

Standard Life Investments (Mutual Funds) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Registration number: SC123322



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Company Information

Directors A W Mitchell
 G R Marshall
 A Donaldson

Company secretary H S Kidd

Registered office 1 George Street
 Edinburgh
 Lothian
 EH2 2LL

Auditor KPMG LLP
 Chartered Accountants and Statutory Auditors
 Saltire Court
 20 Castle Terrace
 Edinburgh
 EH1 2EG

Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report on Standard Life Investments (Mutual Funds) Limited ("the Company") for the year ended 31 December 2019, in accordance with section 414A of the Companies Act 2006.

Business review and future developments

The provision of investment management and administration services were transferred on 9 December 2018 to another company in Standard Life Aberdeen plc ("SLA plc" or together with its subsidiaries, "the Standard Life Aberdeen Group"). There is no plan to find a replacement trade for the Company. The Company continues to be regulated under the Alternative Investment Fund Manager Directive.

Key performance indicators ("KPIs")

The Company's Directors are of the opinion that analysis using KPIs is not necessary because the Company does not perform any trading activities. The Directors review summary profit and loss and balance sheet figures every quarter.

Enhancing our governance

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:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) 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 discussed these obligations throughout the year, including how stakeholder engagement is incorporated into our long-term decision-making and how the Company operates as a subsidiary within the wider Standard Life Aberdeen Group.

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

The likely consequence of any decision in the long term - The Board of Directors of the Company operate the Company in accordance with the Company's Articles, the Board Charter and the overall SLA 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. As part of the Standard Life Aberdeen Group review of the various fund management companies, the Board approved the transfer of several fund management contracts between firms within the group as part of the long term plan.

Strategic Report for the Year Ended 31 December 2019 (continued)

Enhancing our governance (continued)

The interests of the company's employees - The Company has no direct employees. Within the Standard Life Aberdeen Group, 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.

The need to foster the company's business relationships with suppliers, customers and others - Supplier relationships within the Standard Life Aberdeen Group 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. The Board of Directors receives reports from the Distribution function, the function within the Standard Life Aberdeen Group which engages with clients and customers, as part of its regular meetings. The Directors have determined that there are no company specific matters appropriate to disclose in relation to suppliers, customers and others. As part of the Standard Life Aberdeen Group's review of the various fund management companies, the Board approved the transfer of several fund management contracts between firms within the group as part of the long term plan and the impact on customers and suppliers was considered as part of this decision.

The impact of the company's operations on the community and the environment - 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.

The desirability of the company maintaining a reputation for high standards of business conduct - Maintaining a reputation for, and upholding, high standards of business conduct is vital to the ongoing success of the Standard Life Aberdeen Group, including the Company.

The need to act fairly as between members of the company - The Company has a single member, and is a wholly owned subsidiary of SLA plc.

Principal risks and uncertainties

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

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

The list below does however provide a summary of the key risks facing both SLA plc and the Company:

Strategic Report for the Year Ended 31 December 2019 (continued)

Brexit

The Company has considered the impact of Brexit and does not consider there to be any material impact on the Company's financial statements during 2020 and beyond. This is because all aspects of the trading business (the provision of investment management and administration services) were transferred on 9 December 2018 to another company in SLA plc.

Operational risk

Notably IT failure and security including cyber risk; third party oversight including both outsourcing and supplier relationships; process execution failure; and the impact of inaccurate or incomplete information for financial management and decision making. The risks are mitigated by the Company and the SLA Group maintaining a strong and well established risk management framework as a foundation for the effective management of process risk across the business.

Conduct risk

Specifically the risk that behaviours, strategies, decisions and actions deliver unfair outcomes to customers and clients. We have no appetite for conduct risk. The risks are mitigated by having conduct risk embedded within our risk management framework and conduct risk being formally considered and assessed at the Risk Committee and Client and Fund Governance Committee.

Regulatory and legal risk

We operate in a highly regulated industry which has the potential to expose the Company to risks. The risks are mitigated by having specialist compliance and legal teams in place to support our senior management and by maintaining open and transparent relationships with our regulators.

Strategic risk

Notably investment performance; ensuring we meet the evolving needs of our clients and customers and adapting to preference changes. Geopolitical unrest and associated risks continue to be a key strategic risk and can impact the market in which we operate, impact our reputation and increase our capital exposure. Risks are mitigated by ongoing Board consideration of strategic risks.

Financial Risk

The Company has no appetite to fail to maintain sufficient resources to meet its capital requirements and liabilities as they fall due. It will ensure it can do so under both normal conditions and an appropriate range of stressed scenarios. SLA has an appetite for market and credit risk exposures where these are required in pursuit of its business objectives. Risks are mitigated by regular monitoring and reporting of capital and liquidity requirements.

Coronavirus (COVID-19)

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 SLA Group is utilising business continuity and resilience processes with the objective of mitigating the impact of COVID-19.

Strategic Report for the Year Ended 31 December 2019 (continued)

Environmental matters

The Company follows the environmental strategy of the Standard Life Aberdeen Group which is disclosed within the SLA plc Annual Report and Accounts.

Approved by the Board on 19 June 2020 and signed on its behalf by:



.....
A W Mitchell
Director

Directors' Report for the Year Ended 31 December 2019

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2019.

Directors' of the Company

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

S Campbell (resigned 20 June 2019)
L Scott (resigned 8 December 2019)
D E Thomas (resigned 8 December 2019)
S R Wemyss (resigned 8 December 2019)
S A Acheson (resigned 8 December 2019)
A W Mitchell (appointed 9 December 2019)
G R Marshall (appointed 9 December 2019)
A Donaldson (appointed 9 December 2019)

The Company's ultimate parent company, SLA plc maintains directors' and officers' liability insurance on behalf of its directors and officers.

Company secretary

The Company secretary during the year, was as follows:

H S Kidd

Result for the year

The result for the year ended 31 December 2019 is a loss after tax of £42k (2018 profit: £5,890k as restated.)

Going concern

Following the transfer of all investment management and administration services to another company in SLA plc, and there being no plans to find a replacement trade, the Directors have prepared the financial statements on a break up basis. This has no impact on the financial results presented, nor the Company's ability to meet its present and future operating obligations for a period of at least one year from signing these financial statements. COVID-19 is not expected to impact the Company's ongoing operating activities in light of there being no future trading in the Company from the date of signing.

Dividends

The Directors recommended and paid dividends of £36,757k in 2019 (2018: £90,000k) to the Company's immediate parent, namely Standard Life Investments Limited.

Modern slavery act

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

Directors' Report for the Year Ended 31 December 2019 (continued)

Political donations

It is the Company's policy not to make donations for political purposes.

Independent auditor

The Independent Auditor, KPMG LLP, has indicated their willingness to continue in office.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Directors' Report for the Year Ended 31 December 2019 (continued)

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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

Approved by the Board on 19 June 2020 and signed on its behalf by:



.....
A W Mitchell
Director

Independent Auditor's Report to the Members of Standard Life Investments (Mutual Funds) Limited

Opinion

We have audited the financial statements of Standard Life Investments (Mutual Funds) Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1. These financial statements have not been prepared on the going concern basis for the reason set out in note 1.

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 loss 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.

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.

Independent Auditor's Report to the Members of Standard Life Investments (Mutual Funds) Limited (continued)

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 8, 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.

Independent Auditor's Report to the Members of Standard Life Investments (Mutual Funds) Limited (continued)

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.



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

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

19 June 2020

Profit and Loss Account for the Year Ended 31 December 2019

		2019	Restated*
	Note	£ 000	2018
			£'000
Revenue	3	1,859	167,751
Commissions		-	(7,156)
Administrative expenses		<u>(2,049)</u>	<u>(151,959)</u>
Operating (loss)/profit		(190)	8,636
Net finance income	5	<u>147</u>	<u>291</u>
(Loss)/profit before tax		(43)	8,927
Tax credit/(expense)	6	<u>1</u>	<u>(3,037)</u>
(Loss)/profit for the year		<u>(42)</u>	<u>5,890</u>

The Company has not recorded any other comprehensive income during the years to 31 December 2019 or 31 December 2018. A separate statement of comprehensive income is therefore not disclosed.

*Comparatives for the year ended 31 December 2018 have been restated. Refer to Note 15.

The notes on pages 15 to 27 form an integral part of these financial statements.

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	Restated* 2018 £'000
Assets			
Non-current assets			
Deferred tax assets	7	-	5
Total non-current assets		<u>-</u>	<u>5</u>
Current assets			
Trade and other receivables	8	1,781	19,687
Cash and cash equivalents		10,660	36,498
		<u>12,441</u>	<u>56,185</u>
Total current assets		<u>12,441</u>	<u>56,185</u>
Total assets		<u>12,441</u>	<u>56,190</u>
Equity and liabilities			
Equity			
Called up share capital	9	10,000	10,000
Retained earnings		59	36,858
Equity attributable to equity holders of the parent		<u>10,059</u>	<u>46,858</u>
Total non-current liabilities		<u>-</u>	<u>-</u>
Current liabilities			
Trade and other payables	10	2,382	9,332
Total current liabilities		<u>2,382</u>	<u>9,332</u>
Total liabilities		<u>2,382</u>	<u>9,332</u>
Total equity and liabilities		<u>12,441</u>	<u>56,190</u>

*Comparatives for the year ended 31 December 2018 have been restated. Refer to Note 15.

Approved by the Board on 19 June 2020 and signed on its behalf by:



.....
A W Mitchell
Director

Registration number: SC123322

The notes on pages 15 to 27 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital	Restated* Retained earnings	Total
	£ 000	£ 000	£ 000
At 1 January 2018 (As originally reported)	10,000	122,468	132,468
Prior period adjustment	-	(1,500)	(1,500)
At 1 January 2018 (As restated)	10,000	120,968	130,968
Profit for the year	-	5,890	5,890
Total comprehensive income	-	5,890	5,890
Dividends	-	(90,000)	(90,000)
At 31 December 2018	10,000	36,858	46,858

	Share capital	Restated* Retained earnings	Total
	£ 000	£ 000	£ 000
At 1 January 2019 (As originally reported)	10,000	39,800	49,800
Prior period adjustment	-	(2,942)	(2,942)
At 1 January 2019 (As restated)	10,000	36,858	46,858
Loss for the year	-	(42)	(42)
Total comprehensive income	-	(42)	(42)
Dividends	-	(36,757)	(36,757)
At 31 December 2019	10,000	59	10,059

*Comparatives for the year ended 31 December 2018 have been restated. Refer to Note 15.

The notes on pages 15 to 27 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for period ended 31 December 2019 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") as issued by the Financial Reporting Council.

Summary of disclosure exemptions

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

- IAS 7 Statement of Cash Flows and related notes;
- IAS 1 Presentation of Financial Statements requirement for comparative period reconciliations for share capital;
- IAS 24 Related Party disclosures in respect of transactions with wholly owned subsidiaries;
- IAS 1 Presentation of Financial Statements disclosures in respect of capital management; and
- IAS 8 Accounting Policies requirement to disclose the effects of new but not yet effective IFRSs.

As the consolidated financial statements of SLA plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and IFRS 7 Financial Instrument Disclosures.

Going concern

Following the transfer of all investment management and administration services to another company in SLA plc, and there being no plans to find a replacement trade, the Directors have prepared the financial statements on a break up basis. This has no impact on the financial results presented, nor the Company's ability to meet its present and future operating obligations for a period of at least one year from signing these financial statements. COVID-19 is not expected to impact the Company's ongoing operating activities in light of there being no future trading in the Company from the date of signing.

Changes in accounting policy

An analysis have been done of new standards, interpretations and amendments effective for the first time from 1 January 2019, and it has been determined they have no impact on the Company.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Revenue recognition

The Company's primary source of revenue is fee income from investment management activities. Management fees are generated through investment management agreements and are generally based on agreed rates as a percentage of AUM and are shown net of rebates. The fees are recognised as the service is provided and in accordance with the performance obligations of the agreements.

Other revenue represents income from the recharge of costs to other Standard Life Aberdeen Group companies, registrar fees and dealing profits.

Dividends

Dividends paid are recognised directly in equity in the Company's financial statements in the year in which they are approved.

Net finance income

Interest income is derived on cash and cash equivalents and are recognised on an accruals basis.

Financial assets

(i) Amortised cost

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These instruments are included in current assets and consist of cash and cash equivalents, amounts due by Standard Life Aberdeen Group undertakings, accrued income and other receivables. These instruments are initially recognised at fair value, net of any transaction costs, and subsequently at amortised cost using the effective interest rate method.

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

Impairment of financial assets

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

Financial liabilities

(i) Amortised cost

These instruments include trade payables, amounts owed to Standard Life Aberdeen Group undertakings, accruals and deferred income and other payables. These instruments are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and investments in money market funds.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Current & deferred tax

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

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding basis used for tax purposes. Deferred tax is calculated at the tax rates enacted or substantively enacted that are expected to apply when the asset is realised or the liability settled. Deferred tax assets are recognised to the extent that it is possible that taxable profits will be available against which deductible temporary differences can be utilised, except in respect of taxable or deductible temporary differences associated with investment in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is possible that they will not reverse in the foreseeable future.

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements can necessitate the use of key estimates and judgements. These estimates and judgements can affect the reported amounts of assets and liabilities, contingent or otherwise, at the balance sheet date as well as affecting the reported profit or loss for the period. There are no key estimates to disclose, and key judgements are disclosed beneath:

Disclosure of interest in other entities - The Company held interest in unconsolidated structured entities during the year and management's judgement has been exercised when applying the principles of IFRS 12 Disclosures of Interest in Other Entities.

3 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2019	Restated*
	£ 000	2018 £ 000
Management fees	-	147,283
Other revenue	1,859	20,468
Total revenue	1,859	167,751

*Comparatives for the year ended 31 December 2018 have been restated. Refer to Note 15.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Operating (loss)/profit

Arrived at after (charging)/crediting

	2019 £ 000	2018 £ 000
Foreign exchange losses	<u>(2)</u>	<u>(52)</u>

Fees payable to the Company's Independent Auditor:

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>7</u>	<u>12</u>

Amounts receivable by the Company's Auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of SLA plc.

5 Net finance income

	2019 £ 000	2018 £ 000
Finance income		
Interest income on bank deposits	8	(19)
Interest income	<u>137</u>	<u>313</u>
	145	294
Finance expense		
Interest on bank overdrafts	<u>2</u>	<u>(3)</u>
Net finance income	<u>147</u>	<u>291</u>

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

6 Tax (credit) / expense in the profit and loss account

Analysis of tax (credit)/charge in the year:

	2019 £ 000	Restated* 2018 £ 000
Current taxation		
UK corporation tax	(6)	3,025
UK corporation tax adjustments for prior year	-	10
	<u>(6)</u>	<u>3,035</u>
Deferred taxation		
Deferred tax expense arising in current year	5	2
	<u>5</u>	<u>2</u>
Tax (credit)/expense in the profit and loss account	<u>(1)</u>	<u>3,037</u>

The tax charge assessed for the year is higher (2018: tax expense higher) than the standard rate of corporation tax in the UK of 19% (2018 - 19%)

The differences are reconciled below:

	2019 £ 000	Restated* 2018 £ 000
(Loss)/profit before tax	<u>(43)</u>	<u>8,927</u>
Corporation tax at standard rate	(8)	1,696
Realised losses not taxable	7	-
Increase in current tax from adjustments for prior years	-	10
Movement in tax provision	<u>-</u>	<u>1,331</u>
Total tax (credit)/expense	<u>(1)</u>	<u>3,037</u>

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 asset 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.

*Comparatives for the year ended 31 December 2018 have been restated. Refer to note 15.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Deferred tax asset

	2019 £ 000	2018 £ 000
As at 1 January	5	7
Expense through profit and loss account	(5)	(2)
As at 31 December	-	5
Deferred tax assets	-	5

8 Trade and other receivables

	2019 £ 000	Restated* 2018 £'000
Current trade and other receivables:		
Amounts owed by Standard Life Aberdeen Group Undertakings	1,781	17,861
Accrued income	-	809
Amounts owed by collective investment schemes	-	3
Amounts owed by investors in collective investment schemes	-	112
Other receivables	-	902
Total current trade and other receivables	1,781	19,687

Amounts owed by Standard Life Aberdeen Group undertakings are unsecured, interest free, have no fixed rate of repayment and are repayable on demand.

*Comparatives for the year ended 31 December 2018 have been restated. Refer to Note 15.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

10 Trade and other payables

	2019	Restated*
	£ 000	2018 £'000
Current trade and other payables:		
Accruals and deferred income	79	2,256
Amounts owed to Standard Life Aberdeen Group Undertakings	2,303	6,263
Amounts owed to collective investment schemes	-	48
Other payables	-	100
Current tax liabilities	-	665
Total current trade and other payables	<u>2,382</u>	<u>9,332</u>

Amounts owed to Standard Life Aberdeen Group undertakings are unsecured, interest free, have no fixed rate of repayment and are repayable on demand.

*Comparatives for the year ended 31 December 2018 have been restated. Refer to Note 15.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Unconsolidated structured entities

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

The Company has assessed whether the funds it manages are structured entities, through review of the above factors, including the rights to remove the Company as fund manager or other key management role. The Company considers the following as structured entities - Open Ended Investment Companies, Unit Trusts, Common Investment Funds and specific Private Equity Funds.

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

AUM within unconsolidated structured entities is shown below:

	2019	Restated*
	£ 000	2018
		£ 000
Unconsolidated structured entities	-	895,878

The table below summarises the revenue & carrying values in the balance sheet:

	2019	2018
	£ 000	£ 000
Revenue	-	147,811
Receivables	-	924

*Comparatives for the year ended 31 December 2018 have been restated. Refer to Note 15.

12 Related party transactions

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

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

The following are details of significant transactions with not wholly owned related parties during the year and the year end balances arising from such transactions::

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Related party transactions (continued)

	2019			
	Revenue £ 000	Expenses £ 000	Receivables £ 000	Payables £ 000
	-	-	-	-
	2018			
	Revenue £ 000	Expenses £ 000	Receivables £ 000	Payables £ 000
Other	147,811	20,468	924	48
	147,811	20,468	924	48

Key management personnel

No amounts are payable to the director's in respect to their services to the company as at 31 December 2019. (2018:£nil).

13 Events after the balance sheet 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. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact.

14 Parent and ultimate parent undertaking

The Company's immediate parent is Standard Life Investments Limited and its ultimate parent is SLA plc, both of which are incorporated in the United Kingdom and registered in Scotland..

The most senior parent entity producing publicly available financial statements is SLA plc. Copies of the consolidated Annual Report and Accounts are available to the public from 1 George Street, Edinburgh, EH2 2LL, or to download on the website www.standardlifeaberdeen.com

15 Prior-year adjustments

In preparing these financial statements, the following restatements have been reflected for the year ended 31 December 2018:

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Prior-year adjustments (continued)

- (1) During 2016, revenue in respect of a tri-partite agreement between a customer, the Company and another Standard Life Aberdeen Group undertaking, had been recognised as if the Company was principal for all services delivered. The arrangement has been reviewed and it has been concluded the other Standard Life Aberdeen Group undertaking is the principal for the services from 2016 onwards, and no amounts should have been recognised in the Company (revenue had been correctly recorded from 2017 onwards, hence no adjustment is required to the profit and loss). Accordingly, the retained earnings as at 1 January 2018 have been restated to remove this revenue, of £495k. In addition, there is a consequential increase in amount due to Standard Life Aberdeen Group Undertakings for the revenue repayable to that entity (£495k).
- (2) During the year it was identified that £1,533k of rebates were payable by the Company, which had not been included in the prior-year accounts in error. Of the £1,533k, £1,005k relates to 2016 and 2017, and is therefore adjusted as at 1 January 2018. The remaining £528k relates to 2018. The effect on the balance sheet as at 1 January 2018 is an increase in amounts due to Standard Life Aberdeen Group undertakings of £1,005k. For the amounts relating to 2018, the amounts are payable by another Standard Life Aberdeen Group undertaking, however, due to the underlying agreements in place, the Company would receive the monies from that company, and pass 100% of those monies on to another Standard Life Aberdeen Group undertaking. As such, the adjustments in relation to 2018 have no impact on the profit for the year, although there are offsetting decreases in management fee income and decreases in administrative expenses of £528k. This also results in corresponding increases in amounts owed by Standard Life Aberdeen Group undertakings and amounts owed to Standard Life Aberdeen Group undertakings of £528k.
- (3) It has been identified that the tax expense for the year ended 31 December 2018 was incorrectly recorded within the financial statements, and an additional tax expense of £330k should have been included. The impact of the correction is to increase the tax expense (and therefore decrease the retained earnings) in the comparative period, and the effect on the balance sheet is to increase the amounts owed to Standard Life Aberdeen Group undertakings for group relief payable.
- (4) FCA fees of £1,184k for the period 1 April 2018 - 31 December 2018 were levied however they were not included within the financial statements for the year ended 31 December 2018, as the fees in question were in dispute between the Company and the FCA. The amount was only agreed after the signing date of the prior year financial statements. Third party administration costs of £189k were also omitted from the prior year financial statements in error due to delays in processing the invoices received. As these relate to the comparative period, a restatement to include these costs within the comparative period is required. The impact is to increase administrative expenses by £1,373k, with a consequential reduction in the tax expense of £261k (a combined reduction to retained earnings of £1,112k). The effect on the balance sheet is to increase accruals and deferred income by £1,373k, and reduce amounts owed to Standard Life Aberdeen Group undertakings by £261k in relation to a reduction in group relief payable.
- (5) It has been identified that AUM for Unconsolidated structured entities for the year ended 31 December 2018 was overstated within the financial statements by £304,122k, and therefore the prior year disclosure has been amended to reflect the correct AUM of £895,878k. This has no impact on the profit and loss or balance sheet of the Company.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Prior-year adjustments (continued)

- (6) Management fee income (£147,811k) and other income (£20,468k) were presented as separate captions on the face of the profit and loss account for the year ended 31 December 2018. In the current year, these amounts have been combined on the face of the profit and loss. Other income has been presented separately within the 'revenue' note as Other revenue, to reflect that these are recurring revenues of the Company. This is purely a presentational change, and has no impact on the profit and loss or net assets of the Company.
- (7) Current tax liabilities (£665k) were presented as a separate caption on the face of the balance sheet for the year ended 31 December 2018. In the current year, the comparative has been presented within 'Trade and other payables'.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Prior-year adjustments (continued)

The prior year adjustments ("PYA") made are shown below:

	Previously stated at 31 December 2018 £ 000	PYA 1 £ 000	PYA 2 £ 000	PYA 3 £ 000	PYA 4 £ 000	As restated 31 December 2018 £ 000
Amounts owed by Standard Life Aberdeen Group undertakings	17,333	-	528	-	-	17,861
Amounts owed to Standard Life Aberdeen Group undertakings	(4,166)	(495)	(1,533)	(330)	261	(6,263)
Accruals and deferred income	(883)	-	-	-	(1,373)	(2,256)
Administrative expenses	(151,114)	-	528	-	(1,373)	(151,959)
Tax expense	(2,968)	-	-	(330)	261	(3,037)
Retained earnings	39,800	(495)	(1,005)	(330)	(1,112)	36,858
Management fee income	147,811	-	(528)	-	-	147,283

The impact of these restatements on the 2018 (Comparative year) opening balances is shown below:

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Prior-year adjustments (continued)

	Previously stated 1 January 2018 £ 000	PYA 1 £ 000	PYA 2 £ 000	As restated 1 January 2018 £ 000
Note				
Amounts owed by Standard Life Aberdeen Group undertakings	2,771	-	-	2,771
Amounts owed to Standard Life Aberdeen Group undertakings	(21,792)	(495)	(1,005)	(23,292)
Accruals and deferred income	(6,204)	-	-	(6,204)
Retained earnings	122,468	(495)	(1,005)	120,968