

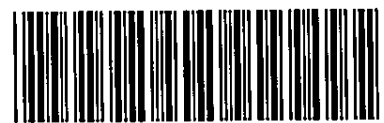
**Aberdeen Fund Management
Limited**

Directors' report and financial
statements

Registered number 1942566

For the year ended 30 September 2009

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Directors' report

The Directors present their report and the audited financial statements for the year ended 30 September 2009

Business review

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. Turnover decreased from £33.7m in 2008 to £29.2m in the current year as a result of lower levels of funds under management. The current year however produced a profit before tax of £6.8m compared with a profit before tax of £8.5m in 2008. Despite the fall of £4.4m in turnover, administrative costs decreased by £3.9m due to a decrease in the management charge due to a subsidiary company for share of costs.

Key performance indicators

The Company forms part of the operational arm of the Aberdeen Asset Management Group's 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, however a number of these indicators are reviewed at a group level. These key performance indicators ('KPIs') are measured and reported to management on a monthly basis and are shown below:

	2009 £'000	2008 £'000
Turnover	29,215	33,651
Profit before interest and tax	5,976	6,536
Investment management operating margin*	25.6%	26.8%
Assets under management (AUM)*	£146.2 billion	£111.1 billion
Net new business funded in the year*	£(10.7) billion	£2.9 billion

* KPI's measured and reported on a group basis

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

Assets under management ('AUM') for the group at the start of the year were £111.1 billion and increased over the year to £146.2 billion. New business amounted to £19.1 billion, only 12% below 2008 levels, but was outweighed by an exodus of £29.8 billion, principally in fixed income. However the bulk of that was recorded in the first half of the year and we have been encouraged by the decreasing rate of redemptions of late. New business inflows were mainly into equities, so the effect overall on annualised revenues has been milder than headline numbers might suggest – indeed, the effect of net new business flows on run rate revenues was positive during the second half. With a further £3.6 billion of mandates awarded but not funded at the year end, we consider this performance very respectable.

Directors' report *(continued)*

Risk management

The Company's risks are recorded within the AAM Group Risk Management Database and are subject to the AAM risk management process. The group's 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.

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 company invests in graduate recruitment programmes and in ongoing training and development programmes relevant to the needs of the Company 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 company 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

An interim dividend of £4m was paid during the year (2008 £8m) The directors recommend that no final dividend be paid for the year (2008 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
D Hill (resigned 30 June 2009)
CMV McKenzie
PT Griffiths (appointed 24 July 2009)

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 12.3 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

21st January 2010

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 auditors' 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 2009 set out on pages 6 to 13. 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 auditors' 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 auditors

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 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 web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its profit 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.



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

21 January 2010

Profit and loss account
for the year ended 30 September 2009

	<i>Note</i>	2009 £000	2008 £000
Turnover	<i>1</i>	29,215	33,651
Administrative expenses		(23,239)	(27,115)
Operating profit		5,976	6,536
Interest receivable and similar income	<i>5</i>	811	1,963
Profit on ordinary activities before taxation	<i>2-4</i>	6,787	8,499
Tax on profit on ordinary activities	<i>6</i>	(2,030)	(2,015)
Profit for the financial year	<i>13</i>	4,757	6,484

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

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

The notes on pages 8-13 form part of these financial statements

Balance sheet
at 30 September 2009

	<i>Note</i>	2009 £000	2008 £000
Current assets			
Debtors	8	24,071	13,948
Investments	10	-	5,937
Cash at bank and in hand		25,217	24,535
		<hr/>	<hr/>
Creditors amounts due within one year	11	49,288 (4,294)	44,420 (10,183)
		<hr/>	<hr/>
Net current assets		44,994	34,237
		<hr/>	<hr/>
Net Assets		44,994	34,237
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	16,945	11,945
Share premium account	13	21,000	16,000
Non-distributable reserves	14	5,937	5,937
Profit and loss account	13	1,112	355
		<hr/>	<hr/>
Shareholders' funds	15	44,994	34,237
		<hr/>	<hr/>

The notes on pages 8-13 form part of these financial statements

These financial statements were approved by the board of directors on 21st January 2010 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 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.

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. The Company also contributes to a defined benefit scheme operated by the parent Company. The scheme is closed to new membership and future service accruals. Contributions to this scheme, which are paid according to the advice of an actuary, are charged to the profit and loss account so as to spread the cost over the expected working lives of those deferred members who are still working for the Company.

Notes (continued)

1 Accounting policies (continued)

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 profit 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.

2 Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging

	2009 £000	2008 £000
<i>Auditors' remuneration</i>		
Amounts receivable by the auditors and their associates in respect of Audit of these financial statements	18	17
	<u>18</u>	<u>17</u>

3 Staff numbers and costs

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

	Number	Number
Directors	6	6
	<u>6</u>	<u>6</u>

All staff are paid by fellow subsidiaries, so there were no staff costs for the current year.

4 Directors' remuneration

No directors received any emoluments from the Company in the current financial year (2008: 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.

Notes (continued)

5 Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	811	1,963

6 Taxation

	2009 £000	2008 £000
<i>Analysis of charge in the year</i>		
Group relief charge current year	2,030	2,464
Adjustments in respect of previous year	-	(449)
Total current tax	2,030	2,015
Deferred tax charge current year	-	1
Deferred tax credit in respect of prior year	-	(1)
Taxation on profit on ordinary activities	2,030	2,015

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2008 lower) than the standard rate of corporation tax in the UK 28% (2008 29%). The differences are explained below

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	6,787	8,499
Current tax at 28% (2008 29%)	1,900	2,465
<i>Effects of</i>		
Capital allowances in excess of depreciation	-	(2)
Capital gains (effects of indexation, rebasing etc)	-	1
Payment for group relief claimed in excess of 28% (2008 29%)	130	-
Adjustments relating to previous years current tax	-	(449)
Total current tax charge (see above)	2,030	2,015

Notes (continued)

7 Dividends

The aggregate amount of dividends comprises

	2009 £000	2008 £000
Ordinary shares		
- Interim dividend paid	4,000	8,000

8 Debtors

	2009 £000	2008 £000
Trade debtors	3,337	4,385
Prepayments and accrued income	10,340	8,796
Amounts due by group undertakings	10,220	181
Other debtors	171	583
Deferred tax (see note 9)	3	3
	<u>24,071</u>	<u>13,948</u>

9 Deferred taxation

	2009 £000	2008 £000
At 30 September 2008 and 2009	3	3

10 Investments

	2009 £000	2008 £000
Shares in subsidiary undertakings at cost	-	5,937

Subsidiary undertakings

During the year the company's subsidiary "Arthur House No 20 Limited" was liquidated. The corresponding intercompany creditor was also eliminated on liquidation.

Notes (continued)

11 Creditors amounts falling due within one year

	2009 £000	2008 £000
Accruals and deferred income	2,191	2,797
Amounts due to group undertakings	1,690	6,834
Other creditors	413	552
	<u>4,294</u>	<u>10,183</u>

12 Called up share capital

	2009 £000	2008 £000
<i>Authorised</i>		
17,000,000 (2008 12,000,000) ordinary shares of £1 each	17,000	12,000
<i>Allotted, called up and fully paid</i>		
16,944,701 (2008 11,944,701) ordinary shares of £1 each	16,945	11,945

13 Reserves

	Share Premium Account £000	Profit and Loss Account £000
At beginning of year	16,000	355
Arising on issue of shares	5,000	-
Profit for the year	-	4,757
Dividends paid	-	(4,000)
At end of year	<u>21,000</u>	<u>1,112</u>

14 Non-distributable reserves

	2009 £000	2008 £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

Notes *(continued)*

15 Reconciliation of movements in shareholders' funds

	2009	2008
	£000	£000
Profit for the financial year	4,757	6,484
Dividends on shares classified in shareholders' funds	(4,000)	(8,000)
Net movement in shareholders' funds	757	(1,516)
Opening shareholders' funds	34,237	35,753
Issue of ordinary share capital	10,000	-
Closing shareholders' funds	44,994	34,237

16 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 2009 the net amount guaranteed under this arrangement was £nil (2008 £nil).

17 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.

18 Regulatory

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