

ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED

Company Number: 3526143

REPORTS AND FINANCIAL STATEMENTS

For the year ended 30 September 2014

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STRATEGIC REPORT  
For the year ended 30 September 2014

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### 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 £43.6m due to the combination of net outflows arising from clients, and positive market movements and net income received.

The following fund was closed during the year.

Fund Name	Date closed
Aberdeen Life Asia Pacific Equity Fund	31 January 2014

This fund was closed due to its lack of popularity and small scale.

### 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 Towers Watson Limited.

### 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 mis-management 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 2014

### Principle risks and uncertainties (continued)

#### *Third party provide 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. We 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:

	2014 £'000	2013 £'000
Gross premiums written	118,500	248,037
Profit before tax	3,855	9,737
Assets under management (AUM)	<u>2,472,997</u>	<u>2,516,624</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 £2,517 million and decreased during the year by £44 million to a total of £2,473 million at 30 September 2014. This decrease is a result of market gains of £116m and net income of £53m, offset by net outflows of £213m.

The profit before tax result for the current final year was lower than that of the previous financial year mainly due to the application of the Aberdeen Group's transfer pricing arrangements with effect from 1<sup>st</sup> October 2013.

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 £11,056,000 which exceeds the Pillar I capital resources requirement by £7,910,000. The movement in the level of capital resources over the year is given in note 20 to the financial statements.

STRATEGIC REPORT  
For the year ended 30 September 2014

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**Position of the Company and future developments**

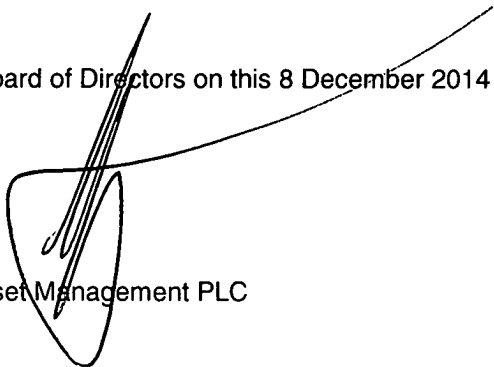
The Company's financial position at 30 September 2014 is reflected in the audited balance sheet set out on page 11.

Average assets under management during the financial year, on a net basis, were £2,494 million compared with £2,423 million in the previous year. The profit for the year after tax was £839,000 compared with a profit of £5,823,000 for the year to 30 September 2013.

An interim dividend of £6,500,000 was paid during the year. The directors do not recommend the payment of a final dividend for the year ended 30 September 2014.

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 8 December 2014

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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 2014

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The Directors submit the Audited Financial Statements for the year ended 30 September 2014.

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 Individual Capital 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, including the development of the Forward Looking Assessment of Own Risk ("FLAOR") Policy and Report.

REPORT OF THE DIRECTORS (*continued*)  
For the year ended 30 September 2014

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### **Board Committees (*continued*)**

#### *Unit Linked Governance Committee*

The Board is committed to Treating Customers Fairly ("TCF") and now includes its TCF oversight within a newly formed Unit 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 2014 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 Towers Watson

### **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. Unless otherwise agreed, payments to external creditors are made within thirty days of receipt of invoices, payments to other group companies are made within 90 days.

At the year end, the Company had an average of 90 days purchases outstanding in respect of trade creditors and an average of 4 days outstanding in respect of approved claim and repurchase settlements.

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

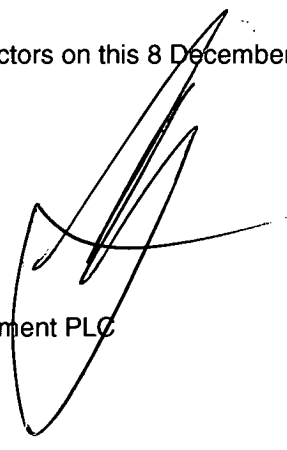
REPORT OF THE DIRECTORS (*continued*)  
For the year ended 30 September 2014

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**Auditor**

KPMG Audit Plc have expressed their willingness to continue in office. Elective resolutions are in place to dispense with the laying of the accounts and reports before the Company in general meeting, to dispense with the holding of the annual general meeting and to dispense with the obligation to appoint auditors annually. Whilst these resolutions remain effective, KPMG Audit Plc will continue to remain in office and their remuneration will be fixed by the Board of Directors.

By order of the Board of Directors on this 8 December 2014

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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

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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 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

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We have audited the financial statements of Aberdeen Asset Management Life and Pensions Limited for the year ended 30 September 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements 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](http://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 2014 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 matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and Strategic 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

8 December 2014

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

**PROFIT AND LOSS ACCOUNT**  
For the year ended 30 September 2014

	Notes	2014 <u>£000</u>	2014 <u>£000</u>	2013 <u>£000</u>	2013 <u>£000</u>
<b>TECHNICAL ACCOUNT - LONG TERM BUSINESS</b>					
<b>EARNED PREMIUMS, NET OF REINSURANCE</b>					
Gross premiums written	2		118,500		248,037
Investment income	3	70,990		70,017	
Unrealised gains on investments	3	32,837		147,572	
Realised gains on investments	3	83,318		86,338	
			<u>187,145</u>		<u>303,927</u>
<b>TOTAL TECHNICAL INCOME</b>			<b>305,645</b>		<b>551,964</b>
<b>CLAIMS INCURRED</b>					
Claims paid - gross amount			(331,785)		(347,361)
<b>CHANGE IN OTHER TECHNICAL PROVISIONS</b>					
Long term business provision – gross amount			-		-
Other technical provisions:					
Technical provisions for linked liabilities	13		<u>43,627</u>		<u>(186,953)</u>
			<b>17,487</b>		<b>17,650</b>
<b>OTHER CHARGES</b>					
Net operating expenses	4	(3,909)		(4,794)	
Investment expense and charges	3	(9,763)		(3,156)	
Tax attributable to the long term business	7	(3,007)		(3,905)	
			<u>(16,679)</u>		<u>(11,855)</u>
<b>BALANCE ON THE LONG TERM BUSINESS TECHNICAL ACCOUNT</b>			<b>808</b>		<b>5,795</b>

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

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

PROFIT AND LOSS ACCOUNT (Continued)  
 For the year ended 30 September 2014

	Notes	2014 <u>£000</u>	2013 <u>£000</u>
<b>NON-TECHNICAL ACCOUNT</b>			
BALANCE ON THE LONG TERM BUSINESS TECHNICAL ACCOUNT		808	5,795
Tax attributable to the balance on the long term business technical account		<u>3,007</u>	<u>3,905</u>
SHAREHOLDERS PRE TAX PROFIT FROM LONG TERM BUSINESS		3,815	9,700
Investment income	3	<u>40</u>	<u>37</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		3,855	9,737
Tax on profit on ordinary activities	7	<u>(3,016)</u>	<u>(3,914)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		<u>839</u>	<u>5,823</u>

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 2014

<b><u>ASSETS</u></b>		<b>2014</b>	<b>2013</b>
	Notes	<b><u>£000</u></b>	<b><u>£000</u></b>
INVESTMENTS			
Other financial investments	8	12,030	18,077
ASSETS HELD TO COVER LINKED LIABILITIES	9	2,472,997	2,516,624
OTHER ASSETS			
Cash at bank and in hand	10	1,437	1,803
PREPAYMENTS AND ACCRUED INCOME		<u>1,682</u>	<u>1,650</u>
TOTAL ASSETS	11	<u>2,488,146</u>	<u>2,538,154</u>
<b><u>LIABILITIES</u></b>			
CAPITAL AND RESERVES			
Called up share capital	12	1,500	1,500
Profit and loss account		<u>10,756</u>	<u>16,417</u>
Shareholders' funds – equity interests		12,256	17,917
TECHNICAL PROVISION FOR LINKED LIABILITIES	13	2,472,997	2,516,624
PROVISIONS FOR OTHER RISKS AND CHARGES	14	199	225
CREDITORS			
Other creditors including taxation and social security	15	<u>2,694</u>	<u>3,388</u>
TOTAL LIABILITIES		<u>2,488,146</u>	<u>2,538,154</u>

These financial statements were approved by the Board of Directors on 8 December 2014



Signed by H M Webster for and on behalf of the Board of Directors on 8 December 2014

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS  
 For the year ended 30 September 2014

	Notes	Share Capital 2014 <u>£000</u>	Profit & Loss Account 2014 <u>£000</u>	Share Capital 2013 <u>£000</u>	Profit & Loss Account 2013 <u>£000</u>
Opening balance at 1 October		1,500	16,417	1,500	10,594
Profit for the year		-	839	-	5,823
Dividend	16	-	(6,500)	-	-
Balance at 30 September		<u>1,500</u>	<u>10,756</u>	<u>1,500</u>	<u>16,417</u>
			<u>2014 £000</u>		<u>2013 £000</u>
Total shareholders' funds			<u>12,256</u>		<u>17,917</u>

NOTES TO THE ACCOUNTS  
For the year ended 30 September 2014

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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 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.

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 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 2014

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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 fund 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 because 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 at the effective tax rate applicable for the period.

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.

**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 fund 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 2014**

**2. SEGMENTAL ANALYSIS**

All business is group pensions business written in the United Kingdom

Gross premiums written

Linked contracts – regular premium

Linked contracts – single premium

<b>2014</b>	<b>2013</b>
<b><u>£000</u></b>	<b><u>£000</u></b>
<b>3,066</b>	2,842
<b>115,434</b>	245,195
<b>118,500</b>	248,037

**3. INVESTMENT RETURN SUMMARY**

Long term business

Investment income:

Income from other investments

- listed

Realised gains on investments

Unrealised gains on investments

Investment expenses and charges:

Investment management expenses

Net investment return included in the long term business technical account

Shareholders' funds

Income from other investments

Total investment return

<b>2014</b>	<b>2013</b>
<b><u>£000</u></b>	<b><u>£000</u></b>
<b>70,990</b>	70,017
<b>83,318</b>	86,338
<b>32,837</b>	147,572
<b>(9,763)</b>	(3,156)
<b>177,382</b>	300,771
<b>40</b>	37
<b>177,422</b>	300,808

**4. NET OPERATING EXPENSES**

Administration expenses

<b>2014</b>	<b>2013</b>
<b><u>£000</u></b>	<b><u>£000</u></b>
<b>3,909</b>	4,794

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**

Amounts receivable by the auditor's and their associates in respect of:

Audit of these financial statements

Other services pursuant to such legislation

<b>2014</b>	<b>2013</b>
<b><u>£000</u></b>	<b><u>£000</u></b>
<b>60</b>	60
<b>10</b>	10



NOTES TO THE ACCOUNTS (continued)  
For the year ended 30 September 2014

6. DIRECTORS' EMOLUMENTS

	2014 <u>£000</u>	2013 <u>£000</u>
Directors' emoluments	<u>65</u>	<u>65</u>

7. TAXATION

	2014 <u>£000</u>	2013 <u>£000</u>
<b>Long term business technical account</b>		
UK corporation tax on the basis applicable to life assurance companies at 22% (2013: 23.5%)	255	1,790
Foreign tax	2,778	2,166
Deferred taxation	(26)	(51)
	<u>3,007</u>	<u>3,905</u>
<b>Non-technical account</b>		
UK corporation tax at 22% (2013: 23.5%)	9	9
Tax attributable to shareholders long term business profits at 22%	255	1,790
Foreign tax	2,778	2,166
Total current tax	3,042	3,965
Deferred taxation attributable to long term business (see note 14)	(26)	(51)
	<u>3,016</u>	<u>3,914</u>

*Factors affecting the tax charge for the current year*

The current tax charge for the year is higher (2013: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	2014 <u>£000</u>	2013 <u>£000</u>
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>3,855</u>	<u>9,737</u>
Current tax at 22% (2013: 23.5%)	848	2,287
<i>Effects of:</i>		
Foreign tax on income	2,778	2,166
Relief from foreign tax	(610)	(509)
Other timing differences	26	21
Total current tax charge (see above)	<u>3,042</u>	<u>3,965</u>

NOTES TO THE ACCOUNTS (continued)  
 For the year ended 30 September 2014

8. OTHER FINANCIAL INVESTMENTS

	Current Value 2014 <u>£000</u>	Cost 2014 <u>£000</u>	Current Value 2013 <u>£000</u>	Cost 2013 <u>£000</u>
Deposits with credit institutions	<u>12,030</u>	<u>11,115</u>	<u>18,077</u>	<u>17,230</u>

9. ASSETS HELD TO COVER LINKED LIABILITIES

	Current Value 2014 <u>£000</u>	Cost 2014 <u>£000</u>	Current Value 2013 <u>£000</u>	Cost 2013 <u>£000</u>
Assets held to cover linked liabilities	<u>2,472,997</u>	<u>2,434,444</u>	<u>2,516,624</u>	<u>2,466,959</u>

10. CASH AT BANK AND IN HAND

	2014 <u>£000</u>	2013 <u>£000</u>
Balances held	<u>1,437</u>	<u>1,803</u>

11. ASSETS ATTRIBUTABLE TO THE LONG TERM BUSINESS FUND

Of the total amount of assets shown on page 11, £2,479,340,000 (2013: £2,523,863,000) is attributable to the long-term business fund.

12. SHARE CAPITAL

	2014 <u>£000</u>	2013 <u>£000</u>
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 2014 £1,200,000 (2013: £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 2014

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 (2013: £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 5.0% (2013: 5.0%) per annum
  - Fund growth of 0.5% (2013: 0.5%) per annum
  - Valuation rate of interest of 0.5% (2013: 0.5%)

*Analysis of movement*

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
As at 1 October	2,516,624	2,329,671
(Decrease)/Increase dealt with through the technical account	<u>(43,627)</u>	<u>186,953</u>
As at 30 September	<u>2,472,997</u>	<u>2,516,624</u>

14. PROVISION FOR DEFERRED TAX

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Balance brought forward	225	276
Deferred taxation – other timing differences	<u>(26)</u>	<u>(51)</u>
Balance carried forward	<u>199</u>	<u>225</u>

15. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Accruals	1,409	1,327
Amount owed to parent company	<u>1,285</u>	<u>2,061</u>
	<u>2,694</u>	<u>3,388</u>

16. DIVIDEND

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
2014 Interim dividend £4.33 per share (2013 £nil per share)	<u>6,500</u>	<u>-</u>

NOTES TO THE ACCOUNTS (continued)  
For the year ended 30 September 2014

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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 8 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 unsubordinated Insurance Debts of the Chargor and had not been hereby secure."

The total gross amount of the assets and liabilities related to this charge is £573.4 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 2014

20. CAPITAL STATEMENT

	UK Non Participating 2014 £000	Shareholders' Fund 2014 £000	Total Life Business 2014 £000
Long term business			
<b>Available capital resources</b>			
Shareholders' funds held outside long term business fund	-	8,797	8,797
Shareholders' funds held in long term business fund	3,459	-	3,459
Total shareholders' funds	3,459	8,797	12,256
Adjustments onto a regulatory basis:			
Other adjustments	(1,200)	-	(1,200)
Total available capital resources	2,259	8,797	11,056
<b>Analysis of policyholders liabilities</b>			
Unit linked liabilities	2,472,997	-	2,472,997
<b>Analysis of movements in capital</b>			
Opening available capital resources at 1 October 2013	2,451	14,266	16,717
Retained profit for year	808	31	839
Dividend		(6,500)	(6,500)
Transfer to Shareholders' Funds	(1,000)	1,000	-
<b>Closing available capital resources at 30 September 2014</b>	<b>2,259</b>	<b>8797</b>	<b>11,056</b>

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 FCA Handbook of Rules and Guidance. 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 £1,200,000). As at 30 September 2014 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.