

ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED

Company Number: 3526143

REPORTS AND FINANCIAL STATEMENTS

For the year ended 30 September 2015

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STRATEGIC REPORT
For the year ended 30 September 2015

Business of the Company

The Company is regulated by both the Financial Conduct Authority (FCA) for conduct of business matters and the Prudential Regulation Authority (PRA) for prudential matters. The Company is authorised to conduct Classes I (Life & Annuity) and III (Linked Long Term) of long term insurance business.

There are no conventional non-profit or with-profit contracts and no retail type insurance policies. The Company does not bear any insurance risk as all benefits of the policies are tied to assets in the underlying internal linked funds by unit linking.

In practice the Company serves as an efficient delivery mechanism of investment services to the Aberdeen Asset Management group's institutional pension scheme clients (both defined benefit and defined contribution) and other insurance entities through reinsurance of their unit-linked liabilities.

During the year the value of assets under management decreased by £547m due to the combination of net outflows arising from clients, and negative market movements.

The following fund changes took place in the year:

| Fund Name | Status | Date |
|------------------------------------|--------|----------------|
| Aberdeen Life UK Property Fund | Opened | November 2014 |
| Aberdeen Life Direct Property Fund | Closed | September 2015 |

Provision of services

The Company has no employees. Services to the Company are provided by outsourcers as follows:

- Management Services by Aberdeen Asset Management PLC;
- Investment Management by Aberdeen Asset Managers Limited;
- Custody & Administration by State Street Bank and Trust Company;
- Transfer Agency by International Financial Data Services Limited; and
- Actuarial Function by Barnett Waddingham LLP.

Principle risks and uncertainties

Movements in AuM due to markets and investment decisions.

We make investment decisions based on the long-term, which may occasionally lead to periods of underperformance. We mitigate this by ensuring clients and investment consultants fully understand our investment philosophy and by openly discussing performance drivers, supported by relevant analysis of the performance components. There is a market risk team, independent of the fund managers, which monitors the investment profile across all asset classes.

Risk of breach of an investment mandate terms leading to action for compensation.

This could arise from mismanagement of an investment mandate. There are also overarching controls in various committees, as well as an independent review of portfolio data by the market risk team to ensure portfolios are in line with mandates.

STRATEGIC REPORT

For the year ended 30 September 2015

Principle risks and uncertainties (continued)

Third party provider risk

The Company relies on a number of third party relationships and services to carry out business functions. We use a small number of strategic suppliers. This ensures a degree of competition, whilst ensuring that we have significant influence and leverage. However, it also exposes us to concentration risk and dependence on strategic providers. Our operations team oversees these third party administrators. We have contingency plans reviewed by the Board on how we would best manage a withdrawal of failure of a strategic supplier.

Regulatory and legal compliance risk

The Company operates in a complex and dynamic regulatory environment. Risks arise from legal and regulatory obligations and the failure to correctly interpret law or changes in the law which may materially and adversely impact the Company. The Company may also be subject to regulatory sanctions or loss of reputation from failure to comply with regulations. The management of legal and regulatory risk is the responsibility of senior management of all functions, supported by the group legal and compliance teams. The legal and compliance teams are responsible for tracking legal and regulatory developments to ensure that the Company is well prepared for changes. As well as developing policies, delivering training and performing monitoring checks, they also provide advice to other divisions to enable compliance with legal and regulatory requirements.

Key performance indicators

The Company uses a number of financial performance measures to monitor the performance of the business against budget and prior year throughout the year. These key performance indicators ('KPIs') are measured and reported to management on a monthly basis and are shown below:

| | 2015 £'000 | 2014 £'000 |
|-------------------------------|------------------|------------------|
| Gross premiums written | 529,890 | 118,500 |
| Profit before tax | 773 | 1,077 |
| Assets under management (AUM) | <u>1,926,409</u> | <u>2,472,997</u> |

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.

Assets under management ('AUM') at the start of the year were £2,473 million and decreased during the year by £547 million to a total of £1,926 million at 30 September 2015. This decrease is a result of market losses of £228 million and net outflows of £376 million which are offset by net income of £57 million.

The Company has maintained capital resources in excess of the capital resources requirement over the year. The capital resources at the end of the year amounted to £11,520,000 which exceeds the Pillar I capital resources requirement by £8,619,000. The movement in the level of capital resources over the year is given in note 20 to the financial statements.

ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED
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STRATEGIC REPORT
For the year ended 30 September 2015

Position of the Company and future developments

The Company's financial position at 30 September 2015 is reflected in the audited balance sheet set out on page 11.

Average assets under management during the financial year, on a net basis, were £2,200 million compared with £2,494 million in the previous year. The profit for the year after tax was £764,000 compared with a profit of £839,000 for the year to 30 September 2014.

No interim dividend was paid during the year (2014: £6.5 million). The Directors do not recommend the payment of a final dividend for the year ended 30 September 2015.

The Company is expected to continue as a going concern for the foreseeable future. As required to be explained by the Companies Act 2006, the Directors do not believe there are any risk disclosures to be made in relation to environmental matters, social, community and human rights issues or Company employees, which impact the Company.

By order of the Board of Directors on this 2 December 2015



For Aberdeen Asset Management PLC
Secretaries
Bow Bells House
1 Bread Street
London, EC4M 9HH

REPORT OF THE DIRECTORS
For the year ended 30 September 2015

The Directors submit the Audited Financial Statements for the year ended 30 September 2015.

In accordance with section 414C(11), of the Companies Act 2006, we have chosen to set out in the strategic report; a review of the Company business, a description of the principal risks and uncertainties facing the Company, key performance indicators and future developments.

Board Committees

The Board has appointed the following committees to assist in the execution of its duties. All committees operate on written terms of reference which are reviewed at least annually. The chairman of each committee reports to each meeting of the Board. Each of the committees is authorised to obtain, at the Company's expense, external legal or other professional advice to assist in the performance of its duties. Only the members of each committee or other Board members are entitled to attend its meetings but others, such as senior management and external advisers, may be invited to attend as appropriate.

Audit Committee

The audit committee is chaired by the Chairman of the Board and he is supported on the committee by all other members of the Board. The committee operates under formal terms of reference and is scheduled to hold two meetings in each year.

The committee's role is to assist the board in discharging its duties and responsibilities for financial reporting, internal control and risk management, and the appointment and remuneration of independent external auditors. The committee is also responsible for reviewing the scope and results of audit work and its cost effectiveness and the independence and objectivity of the auditors.

Risk Committee

The Company's combined Individual Capital Assessment and Own Risk and Solvency Assessment sets out a Risk Map detailing the principal risks facing the Company. These are reviewed regularly for completeness and accuracy based on actual risk events recorded within the AAM Group Risk Management Database and are subject to the AAM risk management process.

The Board has established a Risk Committee to review and monitor all aspects of the Company's risks. The Risk Committee is chaired by a non-Executive Director, and he is supported on the committee by the Chief Executive. Aberdeen's Group Global Head of Business Risk, and the Company's Actuarial Function Holder also attend the meetings of the committee.

The committee operates under formal terms of reference and is scheduled to hold at least three meetings in each year.

The committee has oversight of the risk management framework and more specifically the effectiveness of risk management, governance and compliance activity within the Company. The Minutes of the committee are submitted to the Board for review.

The committee and the Board continue to monitor the work underway to prepare for the implementation of Solvency II.

REPORT OF THE DIRECTORS (*continued*)
For the year ended 30 September 2015

Board Committees (*continued*)

Unit Linked Governance Committee

The Board is committed to Treating Customers Fairly ("TCF") and now includes its TCF oversight within a Linked Governance ("ULG") Committee. As well as monitoring the Company's TCF dashboard, the committee reviews events and developments in the context of the Company that relate to all aspects of Unit Linked Governance, and follows these up where it is considered appropriate. The ULG Committee reports on its activities to the Board.

In line with this, and in accordance with the ABI's Guide of Good Practice, the Board has approved the Company's policy on the use of discretion in the pricing of unit-linked funds and the treatment of errors.

Management Information is produced each month and circulated to Board members. This includes specific material to highlight where issues of Unit Linked Governance and/or TCF have been considered in the Company's operations. The Board also considers the TCF aspects of product developments and significant process changes as part of its on-going supervisory role.

Presentation of financial statements

The financial statements of the Company have been prepared in accordance with the provisions of section 396 of the Companies Act 2006 including applying the requirements set out in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies. The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules as modified to include the revaluation of investments and comply with the revised Statement of Recommended Practice (SORP) issued by the Association of British Insurers in December 2006.

Directors

The Directors of the Company at 30 September 2015 were as follows:

| | |
|--------------|--------------------------|
| C G Little | (Non-executive Chairman) |
| H M Webster | (Chief Executive) |
| P E Skerrett | (Non-executive Director) |
| J M Brett | (Executive Director) |
| G A White | (Executive Director) |

Actuarial Function Holder

J A Hoskin of Barnett Waddingham LLP

Policy on payment of creditors

As required by the policy terms, all life fund claims and settlements are normally paid within four working days of such transactions being initiated.

ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED
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REPORT OF THE DIRECTORS (*continued*)
For the year ended 30 September 2015

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor was be deemed to be reappointed and therefore KPMG Audit Plc continued in office for the financial period 1 October 2014 to 30 September 2015.

Following a tender process for the audit of Aberdeen Asset Management PLC and its subsidiaries that took place in 2015, it was recommended that PricewaterhouseCoopers LLP be appointed as auditor for the Aberdeen Asset Management Group of entities effective for periods ending on or after 1 October 2015.

As a result KPMG Audit Plc will not be seeking reappointment as the Company's auditor for the financial year commencing 1 October 2015 and PricewaterhouseCoopers LLP will seek appointment instead.

By order of the Board of Directors on this 2 December 2015



For Aberdeen Asset Management PLC
Secretaries
Bow Bells House
1 Bread Street
London, EC4M 9HH

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS'
REPORT TO THE 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 (UK Generally Accepted Accounting Practice) and applicable law.

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 year.

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 proper 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 ASSET MANAGEMENT LIFE AND PENSIONS LIMITED

We have audited the financial statements of Aberdeen Asset Management Life and Pensions Limited for the year ended 30 September 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement's in Shareholders' Funds and the related notes. 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 7, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 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 Strategic Report and 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.



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

2 December 2015

ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED
Company registration number: 3526143

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2015

| | Notes | 2015 £000 | 2015 £000 | 2014 £000 | 2014 £000 |
|--|-------|--------------|------------------|--------------|-----------------|
| TECHNICAL ACCOUNT - LONG TERM BUSINESS | | | | | |
| EARNED PREMIUMS, NET OF REINSURANCE | | | | | |
| Gross premiums written | 2 | | 529,890 | | 118,500 |
| Investment income | 3 | 71,636 | | 70,990 | |
| Unrealised gains on investments | 3 | - | | 32,837 | |
| Realised gains on investments | 3 | 106,912 | | 83,318 | |
| | | | <u>178,548</u> | | <u>187,145</u> |
| TOTAL TECHNICAL INCOME | | | 708,438 | | 305,645 |
| CLAIMS INCURRED | | | | | |
| Claims paid - gross amount | | | (905,815) | | (331,785) |
| CHANGE IN OTHER TECHNICAL PROVISIONS | | | | | |
| Long term business provision – gross amount | | | | | - |
| Other technical provisions: | | | | | |
| Technical provisions for linked liabilities | 13 | | 546,588 | | 43,627 |
| | | | <u>349,211</u> | | <u>17,487</u> |
| OTHER CHARGES | | | | | |
| Net operating expenses | 4 | (4,521) | | (3,909) | |
| Investment expense and charges | 3 | (8,709) | | (9,763) | |
| Unrealised losses on investments | 3 | (332,152) | | - | |
| Tax attributable to long term business | 7 | (3,098) | | (3,007) | |
| | | | <u>(348,480)</u> | | <u>(16,679)</u> |
| BALANCE ON THE LONG TERM BUSINESS TECHNICAL ACCOUNT | | | 731 | | 808 |

The notes on pages 13 to 20 form part of these financial statements.

ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED
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PROFIT AND LOSS ACCOUNT (Continued)
 For the year ended 30 September 2015

| | Notes | 2015 <u>£000</u> | 2014 <u>£000</u> |
|--|-------|---------------------|---------------------|
| NON-TECHNICAL ACCOUNT | | | |
| BALANCE ON THE LONG TERM BUSINESS TECHNICAL ACCOUNT | | 731 | 808 |
| Tax attributable to the balance on the long term business technical account | | - | 229 |
| SHAREHOLDERS PRE TAX PROFIT FROM LONG TERM BUSINESS | | 731 | 1,037 |
| Investment income | 3 | 42 | 40 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAX | | 773 | 1,077 |
| Tax on profit on ordinary activities | 7 | (9) | (238) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAX | | 764 | 839 |

All the amounts above are in respect of continuing operations.

In accordance with the amendment to FRS3 published in June 1999, no note of historical cost profits has been prepared as the Company's only material gains and losses on assets relate to the holding and disposal of investments.

The notes on pages 13 to 20 form part of these financial statements.

ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED
Company registration number: 3526143

BALANCE SHEET
30 September 2015

| <u>ASSETS</u> | | 2015 <u>£000</u> | 2014 <u>£000</u> |
|--|-------|-----------------------------|-----------------------------|
| | Notes | | |
| INVESTMENTS | | | |
| Other financial investments | 8 | 12,332 | 12,030 |
| ASSETS HELD TO COVER LINKED LIABILITIES | 9 | 1,926,409 | 2,472,997 |
| OTHER ASSETS | | | |
| Cash at bank and in hand | 10 | 629 | 1,437 |
| PREPAYMENTS AND ACCRUED INCOME | | 3,973 | 1,682 |
| TOTAL ASSETS | 11 | <u>1,943,343</u> | <u>2,488,146</u> |
| <u>LIABILITIES</u> | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 1,500 | 1,500 |
| Profit and loss account | | 11,520 | 10,756 |
| Shareholders' funds – equity interests | | 13,020 | 12,256 |
| TECHNICAL PROVISION FOR LINKED LIABILITIES | 13 | 1,926,409 | 2,472,997 |
| PROVISIONS FOR OTHER RISKS AND CHARGES | 14 | 174 | 199 |
| CREDITORS | | | |
| Other creditors including taxation and social security | 15 | 3,740 | 2,694 |
| TOTAL LIABILITIES | | <u>1,943,343</u> | <u>2,488,146</u> |

These financial statements were approved by the Board of Directors on 2 December 2015

Signed by H M Webster for and on behalf of the Board of Directors on 2 December 2015

The notes on pages 13 to 20 form part of these financial statements.



ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED
Company registration number: 3526143

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 30 September 2015

| | Notes | Share Capital 2015 £000 | Profit & Loss Account 2015 £000 | Share Capital 2014 £000 | Profit & Loss Account 2014 £000 |
|------------------------------|-------|----------------------------------|---|----------------------------------|---|
| Opening balance at 1 October | | 1,500 | 10,756 | 1,500 | 16,417 |
| Profit for the year | | - | 764 | - | 839 |
| Dividend | 16 | - | - | - | (6,500) |
| Balance at 30 September | | <u>1,500</u> | <u>11,520</u> | <u>1,500</u> | <u>10,756</u> |
| | | | 2015 £000 | | 2014 £000 |
| Total shareholders' funds | | | <u>13,020</u> | | <u>12,256</u> |

NOTES TO THE ACCOUNTS
For the year ended 30 September 2015

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 the provisions of section 396 of the Companies Act 2006 including applying the requirements set out in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules as modified to include the revaluation of investments and comply with the revised Statement of Recommended Practice (SORP) issued by the Association of British Insurers in December 2006.

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 published consolidated financial statements.

Under Financial Reporting Standard 16 the Company has included foreign taxes withheld in the tax charge shown in the Profit and Loss Account.

As the Company is a wholly owned subsidiary of Aberdeen Asset Management PLC, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has 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 the Company Secretary at 10 Queen's Terrace, Aberdeen AB10 1YG.

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 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 PLC 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.

Basis of accounting for long term business

A modified statutory solvency basis of accounting has been adopted for the Company's long term insurance business.

Premiums

Premiums and considerations for annuities are accounted for on a receivable basis.

NOTES TO THE ACCOUNTS
For the year ended 30 September 2015

1. ACCOUNTING POLICIES (*continued*)

Claims and benefits

Claims and surrenders are accounted for in the period in which they are settled by the Company.

Investments

Listed investments are valued at the market bid price ruling at the balance sheet date. Investments in collective funds are valued at the published price at the balance sheet date or, in the case of dual priced funds, at the bid price. Realised and unrealised gains and losses on investments are dealt with in the profit and loss account: in the technical account for investments held on behalf of policyholders and in the non-technical account for shareholder investments.

Investment income and expenses are dealt with in the profit and loss account: in the technical account for investments held on behalf of policyholders and in the non-technical account for shareholder investments. Dividend income is recorded on the date on which the shares are quoted ex dividend. Interest income and expenses are accounted for on an accruals basis.

Long term business provision

The long term business provision is determined by the Company's Reporting Actuary having due regard to the principles laid down by Council Directive 2002/83/EEC.

Taxation

The charge for taxation is based on the results for the year as dealt with in the technical account and non-technical account and takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes.

The after tax balance on the long term business technical account transferred to the non-technical account is grossed up in respect of tax attributable to the amount transferred.

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, except as otherwise required by Financial Reporting Standard 19.

In prior years, 'Tax attributable to the balance on the long term business technical account' included Foreign Tax on Investment Income. In the current year, to better reflect the tax effectively borne by the Company on its profit, such amounts have not been included in 'Tax attributable to the balance on the long term business technical account' to the extent they are attributable to the Company's policyholders. As a consequence, such Foreign Tax does not form part of 'Tax on profit on ordinary activities' in the Company's non-technical account. The result of this adjustment is presentational and there is no impact on profit and loss, or the Company's balance sheet in the 2014 and 2015 financial statements.

Foreign exchange

Transactions which are denominated in foreign currencies are converted at the rates of exchange ruling at the dates of the transactions. Monetary 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: in the technical account for investments held on behalf of policyholders and in the non-technical account for shareholder investments.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED
Company registration number: 3526143

NOTES TO THE ACCOUNTS (continued)
For the year ended 30 September 2015

| | | |
|--|----------------------------|----------------------------|
| 2. SEGMENTAL ANALYSIS | | |
| All business is group pensions business written in the United Kingdom | 2015 £000 | 2014 £000 |
| Gross premiums written | | |
| Linked contracts – regular premium | 2,923 | 3,066 |
| Linked contracts – single premium | 526,967 | 115,434 |
| | 529,890 | 118,500 |
| 3. INVESTMENT RETURN SUMMARY | | |
| Long term business | 2015 £000 | 2014 £000 |
| Investment income: | | |
| Income from other investments | | |
| - listed | 71,636 | 70,990 |
| Realised gains on investments | 106,912 | 83,318 |
| Unrealised (losses)/gains on investments | (332,152) | 32,837 |
| Investment expenses and charges: | | |
| Investment management expenses | (8,709) | (9,763) |
| Net investment return included in the long term business technical account | (162,313) | 177,382 |
| Shareholders' funds | | |
| Income from other investments | 42 | 40 |
| Total investment (loss)/return | (162,271) | 177,422 |
| 4. NET OPERATING EXPENSES | 2015 £000 | 2014 £000 |
| Administration expenses | 4,521 | 3,909 |

The Company has no employees. Administration and investment management services were provided to the Company throughout the year by other group undertakings.

| | | |
|--|----------------------------|----------------------------|
| 5. AUDITOR'S REMUNERATION | 2015 £000 | 2014 £000 |
| Amounts receivable by the auditors and their associates in respect of: | | |
| Audit of these financial statements | 60 | 60 |
| Other services pursuant to such legislation | 10 | 10 |

NOTES TO THE ACCOUNTS (continued)
For the year ended 30 September 2015

6. DIRECTORS' EMOLUMENTS

| | 2015 £000 | 2014 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 65 | 65 |

7. TAXATION

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Long term business technical account | | |
| UK corporation tax on the basis applicable to life assurance companies at 20.5% (2014: 22%) | 174 | 255 |
| Foreign tax | 3,098 | 2,778 |
| Deferred taxation | (25) | (26) |
| Adjustment in respect of prior year | (149) | - |
| | <u>3,098</u> | <u>3,007</u> |

Non-technical account

| | | |
|--|-------------|-------------|
| UK corporation tax at 20.5% (2014: 22%) | 9 | 9 |
| Tax attributable to shareholders long term business profits at 20.5% | <u>25</u> | <u>255</u> |
| Total current tax | 34 | 264 |
| Deferred taxation attributable to long term business (see note 14) | <u>(25)</u> | <u>(26)</u> |
| | <u>9</u> | <u>238</u> |

Factors affecting the tax charge for the current year

The current tax charge for the year is higher/lower (2014: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Current tax reconciliation | | |
| Profit on ordinary activities before tax | <u>773</u> | <u>1,077</u> |
| Current tax at 20.5% (2014: 22%) | 158 | 238 |
| <i>Effects of:</i> | | |
| Adjustment in respect of prior year | (149) | - |
| Other timing differences | <u>25</u> | <u>26</u> |
| Total current tax charge (see above) | <u>34</u> | <u>264</u> |

NOTES TO THE ACCOUNTS (continued)
For the year ended 30 September 2015

8. OTHER FINANCIAL INVESTMENTS

| | Current Value 2015 £000 | Cost 2015 £000 | Current Value 2014 £000 | Cost 2014 £000 |
|-----------------------------------|--|-------------------------------|--|-------------------------------|
| Deposits with credit institutions | <u>12,332</u> | <u>11,335</u> | <u>12,030</u> | <u>11,115</u> |

9. ASSETS HELD TO COVER LINKED LIABILITIES

| | Current Value 2015 £000 | Cost 2015 £000 | Current Value 2014 £000 | Cost 2014 £000 |
|---|--|-------------------------------|--|-------------------------------|
| Assets held to cover linked liabilities | <u>1,926,409</u> | <u>1,842,582</u> | <u>2,472,997</u> | <u>2,434,444</u> |

10. CASH AT BANK AND IN HAND

| | 2015 £000 | 2014 £000 |
|---------------|----------------------|----------------------|
| Balances held | <u>629</u> | <u>1,437</u> |

11. ASSETS ATTRIBUTABLE TO THE LONG TERM BUSINESS FUND

Of the total amount of assets shown on page 11, £1,933,995,000 (2014: £2,479,340,000) is attributable to the long-term business fund.

12. SHARE CAPITAL

| | 2015 £000 | 2014 £000 |
|---|----------------------|----------------------|
| Authorised: Ordinary shares of £1 each | <u>50,000</u> | <u>50,000</u> |
| Allotted called up and fully paid Ordinary shares of £1 each | <u>1,500</u> | <u>1,500</u> |

As of 30 September 2015 £1,500,000 (2014: £1,200,000) of the capital and reserves are not to be treated as realised profit under section 843 of the Companies Act 2006.

NOTES TO THE ACCOUNTS (continued)
For the year ended 30 September 2015

13. LONG TERM BUSINESS PROVISION

- (1) The unit liability for linked business was calculated by valuing units at bid price.
- (2) The non-unit liability of £nil (2014: £nil) for linked business was calculated using a cash flow method. The principal assumptions were as follows: -
- Fixed costs allocated pro rata to the size of the policies
 - Inflation of fixed cost of 4.5% (2014: 5.0%) per annum
 - Fund growth of 0.5% (2014: 0.5%) per annum
 - Valuation rate of interest of 0.5% (2014: 0.5%)

Analysis of movement

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| As at 1 October | 2,472,997 | 2,516,624 |
| Decrease dealt with through the technical account | (546,588) | (43,627) |
| As at 30 September | 1,926,409 | 2,472,997 |

14. PROVISION FOR DEFERRED TAX

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Balance brought forward | 199 | 225 |
| Deferred taxation – other timing differences | | (26) |
| Balance carried forward | 174 | 199 |

15. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Accruals | 1,055 | 1,409 |
| Direct insurance operations and creations | 2,239 | - |
| Amount owed to parent company | 446 | 1,285 |
| | 3,740 | 2,694 |

16. DIVIDEND

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| 2015 Interim dividend £nil per share (2014 £4.33 per share) | - | 6,500 |

17. ULTIMATE PARENT COMPANY AND OTHER PARENT UNDERTAKINGS

Aberdeen Asset Management PLC, a company registered in Scotland, is the Company's immediate controlling entity and is also the ultimate parent undertaking of the smallest group of undertakings for which group financial statements are drawn up.

Copies of group financial statements prepared in respect of Aberdeen Asset Management PLC may be obtained from the Company Secretary at 10 Queen's Terrace, Aberdeen.

18. RELATED PARTY TRANSACTIONS

As permitted by paragraph 3(c) of FRS 8, no disclosure is made of transactions with members of the Aberdeen Asset Management PLC group.

19. CHARGES OVER ASSETS

There exists:

A charge over the assets of the Company in the instance of 9 reinsurance accepted policies. This is described as follows in the related Deeds of Charge:

"As continuing security for the payment or discharge of the Secured Amounts, the Chargor hereby charges to the Reinsured by way of floating charge all its right to and title in the Charged Property, provided that, unless and until all Insurance Debts of the Chargor have been fully discharged, the amount recoverable under this Deed shall not exceed such amount (up to the Secured Amounts) as the Reinsured would have been entitled to receive from the Chargor if the Secured Amounts had been unsecured Insurance Debts of the Chargor and had not been hereby secured."

The total gross amount of the assets and liabilities related to this charge is £654.5 million.

There are no:

- potential capital gains tax liabilities;
- contingent liabilities;
- guarantees, indemnities or other contractual commitments in respect of related companies, effected other than in the ordinary course of insurance business; or
- other fundamental uncertainties to report.

NOTES TO THE ACCOUNTS (continued)
For the year ended 30 September 2015

20. CAPITAL STATEMENT

| | UK Non Participating 2015 £000 | Shareholders' Fund 2015 £000 | Total Life Business 2015 £000 |
|---|---|---------------------------------------|--|
| Long term business | | | |
| Available capital resources | | | |
| Shareholders' funds held outside long term business fund | - | 9,330 | 9,330 |
| Shareholders' funds held in long term business fund | 3,690 | - | 3,690 |
| Total shareholders' funds | 3,690 | 9,330 | 13,020 |
| Adjustments onto a regulatory basis: | | | |
| Other adjustments | (1,500) | - | (1,500) |
| Total available capital resources | 2,190 | 9,330 | 11,520 |
| Analysis of policyholders liabilities | | | |
| Unit linked liabilities | 1,926,409 | - | 1,926,409 |
| Analysis of movements in capital | | | |
| Opening available capital resources at 1 October 2014 | 2,259 | 8,797 | 11,056 |
| Retained profit for year | 731 | 33 | 764 |
| Transfer to shareholders fund | (500) | 500 | - |
| Increase in adjustments onto a regulatory basis | (300) | - | (300) |
| Closing available capital resources at 30 September 2015 | 2,190 | 9,330 | 11,520 |

No business has been written by the Company except property linked business for which the shareholders are entitled to all surplus arising. The capital resources requirement is determined in accordance with the rules set out in the PRA Rulebook. This is calculated as the higher of the base capital resources requirement, which is set by the EC Life Directive as 3.7 million euros and the sum of the resilience capital requirement and the long term insurance capital resource requirement ('LTICR'). For the purposes of the property-linked business written by the Company the LTICR is calculated as 25% of the previous years net administrative expenses. For non-linked business the LTICR is calculated as 4% of the mathematical reserves that allow for contingencies including that of closure to new business (currently 4% of £1,500,000). As at 30 September 2015 the 3.7 million euros figure applies.

The key constraint on regulatory capital relates to the ability of the business to earn enough revenue to cover the costs of administration in the event of closure to new business or adverse economic conditions. The Company manages this risk by ensuring that the form of all policy contracts allows termination by the Company on a period of notice of one year or less and by having an expense structure that is sensitive to the ability of the business to generate revenue from policy charges.

All of the Company's capital resources are in the form of ordinary share capital and reserves. The Company is permitted to transfer capital resources from the long term insurance fund to the shareholders' fund. The Company is able to make a distribution to shareholders subject to the constraints of the Companies Act 2006, retaining sufficient available capital resources to cover the capital resources requirements and meet the other constraints of the combined PRA and FCA Handbook of Rules and Guidance.