

Registration number: SO301408



SL Capital Partners LLP

Annual Report and Financial Statements

for the Year Ended 31 December 2018



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LLP Information

Members Standard Life Investments (Private Capital) Limited
Standard Life Investments Limited

Registered office 1 George Street
Edinburgh
EH2 2LL

Auditors KPMG LLP
Chartered Accountants & Statutory Auditors
Saltire Court
20 Castle Terrace
Edinburgh
United Kingdom
EH1 2EG

Members' Report

for the year ended 31 December 2018

The Members present their annual report together with the audited financial statements of SL Capital Partners LLP (the LLP) for the year ended 31 December 2018.

Members of the partnership

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

P McKellar (resigned 10 July 2019)

R Pim (resigned 10 July 2019)

G Gunn (resigned 10 July 2019)

S Hay (resigned 10 July 2019)

Standard Life Investments (Private Capital) Limited

Standard Life Investments Limited

I Harris (resigned 29 March 2018)

P Knetchli (resigned 29 March 2018)

M Nicolson (resigned 29 March 2018)

C Williamson (resigned 30 September 2018)

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

Designated members

The Members who were the Designated Members during the year were:

P McKellar

R Pim

Result for the year

The result for the year ended 31 December 2018 is a profit after tax of £7,347,000 (Restated 2017: £7,320,000). This is after consideration of prior year adjustments ("PYA") disclosed in Note 1.

Future outlook

The Members are confident that the LLP will maintain its financial position in the future.

Independent auditor

The Independent Auditors, KPMG LLP, have indicated their willingness to continue in office.

Members' Report

for the year ended 31 December 2018 (continued)

Disclosure of information to the auditor

So far as each Member is aware, there is no relevant audit information (that is, information needed by the LLP's Independent Auditor in connection with preparing their report) of which the LLP's Independent Auditor is unaware.

Each of the Members has taken all the steps that they ought to have taken as Members in order to make themselves aware of any relevant audit information and to establish that the LLP's Independent Auditor is aware of that information.

Approved by the Members on 10 July 2019 and signed on their behalf by R L Paris, in his capacity as director of Standard Life Investments Limited, Designated Member:


.....
R L Paris

Strategic Report

for the year ended 31 December 2018

Review of the Partnership's business

The principal activity of SL Capital Partners LLP is to provide private equity investment management and advisory services. In light of the accounting corrections explained in Note 1, a Share and Purchase Agreement has been entered into on 10 July 2019 between Standard Life Investments Limited ("SLIL") and the LLP. SLIL will buy out the B unit Members interests in the LLP. At the same time a revised LLP agreement has been signed by the partners. See Note 19 for further details.

The accounting corrections have no impact on the going concern assessment which is explained in Note 1a, section i.

Key performance indicators ("KPIs")

The LLP uses a number of key performance indicators ("KPIs") to monitor the performance of the business throughout the year. These KPIs are shown below:

	Restated 2018 £ 000	Restated * 2017 £ 000
Total turnover	28,768	32,481
Operating profit	7,250	7,272

*Comparatives for the year ended 31 December 2017 have been restated. During the year there was a review of the LLP agreement signed in October 2016 subsequent to which changes have been made to the accounting of distributions made to both A and B unit holders. These are explained in Note 1.

Principal risks and uncertainties

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

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

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

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

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

Strategic Report

for the year ended 31 December 2018 (continued)

Brexit: The LLP continues to monitor the ongoing political debate to identify if any existing risk exposures have altered or new risks emerge. The wider SLA Group business remains well positioned to benefit from the trends which are shaping the investment landscape although there remains unavoidable uncertainty due to Brexit. Exposure to Brexit not only has the potential to create volatility for our customers' and clients' investments but also the SLA Group's asset management distribution capability to European clients. The SLA Group has established a new Dublin based entity to mitigate the ongoing risks but political risks in the UK and Europe could threaten the operation of services for the SLA Group, as they could for many other industries and companies. Active regulatory engagement and close monitoring of ongoing political debates are in place. Brexit has the potential to create volatility in the valuation of the investments in the underlying funds and therefore the revenue earned by the LLP.

Strategic risks: Notably investment performance; distribution and client management; and ensuring we meet the evolving needs of our clients and customers. Political change 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: 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 LLP to risks.

Financial market risk: Notably market risk; liquidity risk and counterparty failure.

Employees

The LLP is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, religious belief, sex, sexual orientation, marital status or disablement. The LLP will continue to employ, arrange for retraining, or retire on disability pension, any member of staff who becomes disabled, as may be appropriate. The LLP communicates with its employees on a regular basis, with an emphasis on listening and responding to staff aspirations and development needs, making it clear how their role contributes to the SLA Group's goals, either through the SLA Group's intranet facility or through regular meetings with management. All employees are encouraged to participate in the SLA Group's share schemes.

The LLP is committed to engaging with employee representatives on a broad range of issues, including consultation on any major business change. The LLP has a Partnership Agreement with BRIDGE (now part of Employee Forum), the Standard Life Investments Staff Association, which outlines how the LLP and BRIDGE will work on shared objectives including employment security, terms and conditions, equality and diversity and health and safety.

Additional details relating to employees are disclosed in the SLA plc accounts.

Strategic Report

for the year ended 31 December 2018 (continued)

Environmental matters

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

Approved by the Members on 10 July 2019 and signed on their behalf by R L Paris, in his capacity as director of Standard Life Investments Limited, Designated Member:



R L Paris

Statement of Members' Responsibilities in respect of the Strategic Report, Members' Report and the financial statements

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members 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 Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members 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 LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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 LLP'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 LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) regulations 2008, the Member's are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with those regulations. 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 LLP and to prevent and detect fraud and other irregularities.

Profit and Loss Account
for the year ended 31 December 2018

		2018	Restated *
	Note	£ 000	2017
			£ 000
Turnover			
Gross turnover		<u>28,768</u>	<u>32,481</u>
Total turnover		28,768	32,481
Restructuring costs	5	(52)	-
Total administrative expenses		<u>(21,466)</u>	<u>(25,209)</u>
Operating profit		7,250	7,272
Net finance income	6	<u>92</u>	<u>44</u>
Profit before tax		7,342	7,316
Tax credit	7	<u>5</u>	<u>4</u>
Profit for the year		<u>7,347</u>	<u>7,320</u>

The notes on pages 13 to 27 form part of these financial statements

*Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018	Restated *
	£ 000	2017
		£ 000
Profit for the year	7,347	7,320
Items that may be reclassified subsequently to profit or loss		
Fair value gains on cash flow hedges	<u>100</u>	<u>249</u>
Total comprehensive income for the year	<u>7,447</u>	<u>7,569</u>

*Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

Balance Sheet as at 31 December 2018

		2018	Restated *
	Note	£ 000	2017
			£ 000
Assets			
Non-current assets			
Investments in subsidiaries	8	<u>1</u>	<u>1</u>
Total non-current assets		<u>1</u>	<u>1</u>
Current assets			
Trade and other receivables	9	4,050	2,847
Amounts due from Members	10	5,434	5,831
Cash and cash equivalents	11	<u>12,150</u>	<u>14,083</u>
Total current assets		<u>21,634</u>	<u>22,761</u>
Total assets		<u>21,635</u>	<u>22,762</u>
Equity and liabilities			
Equity			
Retained earnings		(9,569)	(16,916)
Members' capital	12	2,481	2,488
Special reserve	13	1,000	1,000
Other reserves		<u>23</u>	<u>(84)</u>
Equity attributable to equity holders of the parent		<u>(6,065)</u>	<u>(13,512)</u>
Liabilities			
Current liabilities			
Derivative financial liability		-	62
Trade and other payables	14	3,453	4,904
Amounts due to Members	15	<u>24,247</u>	<u>31,308</u>
Total current liabilities		<u>27,700</u>	<u>36,274</u>
Total equity and liabilities		<u>21,635</u>	<u>22,762</u>

The notes on pages 13 to 27 form part of these financial statements.

*Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

The financial statements on pages 8 to 27 were approved by the Members on 10 July 2019 and signed on their behalf by R L Paris, in his capacity as director of Standard Life Investments Limited, Designated Member:


 R L Paris

(Registration number: SO301408)

Statement of Changes in Equity
for the year ended 31 December 2018

	Members capital A & C units £ 000	Members capital B, B5 & R units £ 000	Restated* Retained earnings £ 000	Special reserves £ 000	Other reserves £ 000	Total £ 000
Balance as at 1 January 2017 (as originally reported)	2,460	31	14,106	1,000	(336)	17,261
Effect of restatement	-	-	(38,342)	-	-	(38,342)
Restated balance as at 1 January 2017	2,460	31	(24,236)	1,000	(336)	(21,081)
Comprehensive income						
Profit for the year	-	-	7,320	-	-	7,320
Fair value gains on cash flow hedges	-	-	-	-	249	249
Total comprehensive income	-	-	7,320	-	249	7,569
Transactions with Members						
Cancellation of units	-	(3)	-	-	3	-
Balance as at 31 December 2017	2,460	28	(16,916)	1,000	(84)	(13,512)

Statement of Changes in Equity
for the year ended 31 December 2018 (continued)

	Members capital A & C units £ 000	Members capital B, B5 & R units £ 000	Retained earnings £ 000	Special reserves £ 000	Other reserves £ 000	Total £ 000
Balance as at 1 January 2018 (as originally reported)	2,460	28	10,970	1,000	(84)	14,374
Effect of restatement	-	-	(27,886)	-	-	(27,886)
Restated balance as at 1 January 2018	2,460	28	(16,916)	1,000	(84)	(13,512)
Comprehensive income						
Profit for the year	-	-	7,347	-	-	7,347
Fair value gains on cash flow hedges	-	-	-	-	100	100
Total comprehensive income	-	-	7,347	-	100	7,447
Other changes in equity						
Transactions with owners						
Cancellation of units	-	(7)	-	-	7	-
Balance as at 31 December 2018	2,460	21	(9,569)	1,000	23	(6,065)

The notes on pages 13 to 27 form part of these financial statements.

*Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

Notes to the Financial Statements

for the year ended 31 December 2018

1 Accounting policies

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

(a) Basis of preparation

(i) Statement of compliance

The LLP 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 2018 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") as issued by the Financial Reporting Council.

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

- Cash flow statement and related notes;
- Disclosures in relation to the effects of new but not yet effective IFRSs;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

For the transition to FRS 101 (which has occurred during the current year), the LLP has applied IAS 1 whilst ensuring its assets and liabilities are measured in compliance with FRS 101, effective from 1 January 2017, the beginning of the comparative period. This transition has had no significant impact on the LLP's financial position, performance, equity or total comprehensive income for either the year-ended 31 December 2018 or the comparative period ended 31 December 2017, and has resulted in no impairment losses as at 31 December 2017. The most recent financial statements prepared under International Financial Reports Standards were for the year to 31 December 2017.

The financial statements have been prepared on a going concern basis and under the historical cost convention. The accounting adjustments detailed in Note 1 have no impact on the appropriateness on the going concern basis to prepare these financial statements. PYA 1 and PYA 2 detailed in Note 1a section ii, have timing implications only on the accounting profits made in each of the respective periods impacted with no adverse impact on cash flows. Furthermore at the point of signing these financial statements a Share and Purchase Agreement was entered into between SLIL and the LLP where SLIL buys the B unit Members interests in the LLP. This has the impact of extinguishing the liability due to the B unit Members.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Prior year adjustments

In preparing these financial statements, the following restatements have been reflected for the year ended 31 December 2017:

PYA 1 (LLP Agreement B units): The accounting related to the LLP agreement signed in October 2016 has been reviewed and corrected. This follows a review of the substance of services provided by the members since inception of the LLP agreement. This review found that the members completed the majority of activities relating to the LLP agreement at the point of signing the updated 2016 LLP agreement and that future obligations payable to the members should be recognised as an expense at this point, rather than being spread over subsequent years. Consequently the full obligation under the LLP agreement should have been recognised as an expense in the financial statements for the period ending 31 December 2016, which has resulted in a prior year restatement through retained earnings. The profit and loss account for the period ended 31 December 2017 has been restated to remove the expense recognised in relation to the above obligation.

PYA 2 (LLP Agreement A units): Review of the LLP agreement found that a specific clause that provided discretion over the distribution of profits to these unit holders was removed as part of the 2016 revision to the LLP agreement. Since 2016, distributions are mandatory under the terms of the LLP agreement and profit shares are now considered to be debt instruments as opposed to equity instruments and should be accounted for under IFRS 9. Consequently these distributions are now being treated as expenses in the year profits have been earned as opposed to dividends in the statement of changes in equity at the point these were declared in the following financial period. This also has a timing impact on when profit distributions to the A unit holders are recognised in the financial statements with dividends declared in the years ending 31 December 2017 and 2018 now being recognised as an expense in the years ending 31 December 2016 and 2017 respectively.

PYA 3 (Seabury restatement): In preparing these financial statements in accordance with FRS 101, the Members have reconsidered the classification of certain short term investments and the comparative figures for the year ended 31 December 2017 have been revised from amounts previously reported to reclassify the investment in the Seabury Sterling Liquidity 1 Fund from Investment Securities (current) to Cash Equivalents. This restatement has had no impact on net assets or net current assets of the LLP. Income in relation to this Fund has been reclassified from other operating income to net finance income.

PYA 4 (Foreign exchange gain / loss): In preparing these financial statements in accordance with FRS 101, the Members have reconsidered the presentation of foreign exchange gain / (loss) and the comparative figures for the year ended 31 December 2017 have been revised to present this within administrative expenses, instead of presenting it as a separate line on the face of the Profit and Loss Account, as it was previously reported. There is no impact on profit or net assets for any period presented as a result of this restatement.

The adjustments made are shown on next page:

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

(a) Basis of preparation (continued)

	Previously stated 31 December 2017 £ 000	PYA 1 £ 000	PYA 2 £ 000	PYA 3 £ 000	PYA 4 £ 000	Restated 31 December 2017 £ 000
Other operating income	37	-	-	(37)	-	-
Foreign exchange (loss)/gain	(110)	-	-	-	110	-
Administrative Expenses	(21,444)	7,310	(10,965)	-	(110)	(25,209)
Net finance income	7	-	-	37	-	44
Net profit and loss impact	(21,510)	7,310	(10,965)	-	-	(25,165)
Investment securities	11,493	-	-	(11,493)	-	-
Cash and cash equivalents	2,590	-	-	11,493	-	14,083
Amounts due from B unit holders	3,888	(3,888)	-	-	-	-
Amounts due to A unit holders	-	-	(10,965)	-	-	(10,965)
Amounts due to B unit holders	(7,310)	(13,033)	-	-	-	(20,343)
Retained earnings	10,970	(16,921)	(10,965)	-	-	(16,916)

The impact of these restatements on the 2017 opening balances is shown below:

	Previously stated 1 January 2017 £ 000	PYA 1 £ 000	PYA 2 £ 000	PYA 3 £ 000	Restated 1 January 2017 £ 000
Investment securities	7,532	-	-	(7,532)	-
Cash and cash equivalents	6,459	-	-	7,532	13,991
Amounts due from B unit holders	3,921	(433)	-	-	3,488
Amounts due to A unit holders	-	-	(14,111)	-	(14,111)
Amounts due to B unit holders	(7,259)	(23,798)	-	-	(31,057)
Retained earnings	14,106	(24,231)	(14,111)	-	(24,236)

Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New interpretations and amendments to existing standards that have been adopted by the LLP

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 has replaced IAS 18 'Revenue' and related interpretations. IFRS 15 provides a new five-step revenue recognition model for determining recognition and measurement of revenue from contracts with customers. A detailed impact assessment was completed for all major revenue streams, reviewing contracts and analysing the revenue recognised. No significant impacts to profit or net assets were identified for the LLP.

IFRS 9 'Financial Instruments'

IFRS 9 has replaced IAS 39 'Financial Instruments: Recognition and Measurement'. There has been no material impact on the LLP's financial performance or position and no comparative numbers have been adjusted following the adoption of IFRS 9.

(b) Revenue recognition

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

Dividend income is recognised when the right to receive payment is established.

(c) Expense recognition

Administrative expenses

Administrative expenses are recognised on an accruals basis and include staff and other employee benefits.

(d) Foreign currency

Foreign currency transactions and fair values are translated using the exchange rates applying to the functional currency, which is Sterling, prevailing at the dates of the transactions or at the date the fair value was determined, with related foreign currency exchange gains or losses reflected in the profit and loss account. Translation differences on non-monetary items such as investments in associates are reported as part of the fair value gain or loss.

(e) Financial assets - designation

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the balance sheet date. These are considered as non-current assets. The LLP's loans and receivables comprise 'Trade and other receivables' and 'Amounts due from Members' in the balance sheet.

Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

(f) Members' capital, profit allocation and distribution and drawings on account

The LLP issued three types of financial instrument to its Members on inception in 2007. A and C units were issued to Standard Life Investments (Private Capital) Limited ("SLIPC"), in consideration for the transfer of its private equity business. B units were issued to the Executive Members in consideration for cash. In 2016 one C unit was issued to SLIL. Under the LLP Agreement the C units carry no rights to a share in the profits of the LLP.

The LLP has issued two further types of financial instrument to its Members to date. B5 units were issued to new Executive Members and R units were issued to Restricted Members.

Under the LLP Agreement profits allocated to all unit holders must be distributed in the period they are earned. Consequently all units' profit entitlements are classified as debt instruments of the LLP. The amounts payable to the Executive Members are recognised in the profit and loss account as 'Administrative expenses' and presented in the balance sheet as "Amounts due to Members". Profits allocated to the A unit holders are presented in trade and other payables. The LLP has no obligation to repay these contributions with the exception of surplus assets on liquidation or under certain conditions dependent on the existence of a regulatory surplus.

Drawings on account of profit distributions are presented as 'Amounts due from Members'.

2 Key estimates and judgements

The preparation of financial statements, in conformity with FRS101, may require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In the process of applying the LLP's accounting policies, management has made no key estimates or judgements.

3 Staff and other employee related costs

The aggregate remuneration payable in respect of employees was:

	2018 £ 000	2017 £ 000
Wages and salaries	6,038	6,634
Social security costs	732	781
Other pension costs	574	520
Other employee expense	104	117
Total staff and other employee related costs	7,448	8,052

The average number of staff of the LLP during year was 50 (2017: 52). The staff split by activity is as follows:

	2018 No.	2017 No.
Executive office support, finance and risk	50	52
	50	52

Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

3 Staff and other employee related costs (continued)

Details of Members' remuneration for services to the LLP are contained in Note 17, 'Related party transactions'.

4 Operating profit

Certain expenses, including auditors' remuneration (see below), are met by another SLA Group entity and are recovered from the LLP through administrative and management charges.

	2018 £ 000	2017 £ 000
Staff and other employee related costs (Note 3)	7,448	8,052
Independent Auditors' remuneration (see below)	<u>22</u>	<u>19</u>
Fees payable to the LLP's Independent Auditors:		
Audit of the financial statements	13	10
Services pursuant to legislation	<u>9</u>	<u>9</u>
Total payable to the LLP's Independent Auditors	<u>22</u>	<u>19</u>

5 Restructuring costs

Costs are classified as restructuring costs if they relate to one-off significant events as defined by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Restructuring costs of £52,000 (2017: £nil) were incurred relating to the merger and integration of Aberdeen Asset Management plc with Standard Life Aberdeen plc.

6 Net finance income

Interest income of £93,000 (2017: £44,000) is derived primarily from 'Cash and cash equivalents'. Finance costs £1,000 (2017: £nil) consists of overdraft interest and interest claims.

Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

7 Tax credit

Accounting policy

UK taxation payable on profits of the LLP is the liability of the individual Members and is not incorporated within these financial statements. However, there is a different tax treatment for LLP's in the United States and this has resulted in the LLP suffering state taxes in the United States.

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)

7 Tax credit (continued)

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

	2018 £ 000	2017 £ 000
Current tax		
Overseas taxes	(5)	11
Adjustment to tax credit in respect of prior years' state taxes	-	(15)
Total current tax	<u>(5)</u>	<u>(4)</u>

(b) Reconciliation of tax expense:

	2018 £ 000	Restated * 2017 £ 000
Profit before tax	7,342	7,316
Tax at UK corporation tax rate of 0% (2017: 0%)	-	-
Effects of:		
(Decrease)/increase from effect of overseas tax rates	(5)	11
Adjustment to tax expense in respect of prior years	-	(15)
Total tax credit	<u>(5)</u>	<u>(4)</u>

Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

8 Investments in subsidiaries

Accounting policy

Subsidiaries are all entities, including structured entities, over which the Group has control. Control exists if the LLP has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns.

The LLP's investments in subsidiaries are held at cost.

Where there is an indication of impairment, an impairment review is performed and an impairment loss recognised in the profit and loss account to the extent that the carrying amount exceeds its recoverable amount.

	2018 £ 000	2017 £ 000
Subsidiaries		
At 1 January	1	1
At 31 December	<u>1</u>	<u>1</u>

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)

8 Investments in subsidiaries (continued)

The following are particulars of the LLP's subsidiary undertakings as at the balance sheet date:

Name	Nature of the business	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
SLCP (Holdings) Limited	Holding Company	Scotland	100%	100%
Ignis Cayman GP2 Limited	Investment Management	Cayman Islands	100%	100%
Ignis Cayman GP3 Limited	Investment Management	Cayman Islands	100%	100%
SL Capital Partners US) Limited	Equity research and marketing services	Scotland	100%	100%
SLCP (General Partner CPP) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner EC) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner Edcastle) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner ESF I) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner ESF II) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner ESP 2004) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner ESP 2006) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner ESP 2008 Coinvestment) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner ESP 2008) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner ESP CAL) Limited	Investment Management	Scotland	100%	100%

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)

8 Investments in subsidiaries (continued)

Name	Nature of the business	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
SLCP (General Partner Europe VI) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner II) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner Infrastructure I)	Investment Management	Scotland	100%	100%
SLCP (General Partner Infrastructure Secondary I) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner NASF I) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner NASP 2006) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner NASP 2008) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner Pearl Private Equity) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner Pearl Strategic Credit) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner SOF I) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner SOF II) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner SOF III) Limited*	Investment Management	Scotland	100%	100%
SLCP (General Partner Tidal Reach) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner USA) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner) Limited	Investment Management	Scotland	100%	100%

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)

8 Investments in subsidiaries (continued)

Name	Nature of the business	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
SLCP (Founder Partner Ignis Private Equity) Limited	Investment Management	Scotland	100%	100%
SLCP (Founder Partner Ignis Strategic Credit) Limited	Investment Management	Scotland	100%	100%
SLCP (General Partner 2016 Co-Investment)Limited	Investment Management	Scotland	100%	100%

The address of all subsidiaries is 1 George Street, Edinburgh, EH2 2LL, United Kingdom, with the exception of Ignis Cayman GP2 Limited and Ignis Cayman GP3 Limited, who have the address c/o Maples Corporate Services Limited, PO Box 309, Ugland house, Grand Cayman, KY1-1104, Cayman Islands.

The underlying limited partnerships meet the definition of subsidiaries under the Companies Act but have not been disclosed in the table above.

9 Trade and other receivables

Accounting Policy

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

	2018	2017
	£ 000	£ 000
Prepayments and accrued income	532	815
Receivables from related parties	3,518	2,002
Collateral paid in respect of open derivative positions	-	30
Total trade and other receivables	4,050	2,847

All trade and other receivables are current and have a maturity of less than one year or no contractual maturity date. All of the financial assets above are non-interest bearing.

Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

10 Amounts due from Members

	2018	Restated *
	2017	
	£ 000	£ 000
Due from A unit holders	5,434	5,831
Total amounts due from Members	5,434	5,831

*Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

11 Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash at bank, money at call and short notice with banks and any highly liquid investments and are measured at amortised cost.

	2018	Restated *
	2017	
	£ 000	£ 000
Cash at bank and in hand	3,808	-
Short-term bank deposits	1,744	2,590
Seabury Sterling Liquidity 1 Fund	6,598	11,493
	12,150	14,083

* The investment in the Seabury Sterling Liquidity 1 Fund has been reclassified as a cash equivalent in order to more accurately reflect the underlying liquid nature of the investment. Refer to Note 1.

12 Members capital

	2018	2018	2017	2017
	No. 000	£ 000	No. 000	£ 000
A units of £1 each	60	60	60	60
B units of £1 each	21	21	21	21
B5 units of £1 each	-	-	4	4
C units of £1 each	2,400	2,400	2,400	2,400
R units of £1 each	-	-	3	3
	2,481	2,481	2,488	2,488

During 2018: 3,244 (2017: 3,244) R units were cancelled that relate to the resignation of one (2017: one) retired Member(s); 4,000 (2017: nil) B units were cancelled that relate to the resignation of three (2017: nil) Members.

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)

13 Special reserve

	2018 £ 000	2017 £ 000
At 1 January	1,000	1,000
At 31 January	1,000	1,000

The LLP Agreement defines the ratio of A units to total B and R units, including B5 units, as the Unit Ratio (currently 60:40). Each Member has a specified annual profit share ("APS"). Annual profits as defined in the LLP Agreement are firstly allocated to Members to cover their APS. Then, at the discretion of the Management Board, a capped amount of the remaining profits may be retained in a Special Reserve. Finally, any remaining profits are allocated to Members as a special profit share ("SPS") in accordance with the LLP Agreement.

14 Trade and other payables

Accounting Policy

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

	2018 £ 000	2017 £ 000
Accruals and deferred income	3,194	3,956
Amounts due to related parties	221	887
Other payables	38	61
Total trade and other payables	3,453	4,904

All trade and other payables are expected to be settled within 12 months.

15 Amounts due to Members

	2018 £ 000	Restated * 2017 £ 000
Due to A unit holders	10,948	10,965
Due to B unit holders	13,299	20,343
Total amounts due to Members	24,247	31,308

The table above comprises the loans and other debts due to Members of the LLP.

*Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

15 Amounts due to Members (continued)

Movements in the amounts due to A unit holders relate to the payment of profit share in respect of 2017 results (£10,965,000) and accrual of profit share in respect of 2018 results (£10,948,000).

Movements in the amounts due to B unit holders relate to part payment of profit share in respect of 2017 (£3,422,000) and part payment of profit share in respect of 2018 (£3,622,000).

16 Unconsolidated structured entities

Accounting Policy

As 'Manager' the LLP has exposure to, but no direct holding in, a range of vehicles including limited partnerships. These vehicles are structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity and as such are classified as structured entities. Investments in these entities are classified as investments in associates where the Standard Life Aberdeen Group has an investment and significant influence.

The LLP has interests in a number of investment vehicles, primarily limited partnerships, with day to day responsibility for the operation of those vehicles but no direct investments.

The purpose and activity of these vehicles is to invest assets in order to secure investment returns (either capital or income returns) in return for a management fee. The LLP's maximum exposure to loss in relation to these vehicles is the management fee debtor. There are no material differences in the risks, exposure or operation of the structured entities and the combined Assets under Management of these entities is £4.9bn (2017: £5.2bn).

In certain circumstances, the LLP may be exposed to a loss relating to the annual operating costs of a limited number of those vehicles. Such amounts are deemed to be immaterial.

The table below summarises transactions of the LLP with unconsolidated structured entities.

	2018 £ 000	2017 £ 000
Turnover	15,713	17,427
Debtors	202	188
Creditors	102	14

17 Related party transactions

(a) Parent and ultimate controlling party

The LLP's parent undertaking is Standard Life Investments (Private Capital) Limited (registered office 1 George Street, Edinburgh, EH2 2LL) whilst the ultimate controlling party is Standard Life Aberdeen plc (registered office 1 George Street, Edinburgh, EH2 2LL). Standard Life Investments (Private Capital) Limited owns 60% of the LLP.

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

Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

17 Related party transactions (continued)

LLP transactions between and balances with related parties

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

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

2018				
	Revenue £ 000	Expenses £ 000	Amounts owed by related parties £ 000	Amounts owed to related parties £ 000
Parent	431	10,948	5,434	10,948
Standard Life Aberdeen Group undertakings	21,099	1,825	3,518	221
B unit holders	-	-	-	13,299
	<u>21,530</u>	<u>12,773</u>	<u>8,952</u>	<u>24,468</u>
2017 Restated *				
	Revenue £ 000	Expenses £ 000	Amounts owed by related parties £ 000	Amounts owed to related parties £ 000
Parent	1,816	11,500	5,831	10,965
Standard Life Aberdeen Group undertakings	23,121	4,047	2,002	887
B unit holders	-	-	-	20,343
	<u>24,937</u>	<u>15,547</u>	<u>7,833</u>	<u>32,195</u>

*Comparatives for the year ended 31 December 2017 have been restated. Refer to Note 1.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received in the year or prior year. No expense for bad and doubtful debts has been recognised in the year, or in the prior year, in respect of the amounts owed by related parties.

(c) Key management personnel

Key management personnel of the LLP in the current year comprise the Designated Members. Assuming that their remuneration is based on partnership shares, the remuneration totals £3,537,000 (2017: £2,480,000).

There was £6,968,000 (Restated 2017: £10,050,000) owed to key management personnel at the balance sheet date. There was £nil (Restated 2017: £nil) owed by key management personnel at the balance sheet date.

At 31 December 2018 there were no (2016: none) retirement benefits accruing to Members in respect of their services to the LLP under a defined benefit scheme operated by the Standard Life Aberdeen Group.

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)**17 Related party transactions (continued)**

The highest paid Designated Member of the LLP, assuming their remuneration is based on partnership shares, was entitled to receive £2,368,000 (2017: £1,641,000). At 31 December 2018, the highest paid Member also held accrued pension benefits of £nil (2017: £nil) under the defined benefit pension scheme operated by the Standard Life Aberdeen Group. There were no LLP pension contributions for the highest paid Member for the year or prior year.

18 Related undertakings

The Companies Act 2006 requires disclosure of certain information about the LLP related undertakings. Details on the LLP subsidiaries are shown in Note 8. The LLP has no other significant holdings and therefore has no disclosures in related undertakings.

19 Events after the balance sheet date

On 10 July 2019 a Sale and Purchase Agreement was entered into between SLIL and the LLP where SLIL bought the B unit Members interests in the LLP. From this date the two sole members of the LLP will be SLIPC and SLIL. Accounting for the Sale and Purchase Agreement removed the liability due to the B unit Members as at this date, while also realising a direct credit against retained earnings on extinguishing the liability expensed in the period ending 31 December 2016.

At the same time a revised LLP agreement has been signed by the Members, which re-instates a specific clause providing discretion over the distribution of future profits. Consequently future distributions will be treated as dividends.

Independent Auditor's Report to the Members of SL Capital Partners LLP

Our opinion

We have audited the financial statements of SL Capital Partners LLP ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the Notes to the Financial Statements, including the accounting policies in the notes.

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2018 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 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

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 LLP 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Members, including related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the LLP's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the LLP's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an LLP and this is particularly the case in relation to Brexit.

Going concern

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP'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 members' conclusions, we considered the inherent risks to the LLP's business model, including the impact of Brexit, and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Independent Auditor's Report to the Members of SL Capital Partners LLP (continued)

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 LLP will continue in operation.

Other information

The members are responsible for the other information, which comprises the members' report and the strategic report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Matters on which we are required to report by exception text

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.

Members' responsibilities

As explained more fully in their statement set out on page 7, the members 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 LLP'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 LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

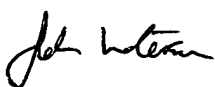
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

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

Independent Auditor's Report to the Members of SL Capital Partners LLP (continued)

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

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.



John Waterson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
United Kingdom
EH1 2EG

10 July 2019