company, in respect of service charges.

Where revenue is received in advance, this income is deferred and recognised as a deferred income liability until the services have been provided.

(c) Expense recognition

Expenditure incurred by the Company relating to services charges paid to other companies in the Group, and expenses incurred on behalf of tenants who are recharged through service charge agreements, is recognised in the month to which it relates.

Expenses relating to a month that have not been invoiced are accrued, while invoices received and paid for expenses relating to future periods are recognised as prepayments.

(d) Income tax

The income tax expense is based on the taxable profits for the year, after adjustments in respect of prior years.

Deferred tax is provided using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

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

The income tax expense is determined using rates enacted or substantively enacted at the reporting date.

(e) Financial Assets

Financial assets are classified at initial recognition based on whether their contractual cash flows are solely payments of principal and interest (SPPI) and the nature of the business model they are managed under. Where they do not meet the SPPI test, the financial assets are classified as fair value through profit or loss (FVTPL). The Company has not elected to recognise any financial assets as fair value through other comprehensive income.

Financial assets are initially recognised at their fair value and are subsequently measured at amortised cost less impairment. Cash and cash equivalents include demand and term deposits and other short-term investments with less than three months to maturity from the date of acquisition.

Amortised cost is calculated using the effective interest method. Impairment is determined using an expected credit loss impairment model which is applied to all financial assets measured at amortised cost. Financial assets measured at amortised cost attract a loss allowance equal to either:

- 12 month expected credit losses (losses resulting from possible default within the next 12 months)
- Lifetime expected credit losses (losses resulting from possible defaults over the remaining life of the financial asset)

Financial assets attract a 12 month ECL allowance unless the asset has suffered a significant deterioration in credit quality or the simplified approach for calculation of ECL has been applied. As permitted under IFRS 9 Financial Instruments, the Company has applied the simplified approach to calculate the ECL allowance for trade receivables and contract assets recognised under IFRS 15 *Revenue from Contracts with Customers* and lease receivables recognised under IFRS 16 *Leases* (including intercompany balances). Under the simplified approach the ECL is calculated over the remaining life of the asset.

(f) Financial liabilities

Financial liabilities are initially recognised at their fair value and subsequently measured at amortised cost calculated using the effective interest method.

(g) Leases

On 1 January 2019, the Company adopted IFRS 16 Leases. Refer Basis of preparation for details of the transition from the previous leasing standard, IAS 17 to IFRS 16.

As the Company has not restated comparative information, the classification and measurement of leases at 31 December 2019 is in accordance with IFRS 16 while the classification and measurement of leases at 31 December 2018 is in accordance with IAS 17.

Accounting policies *continued*

(g) Leases *continued*

Classification and measurement in accordance with IFRS 16

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. However, as noted in the Basis of preparation, the Company used the practical expedients permitted under IFRS 16 to apply the new standard at transition, solely to leases previously identified in accordance with IAS 17 and IFRIC 4 Determining whether an Arrangement Contains a Lease.

All the Company's leases relate to properties which are sublet under leases classified as finance leases under IFRS 16. On entering the lease, a right-of-use asset is recognised. The right-of-use asset is measured at cost which comprises the amount of the initial measurement of the lease liability plus any initial direct costs and expected restoration costs not relating to wear and tear. Costs relating to wear and tear are expensed over the term of the lease with an asset recognised for expected recovery from the tenant.

As the leased properties have been sublet and the Company assesses that the sublease has transferred substantially all the risk and rewards of the right-of-use assets to the lessee under the sublease, the right-of-use asset is derecognised and a net investment in finance leases (included in Receivables and other financial assets – refer Note 11) is recognised, calculated as the present value of the future lease payments receivable under the sublease. Any difference between the initial value of the net investment in finance leases and the right-of-use asset derecognised is recognised in the income statement (within other income). Payments under the sublease are allocated between repayment of the net investment in finance lease and finance income calculated using the discount rate and recognised in interest income.

The related lease liability (included in other financial liabilities – refer Note 15) is calculated as the present value of the future lease payments. The lease payments are discounted using the rate implicit within the lease where readily available or the Company's incremental borrowing rate where the implicit rate is not readily available. Interest is calculated on the liability using the discount rate and is charged to the income statement as finance costs.

In determining the value of the right-of-use assets and lease liabilities, the Company considers whether any leases contain lease extensions or termination options that the Company is reasonably certain to exercise.

The Company does not recognise right-of-use assets and lease liabilities for short-term leases (less than 1 year from inception) and leases where the underlying asset is of low value. An expense for rent is recognised for these leases.

Classification and measurement in accordance with IAS 17

Under IAS 17, a contract was or contained a lease based on the assessment of whether fulfilment of the arrangement was dependent on the use of a specific asset or assets; and the arrangement had conveyed a right to use the asset.

All the Company's leases as lessee were classified as operating leases under IAS 17. Operating lease rentals were recognised in the income statement on a straight line over the term of the lease. Lease incentives received such as rent free periods were recognised as an integral part of the operating lease rental expense and were spread over the term of the lease.

Under IAS 17, all the Company's subleases were also classified as operating leases. Unlike IFRS 16 where the assessment of whether a sublease is a finance or operating lease is based on the head lease right-of-use asset, the IAS 17 assessment was based on the underlying asset e.g. the building for property leases. IFRS 16 did not change the lessor accounting for operating leases. The lease payments received were recognised as rental income from operating leases in Revenue in the income statement. Lease incentives granted were recognised as an integral part of the rental income from operating leases and were spread over the term of the lease.

Notes to the financial statements

1. Revenue

	2019 £000	2018 ¹ £000
Rental income from operating leases	–	2,778
Revenue from contracts with customers - service charges	1,666	1,544
Total revenue	1,666	4,322

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation

2. Investment return

	Notes	2019 £000	2018 ¹ £000
Interest on net investment in finance leases	9	578	–
Total investment return		578	–

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation

3. Other income

	Notes	2019 £000	2018 ¹ £000
Gain on recognition of net investment in finance leases	9	1,642	–
Total other income		1,642	–

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation

An initial gain of £1,642k in relation to new sub-leases entered into was recognised during the year ended 31 December 2019 (2018: £nil). Refer Note 9.

4. Administrative expenses

	2019 £000	2018 ¹ £000
Rent	140	2,394
Utilities	546	652
Write-off of accrued income	404	–
Other administrative expenses	912	1,035
Total administrative expenses	2,002	4,081

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation

5. Auditors' remuneration

Auditors' remuneration amounting to £16,514 (2018: £15,375) in respect of the audit of the Company's financial statements is payable by the parent company. Auditors' remuneration for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of Standard Life Aberdeen plc, the Company's ultimate controlling party, are required to disclose fees in respect of non-audit services on a consolidated basis.

6. Directors' emoluments

In the year to 31 December 2019, the directors were remunerated as part of their roles for Standard Life Aberdeen plc and there was no retained charge in the Company in respect of their remuneration.

7. Tax charge

The standard rate of UK corporation tax for the accounting period is 19% (2018: 19%). A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

(a) Tax charge

	2019 £000	2018 £000
Current tax	379	46
Deferred tax	(94)	–
Total tax charge	285	46

Current tax balances are expected to be settled within 12 months (2018: within 12 months).

Notes to the financial statements *continued***7. Tax charge** *continued***(b) Reconciliation of tax charge**

	2019 £000	2018 £000
Profit before tax	1,444	241
Tax at 19% (2018: 19%)	274	46
Adjustment to current tax in respect of prior years	–	3
Different tax rates	11	(3)
Total tax charge for the year	285	46

8. Dividends

The directors do not recommend the payment of a final dividend for the year (2018: £nil). There was no interim dividend paid for 2019 (2018: nil).

9. Leases**(a) Leases where the Company is lessee**

The Company leases a number of properties which it sublets. Leases are generally for fixed periods but may be subject to extensions or early termination clauses. The range of terms for current leases ranges is less than one year to 11.5 years.

The Company has recognised the following liabilities in relation to these leases:

	2019 £000
Lease liabilities	15,518

The following table provides analysis of the maturity analysis of the contractual undiscounted cash flows for the lease liabilities:

	2019 £000
Less than one year	2,745
One to two years	2,723
Two to three years	2,723
Three to four years	1,479
Four to five years	1,327
Five to ten years	4,488
Ten to fifteen years	1,873
Total undiscounted lease liabilities	17,358

All properties leased by the Company at 31 December 2019 are sublet under leases classified as finance leases under IFRS 16 so no right-of-use assets are recognised by the Company at 31 December 2019.

The interest on lease liabilities for the year ended 31 December 2019 was £440k.

The Company does not recognise right-of-use assets and lease liabilities for short term leases and leases where the underlying asset is of low value. The expense for these leases for the year ended 31 December 2019 was £140k and £nil respectively. The Company lease commitment for short term leases was £nil at 31 December 2019.

Prior to the implementation of IFRS 16, the Company accounted for all leases as operating leases and recorded operating lease rental expense for all its leases of £2,394k for the year ended 31 December 2018. The Company's commitment under operating leases was £14,958k at 31 December 2018. Refer to Basis of preparation for the reconciliation of this lease commitment on a discounted basis to the opening lease liabilities on implementation of IFRS 16 as at 1 January 2019.

(b) Leases where the Company is lessor (subleases)

Where the Group no longer requires a leased property, the property may be sublet to a third party. The sublease may be for the full remaining term of the Company's lease or only part of the remaining terms.

At 31 December 2019, the Company had net investment in finance leases of £20,655k (2018:£nil) for subleases which had transferred substantially all the risk and rewards of the right-of-use assets to the lessee under the sublease. Prior to the implementation of IFRS 16, all the Company's subleases were accounted for as operating leases. The net investment in finance leases recognised at 1 January 2019 on implementation of IFRS 16 was £15,295k. The increase during the year ended 31 December 2019 was mainly due to two new subleases entered into during the year.

(b)(i) Finance leases

During the year ended 31 December 2019, the Company received finance income on its net investment in finance leases of £578k (2018: £nil). It also recorded an initial gain of £1,642k in relation to new sub-leases entered into during the year ended 31 December 2019 (2018: £nil).

Notes to the financial statements continued**9. Leases continued****(b) Leases where the Company is lessor (subleases) continued****(b)(i) Finance leases continued**

The following table provides the maturity analysis of the future contractual undiscounted cash flows for the net investment in finance leases and a reconciliation to the net investment in finance leases:

	2019 £000
Less than one year	3,451
One to two years	3,770
Two to three years	3,833
Three to four years	1,828
Four to five years	1,510
Five to ten years	7,179
Ten to fifteen years	1,562
Total contractual undiscounted cash flows under finance leases	23,133
Unearned finance income	(2,478)
Total net investment in finance leases	20,655

10. Deferred tax assets and liabilities

Recognised deferred tax is analysed in the table below.

	2019 £000	2018 £000
Deferred tax assets comprises:		
Timing differences on property, plant and equipment	10	12
Deferred tax assets	10	12
Deferred tax liabilities comprises:		
Timing differences on net investment in finance leases and related lease liabilities	(589)	–
Deferred tax liability	(589)	–
Net deferred tax (liability)/asset at 31 December	(579)	12
Movements in deferred tax assets comprise:		
Opening balance carried forward	12	12
Effect of change in accounting policy to IFRS 16 ¹	(685)	–
Opening balance at 1 January	(673)	12
Amounts credited to net profit	94	–
At 31 December	(579)	12

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

Deferred tax is calculated on all temporary differences under the liability method using the expected effective tax rate of 17% (2018: 17%). Deferred tax assets are recognised to the extent that it is probable that the asset will be capable of being offset against taxable profits of future periods.

11. Receivables and other financial assets

	Notes	2019 £000	2018 ¹ £000
Accrued income		–	2,516
Due from related parties		5	–
Net investment in finance leases	9	20,655	–
Other		458	730
Total receivables and other financial assets		21,118	3,246

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

Accrued income that is expected to be recovered after more than 12 months is £nil (2018: £1,942k). Net investment in finance leases expected to be recovered after more than 12 months is £17,718k (2018: nil).

All other financial assets are expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the year end. No interest is applied to other financial assets.

Notes to the financial statements *continued***12. Other assets**

	2019 £000	2018 ¹ £000
Prepayments	–	649
Total receivables and other financial assets	–	649

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

Prepayments of £649k at 31 December 2018 were expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the year end. No interest is applied to other assets.

13. Cash and cash equivalents

Cash and cash equivalents of £2,434k (2018: £4,268k) comprises cash held at bank. Interest at a variable rate is applied to cash and cash equivalents.

14. Share capital

The Company has one (2018: one) allotted and fully paid up share of £1 (2018: £1) in issue.

15. Other financial liabilities

	2019 £000	2018 ¹ £000
Due to related parties	–	3,147
Deferred income	420	1,097
Lease liabilities with other Group companies	15,518	–
Other creditors and accruals	182	157
Total other financial liabilities	16,120	4,401

¹ The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation.

All other financial liabilities are expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the year end. No interest is applied to other financial liabilities.

Of the deferred income of £420k (2018: £1,097k), £420k (2018: £298k) relates to contracts with customers.

16. Other liabilities

	2019 £000	2018 £000
Due to related parties	431	98
Provisions	13	5
Other	220	99
Total other liabilities	664	202

All other liabilities are expected to be settled within 12 months. The due to related parties balance of £431k (2018: £98k) comprises amounts due to other Group companies in respect of group relief. The carrying amounts disclosed above reasonably approximate the fair values at the year end. No interest is applied to other liabilities.

17. Related party transactions**(a) Parent and ultimate controlling party**

The Company's ultimate parent and controlling party is Standard Life Aberdeen plc, a company incorporated in Scotland, which owns 100% of the Company's shares. Copies of the Annual Report and Accounts of the ultimate controlling party can be obtained at www.standardlifeaberdeen.com

(b) Transactions with and balances from/to related parties

The Company has taken advantage of the exemption under FRS 101 not to disclose transactions with its parent company, Standard Life Aberdeen plc, and fellow wholly owned subsidiaries within the Standard Life Aberdeen Group.

(c) Transactions with/from and balances from/to key management personnel

Certain members of key management personnel hold investments in investments products which are managed by the Group. None of the amounts concerned are material in the context of funds managed by the Group. All transactions between key management and their close family members and the Group during the year are on terms which are equivalent to those available to all employees of the Group.

Notes to the financial statements *continued*

18. Events after the reporting date

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