Aberdeen Fund Management Limited

Directors' report and financial statements

Registered number 1942566

For the year ended 30 September 2011

Contents

Directors' report

The Directors present their report and the audited financial statements for the year ended 30 September 2011

Principal activity

The Company carries on business as a fund manager and investment advisor principally for institutional clients located in the United Kingdom The Company is authorised and regulated by the Financial Services Authority

Business review

Turnover increased from £37 6m in 2010 to £38 2m in the current year as a result of higher levels of funds under management The current year produced a loss before tax of £1 0m compared with a profit before tax of £7 0m in 2010 Administrative costs increased by £8 9m due to the inclusion of Amsterdam branch costs The increase in administrative costs has resulted in the investment management operating margin decreasing from 16 6% in 2010 to -5 2% in 2011

Future developments

The directors and shareholders of the company have put before the courts an application to merge with a fellow subsidiary company We expect the court sanctioned merger process to be completed by the end of January 2012 with the merger taking effect from the end of February 2012 This does not affect the basis of preparation of these accounts

Key performance indicators

The Company forms part of the operational arm of the Aberdeen Asset Management PLC's ('AAM PLC') UK based investment management business The Company uses a number of financial performance measures to monitor the performance of the business against budget throughout the year These key performance indicators ('KPIs') are measured and reported to management on a monthly basis and are shown below

	2011	2010
	£'000	£'000
Turnover	**38,229**	37,631
(Loss) profit before interest and tax	**(1,999)**	6,250
Investment management operating margin	(5 2%)	16 6%
Assets under management (AUM)	£19 1billion	£19 2 billion

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

- the level of dealing activity
- fund management performance
- investment risk
- compliance and regulatory issues

Performance during the year

The current year started well with increases in global equity markets which resulted in increased levels of assets under management and higher income levels for the Company The market recovery however came to an end in July as sovereign debt issues resurfaced and global markets retreated which impacted income levels in the last quarter of the year Despite the turmoil in the markets the Company recorded a small increase in turnover over the last financial year

Directors' report *(continued)*

Risk management

Risks are managed from an AAM Group point of view All of the Groups risks are recorded within the AAM Group risk management database and are subject to the AAM Group risk management process The Groups risk management framework is designed to meet business needs, regulatory requirements and align the Group with best practice in terms of corporate governance

The principal risks and uncertainties facing the Company are -

- **Strategic risks**

  These are principally the risk of the business declining due to external factors (for example a sustained fall in markets) or internal factors (for example sustained poor long term investment performance of the Company's funds) The Company attempts to manage these risks by being willing to change or adapt our products to meet market needs, monitoring tax and regulatory changes to assess their likely implications and controlling costs effectively Investment performance is reviewed on a regular basis and a culture of open debate on investment strategy is encouraged

- **Operational risks**

  The main risks that the Company seeks to control are operational risks The Company operates controls to ensure that the residual risk is minimised and consistent with economically providing high levels of service In addition, the Company has professional indemnity insurance to cover the residual risk of loss from such errors

  Competitive risk the Company operates in competitive markets in which performance is constantly monitored The performance of the company's funds are monitored constantly and benchmarked against competitors

  Client relationships the Company's relationship with clients is fundamental to its business Our client relations teams keep in regular contact with our larger clients to ensure that we can identify any changes or action that might be needed as a result of their changing needs More widely, we aim to provide a high level of information to our customers generally, either by mailings to particular classes of customer or via the AAM Group website

  Staff retention the Company's most important resource is its employees and their knowledge and abilities are central to meeting clients' needs and expectations Retention of key staff is vitally important in maintaining this focus on client service The Group invests in graduate recruitment programmes and in ongoing training and development programmes relevant to the needs of the Group and its employees Appropriate incentive packages are also operated to ensure that strong performance is encouraged and rewarded

  Major disruption/disaster the principal back-office administration functions of the company are outsourced to providers who have proven and well tested back-up resources and facilities In addition the Group has its own disaster recovery plans and back-up facilities to enable the business to continue to operate should the need arise

Treating customers fairly

The Company adopted a TCF policy The policy extends the AAM Group TCF focus into the operations of the Company and builds on the requirement to meet customers' reasonable expectations

Health and safety

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

Directors' report *(continued)*

Proposed dividend

No interim dividend was paid during the year *(2010 £6m)* The directors recommend that no final dividend be paid for the year *(2010 nil)*

Directors

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

AA Laing
RM MacRae
GR Marshall
AH Richards
PT Griffiths
CAJ Pittard
CMV McKenzie (resigned 25 10 11)

Policy on payments to creditors

Unless otherwise agreed, payments to trade creditors are made within thirty days

At the year end, the Company had an average of 11 6 days (2010 17 7 days) purchases outstanding in respect of trade creditors

Disclosure of information to auditors

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

Auditors

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

By order of the Board

For Aberdeen Asset Management PLC
Secretaries

10 Queen's Terrace
Aberdeen
AB10 1YG

21 December 2011

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

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Aberdeen Fund Management Limited

We have audited the financial statements of Aberdeen Fund Management Limited for the year ended 30 September 2011 set out on pages 6 to 15 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm.

Opinion on financial statements
In our opinion the financial statements
- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

C Burnet

C Burnet (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

21 December 2011

Profit and loss account

for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Turnover	*1*	**38,229**	37,631
Administrative expenses		**(40,228)**	(31,381)
Operating (loss) profit		**(1,999)**	6,250
Interest receivable and similar income	*5*	**1,034**	731
(Loss) profit on ordinary activities before taxation	*2-4*	**(965)**	6,981
Tax on (loss) profit on ordinary activities	*6*	**(140)**	(1,088)
(Loss) profit for the financial year	*13*	**(1,105)**	5,893

Turnover and operating loss/profit arise wholly from continuing operations in the UK in the current year

There are no recognised gains or losses other than the loss/profits for the financial years as above

The notes on pages 8-15 form part of these financial statements

Balance sheet
at 30 September 2011

	Note	**2011** **£'000**	2010 £'000
Intangible assets			
Intangibles	*8*	**18,404**	20,779
Goodwill	*8*	**9,821**	10,366
		28,225	31,145
Current assets			
Debtors	*9*	**18,305**	15,750
Cash at bank and in hand		**36,707**	46,134
		55,012	61,884
Creditors amounts due within one year	*11*	**(5,170)**	(13,857)
Net current assets		**49,842**	48,027
Net Assets		**78,067**	79,172
Capital and reserves			
Called up share capital	*12*	**26,016**	26,016
Share premium account	*13*	**46,214**	46,214
Non-distributable reserves	*14*	**5,937**	5,937
Profit and loss account	*13*	**(100)**	1,005
Shareholders' funds	*15*	**78,067**	79,172

The notes on pages 8-15 form part of these financial statements

These financial statements were approved by the board of directors on 21 December 2011 and were signed on its behalf by

AA Laing
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

The Company is exempt, by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts The financial statements present information about the company as an individual undertaking and not about its group

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

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

The directors and shareholders of the company have put before the courts an application to merge with a fellow subsidiary company We expect the court sanctioned merger process to be completed by the end of January 2012 with the merger taking effect from the end of February 2012 This does not affect the basis of preparation of these accounts

Going Concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the company's parent Aberdeen Asset Management PLC to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Aberdeen Asset Management group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of the company's ultimate parent undertaking, Aberdeen Asset Management PLC, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Foreign currencies

Transactions denominated in foreign currencies are converted at the rates of exchange ruling at the dates of the transactions Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date Exchange differences are dealt with in the profit and loss account

Notes *(continued)*

1 Accounting policies *(continued)*

Pension costs

The main pension scheme operated by the parent Company is a self-administered money purchase scheme Benefits from the scheme are based on contributions made Payments made to the scheme represent current service contributions and are charged to the profit and loss account

Turnover

Turnover represents amounts receivable in respect of the Company's activities in providing investment management services, exclusive of Value Added Tax Income from management fees and performance fees is recognised on an accruals basis in line with the terms of the various contracts

Taxation

The charge for taxation is based on the result for the year and takes in to account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Intangible assets - goodwill

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

Intangible assets – management contracts

Management contracts are included at cost and they are amortised in equal annual instalments over a period of 9 years which is their useful economic life Provision is made for any impairment

2 Notes to the profit and loss account

(Loss) profit on ordinary activities before taxation is stated after charging

	2011	2010
	£'000	£'000
Auditor's remuneration		
Amounts receivable by the auditors and their associates in respect of		
Audit of these financial statements	**19**	19
Amortisation		
Amortisation of goodwill and management contracts	**2,920**	1,140

Notes *(continued)*

3 Staff numbers and costs

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

	2011 Number	2010 Number
Directors	7	7
Employees	5	-

All directors are paid by fellow subsidiaries

The aggregate payroll costs of the employees were as follows

	2011 £'000	2010 £'000
Salaries and bonuses	835	-
Social security costs	62	-
Other pension costs	107	-
Other benefits	79	-
	1,083	-

During 2011 the Amsterdam branch costs were incorporated within Aberdeen Fund Management Limited The staff costs and employees included above relate to the Amsterdam branch

4 Directors' remuneration

No directors received any emoluments from the Company in the current financial year *(2010 nil)*

The emoluments of the Directors during the year were met by other group companies The emoluments of the directors who are also directors of, and paid by, Aberdeen Asset Management PLC, the parent company, are disclosed in the accounts of that company

5 Interest receivable and similar income

	2011 £'000	2010 £'000
Bank interest receivable	1,034	731

Notes *(continued)*

6 Taxation

	2011 £'000	2010 £'000
Current Tax		
UK corporation tax		
Group relief (recoverable) payable	**(15)**	1,216
Adjustments in respect of previous year	**123**	(129)
Foreign tax		
Current year	**32**	-
Total current tax	**140**	1,087
Deferred tax		
Originating and reversal of timing differences	**-**	1
Total deferred tax	**-**	1
Taxation on (loss) profit on ordinary activities	**140**	1,088

Factors affecting the tax charge for the current year

The rate of corporation tax in the UK was reduced from 28% to 26% effective 1 April 2011 The composite rate applied during the year is 27%

The current tax charge for the year is higher *(2010 lower)* than the standard rate of corporation tax in the UK 27% *(2010 28%)* The differences are explained below

	2011 £'000	2010 £'000
Current tax reconciliation		
(Loss) profit on ordinary activities before tax	**(965)**	6,981
Current tax at 27% *(2010 28%)*	**(261)**	1,955
Effects of		
Non taxable income	**-**	(122)
Expenses not deductible for tax purposes	**91**	-
Capital allowances in excess of depreciation	**-**	(1)
Payment (receipt) for group relief claimed below 28% *(2010 28%)*	**155**	(615)
Adjustments relating to previous years current tax	**123**	(129)
Higher taxes on overseas earnings	**32**	-
Total current tax charge (see above)	**140**	1,088

Notes *(continued)*

6 Taxation *(continued)*

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of four years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 30 September 2011 (which has been calculated based on the rate of 26% substantively enacted at the balance sheet date)

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

7 Dividends

The aggregate amount of dividends comprises

	2011 **£'000**	2010 £'000
Ordinary shares		
- Interim dividend paid (£0 00 per share (2010 £0 23 per share))	-	6,000

8 Intangible fixed assets – goodwill and management contracts

	Goodwill **£'000**	**Management contracts** **£'000**	**Total** **£'000**
Cost			
At 1 October 2010 and 30 September 2011	**10,912**	**21,373**	**32,285**
Amortisation			
At 1 October 2010	546	594	1,140
Charge for the year	**545**	**2,375**	**2,920**
At 30 September 2011	**1,091**	**2,969**	**4,060**
Net book value			
At 30 September 2011	**9,821**	**18,404**	**28,225**
At 30 September 2010	10,366	20 779	31,145

Notes *(continued)*

9 Debtors

	2011 £'000	2010 £'000
Trade debtors	**3,904**	4,617
Prepayments and accrued income	**9,089**	8,765
Amounts due by group undertakings	**5,139**	2,195
Other debtors	**171**	171
Deferred tax (see note 10)	**2**	2
	18,305	15,750

10 Deferred taxation

	2011 £'000	2010 £'000
At the beginning of the year	**2**	3
Charge for the year	**-**	(1)
At the end of the year	**2**	2

11 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Accruals and deferred income	**1,864**	1,903
Amounts due to group undertakings	**2,455**	11,236
Other creditors	**851**	718
	5,170	13,857

12 Called up share capital

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
26,016,250 *(2010 26,016,250)* ordinary shares of £1 each	**26,016**	26,016

13 Reserves

	Share Premium Account £'000	Profit and Loss Account £'000
At beginning of year	46,214	1,005
Loss for the year	-	(1,105)
Dividends paid	-	-
At end of year	**46,214**	**(100)**

Notes (continued)

14 Non-distributable reserves

	2011 £'000	2010 £'000
Capital contribution	5,937	5,937

On 29 June 2006, Deutsche Asset Management Group Limited transferred its shares in Arthur House No 20 Limited (formerly Deutsche Asset Management (International) Limited) to the Company by way of a capital contribution, equivalent to the net asset value of the non-trading entity

15 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
(Loss) profit for the financial year	(1,105)	5,893
Dividends on shares classified in shareholders' funds	-	(6,000)
Net movement in shareholders' funds	(1,105)	(107)
Opening shareholders' funds	79,172	44,994
Issue of ordinary share capital	-	34,285
Closing shareholders' funds	78,067	79,172

16. Pensions

The company participates in a defined contribution pension scheme operated by the parent company Aberdeen Asset Management Plc The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £107,000 (2010 nil) There were no outstanding or prepaid pension contributions at either the beginning or end of the financial year

17. Share based payments

Deferred share awards

Employees of the Company participate in the deferred share award scheme operated by the parent company Shares awarded do not have on-going performance conditions, but have a time vesting condition Awards made in respect of annual bonus awards in 2005, 2006 and 2007 vest at the end of a three year vesting period subject to the continued employment of the participant Awards made in respect of annual bonus awards in 2008, 2010 and 2011 vest annually in three equal tranches All awards from 2008 to 2011 are subject to the continued employment of the participant

	Weighted average share price 2011	**Number 2011**	Weighted average share price 2010	Number 2010
Outstanding at 1 October		-		-
Transferred from fellow subsidiary		**434,683**		-
Granted during the year	**180.11p**	**216,075**	-	-
Exercised during the year	**186.19p**	**(193,155)**	-	-
Outstanding at the end of the year		**457,603**		-

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

	2011 £000	2010 £000
Expenses arising from award of deferred shares	**321**	-
	321	-

18. Contingent liabilities

The Company's bank balance is part of a group working capital facility in support of which cross guarantees are provided by the parent company, the Company and certain fellow subsidiary undertakings At 30 September 2011 the net amount guaranteed under this arrangement was £nil *(2010 £nil)*

19. Ultimate parent company

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

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

No other group accounts include the results of the Company

20. Regulatory

The company is not subject to the consolidated capital requirements of the Financial Services Authority