

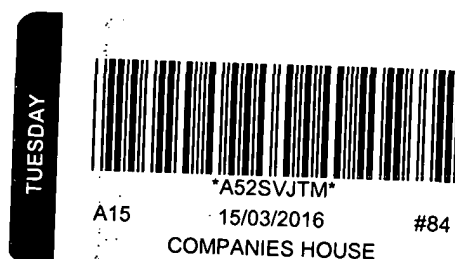
# Standard Advisory London Limited



## Annual Financial Statements

for the year ended 31 December 2015

Registered in England No. 8878241



## **Contents**

<b>Strategic Report .....</b>	<b>3</b>
<b>Directors' Report.....</b>	<b>6</b>
<b>Statement of directors' responsibilities.....</b>	<b>9</b>
<b>Independent auditor's report to the member of Standard Advisory London Limited .....</b>	<b>10</b>
<b>Statement of financial position .....</b>	<b>12</b>
<b>Statement of comprehensive income.....</b>	<b>13</b>
<b>Statement of changes in shareholder equity.....</b>	<b>14</b>
<b>Statement of cash flows .....</b>	<b>15</b>
<b>Significant accounting policies .....</b>	<b>16</b>
<b>Notes to the financial statements .....</b>	<b>21</b>

## Strategic Report

The directors present their strategic report for the year ended 31 December 2015 for Standard Advisory London Limited ("the company" or "SALL").

### Standard Bank Group profile

Standard Bank Group Limited ("SBGL") is the holding company of SALL. SBGL's shares are listed on the Johannesburg Stock Exchange and its market capitalisation at 31 December 2015 was ZAR 184 billion (approximately £12 billion).

Standard Bank Group ("SBG" or "Group") is a leading African integrated financial services group offering a full range of banking and related financial services. SBG has three business units: Personal & Business Banking ("PBB"), Corporate & Investment Banking ("CIB") and Wealth and Investment. As an international banking group, SBG currently operates in 20 countries on the African continent, including South Africa. It also operates in a number of key international markets, including the United Kingdom ("UK"), the Channel Islands, the United States of America ("US"), China, Hong Kong, Brazil and United Arab Emirates. SBG employs approximately 54,000 people across all geographies.

### Establishment of SALL

The company was incorporated in England and Wales on 5 February 2014 as Moltonplace Limited and changed its name on 21 July 2014 to Standard Advisory London Limited. SBGL purchased the company on 21 October 2014 for £1 and capitalised the company with £30m (see note 11).

On 31 December 2014 SALL acquired its business in London from ICBC Standard Bank Plc (formerly Standard Bank Plc).

The company was authorised by the FCA on 31 December 2014 for advising and arranging in relation to investments in the UK and Europe.

It remains a subsidiary of SBGL.

### Principal activities

SALL's main purpose is to build client relationships on behalf of SBG, introducing, arranging and advising on banking and finance services relating to SBG's Africa footprint. The majority of SALL's activities are in relation to the CIB business of SBG including a small Wealth team. The company forms a link between European clients and the provision of financial services by SBG on the African continent. It also links African clients to international financial markets. SALL predominantly offers:

- Client coverage – building and maintaining the Group's client relationships in Europe;
- Investment banking services which include arranging and advisory services to corporate and institutional clients, including in respect of mergers and acquisitions, public offerings, capital raisings and debt products;
- Advising and arranging on transactional products and services that comprise cash management solutions, trade finance services and investor services (such as clearing and custody);

- Liaison with, and introduction of, private clients to the broader Standard Bank Group's Wealth and Investment offering; and
- Employing individuals who perform functions for SBG mostly related to IT and Human Capital.

SALL originates financial assets for other SBG subsidiaries. All such assets and associated client revenues are executed on the balance sheets of other SBG subsidiaries. SALL is compensated through transfer pricing arrangements with Group companies in line with the Organisation for Economic Co-operation and Development guidelines.

### **Financial results**

The company's results for the period are shown in the statement of comprehensive income on page 13. The profit for the year is £5,652k (loss in 2014 of £(1,092k), relating to set up costs of the new entity).

### **Capital resources**

The company manages capital requirements based on the FCA requirements as well as a multiple of the monthly cost cover. At the end of 2015, the company was well capitalised with total equity capital resources amounting to £34,340k.

### **Key risk areas and risk management**

SALL recognises that the operation of its business carries inherent risks. Apart from reputational risk, the key inherent risks to the business included in operational risk are financial crime, conduct, legal, and human resources.

SALL is not exposed to external market risk or credit risk from business activities, as all transactions originated by the company are executed on the balance sheets of other SBG subsidiaries, the majority being to The Standard Bank of South Africa Limited ("SBSA").

SBG has substantial financial resources and a robust risk management architecture, upon which SALL can rely in order to shield it against economic risks. Linked to SBG's framework, SALL has its own risk and compliance framework including a Risk & Compliance Committee which meets monthly to oversee and monitor the activities of the company, and a Client Risk Management Committee which oversees the client activity and meets on a regular basis.

**Business objectives and outlook for 2016**

SALL will continue to introduce non-African based clients to the banking and finance services offered by SBG. It will also continue to facilitate access for the Group's African based clients to the international financial markets.

All transactions originated by SALL will continue to be executed on the balance sheets of other SBG subsidiaries.

This focus will emphasise the role that SALL plays in the Group vision to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

By order of the Board



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S C Smollett

Secretary

25 February 2016

Standard Advisory London Limited  
20 Gresham Street  
London EC2V 7JE  
Registered in England No. 8878241

## Directors' Report

The directors present their report and financial statements for the year ended 31 December 2015 for SALL.

### Going concern basis

The financial statements are prepared on a going concern basis as the directors are satisfied that the company has adequate resources to continue in business for the foreseeable future.

### Dividends

The directors recommend the payment of an ordinary dividend of £4 million for the period ended 31 December 2015.

### Internal control and financial reporting

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

The directors are responsible for the company's internal controls and for reviewing their effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining appropriate compliance oversight; for maintaining proper accounting records and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The procedures that the directors have established are designed to provide effective internal control within the company.

Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the company have been in place throughout the year and up to 25 February 2016, the date of approval of the annual report for the year ended 31 December 2015.

The company's directors and senior management have adopted policies which set out the Board's attitude to risk and internal control. Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, authorisation limits and segregation of duties.

The Board also receives regular reports on any risk and compliance matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are well established budgeting procedures in place and reports are presented regularly to the Board detailing the results of the company, variances against budget and prior year, and other performance data.

The effectiveness of the internal control system is reviewed regularly by the Board, which also receives reports of reviews undertaken by the SBG internal audit function that include details of internal control matters that they have identified. Certain aspects of the system of

internal control are also subject to compliance monitoring, the results of which are monitored by the Board.

### **Directors**

The directors who held office during the course of the year to 31 December 2015 or who hold office as at the date of this report are as follows:

SP Ridley	(non-executive director and Chairman)
GM Vogel	(appointed Chief Executive Officer on 1 January 2015)
IE Lawrence	(non-executive director)
RTF Poole	(non-executive director)
JP Walker	(executive director – resigned 24 June 2015)
SA Wallace	(executive director – resigned 4 January 2016)
TJ Lancaster	(executive director – appointed 27 August 2015)

None of the directors held any beneficial interest in the ordinary share capital of the company during the period or at 31 December 2015.

### **Committees**

The Board delegates certain functions and responsibilities to the Governance Committee (“Committee”) which is responsible for the day to day management of the company. The establishment of the Committee was approved by the board on 19 November 2014 with changes in membership approved as and when appropriate.

Current Membership: the Committee comprises certain directors and senior executives, currently G. Vogel (Chairman and Chief Executive Officer), W. Blackie, S. Ashby-Rudd, R. Bessinger, I. Carton, Y. Dmitrieva, C. Furey, A. Hunt, R. Jones, T. Lancaster, R. Litynska, J. Marsden and W. Mitchell.

The major sub-committees supporting the Governance Committee in fulfilling its responsibilities are the Risk and Compliance Committee and Client Risk Management Committee.

### **Transactions with directors and related parties**

There are no loans, arrangements or agreements that require disclosure under the Companies Act 2006 or International Financial Reporting Standards (“IFRSs”) regarding transactions with related parties, other than those shown in note 3 to the financial statements.

### **Directors Liability Insurance**

The company maintained directors’ and officers’ liability insurance during the year ended 31 December 2015.

### **Employees**

It is the company’s policy to ensure that all employees and job applicants are given equal opportunities and that they do not face discrimination on the grounds of ethnic origin, colour, nationality, marital same sex partnership or family status, religion, sex, age, sexual

orientation, gender reassignment or disability. Should an employee become disabled during their career with the company, all reasonable efforts will be made to ensure continued employment.

Employee involvement in the company's business is encouraged. Information is disseminated through communications, meetings and internal staff publications.

The company recognises its responsibilities to provide a safe working environment for all its staff and measures are in place to ensure that the Health and Safety at Work regulations are observed and complied with.

**Auditor**

KPMG LLP has indicated its willingness to continue as auditor of the company. Accordingly, a resolution is to be proposed at the next annual general meeting for the re-appointment of KPMG LLP as auditor of the company.

By order of the Board



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S C Smollett

Secretary

25 February 2016

Standard Advisory London Limited  
20 Gresham Street  
London EC2V 7JE  
Registered in England No. 8878241



## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards as adopted by the EU 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 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Independent auditor's report to the member of Standard Advisory London Limited**

We have audited the financial statements of Standard Advisory London Limited for the 12 month period ended 31 December 2015 set out on pages 12 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the company's member, 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 member, 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 statement of directors' responsibilities set out on page 9, 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 31 December 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; 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 Directors' Report for the financial period 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.



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Alexander Snook (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London E14 5GL

25 February 2016

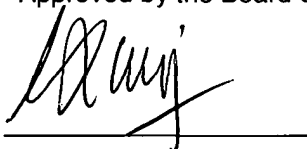
## Statement of financial position

Statement of financial position as at 31 December 2015

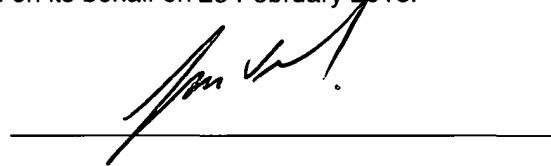
	Note	2015 £'000	2014 £'000
<b>Assets</b>			
Loans and receivables			
- Cash and cash equivalents	2	72,557	60,518
Amount owing by fellow subsidiary	3	614	5,840
Trade and other receivables	4	1,510	297
Deferred tax asset	5	814	114
<b>Total Assets</b>		<b>75,495</b>	<b>66,769</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>		<b>41,155</b>	<b>38,131</b>
Amount owing to fellow subsidiary	3	6,230	1,206
Trade and other liabilities	6	34,925	36,925
<b>Equity</b>		<b>34,340</b>	<b>28,638</b>
Ordinary share capital	11	30	30
Ordinary share premium	11	29,970	29,970
Reserves		4,340	(1,362)
<b>Total liabilities and equity</b>		<b>75,495</b>	<b>66,769</b>

The accounting policies and notes on pages 16 to 31 should be read as part of the financial statements.

Approved by the Board of Directors and signed on its behalf on 25 February 2016.



S Ridley (Chairman)



G Vogel (Chief Executive Officer)

## Statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Interest income	7.1	255	-
Non-interest revenue	7.2	89,314	-
Operating expenses	8	(82,537)	(1,206)
<b>Profit/(loss) before direct taxation</b>		<b>7,032</b>	<b>(1,206)</b>
Taxation	12	(1,380)	114
<b>Total comprehensive income/(loss) for the year attributable to the shareholder</b>		<b>5,652</b>	<b>(1,092)</b>

The accounting policies and notes on pages 16 to 31 should be read as part of the financial statements.

## Statement of changes in shareholder equity

For the year ended 31 December 2015

	Ordinary share capital and share premium £'000	Retained earnings £'000	Common control reserve £'000	Total equity £'000
Issue of ordinary share capital and share premium	30,000	-	-	30,000
Common control reserve			(270)	(270)
Total comprehensive income for the year	-	(1,092)		(1,092)
<b>Balance at 31 December 2014</b>	<b>30,000</b>	<b>(1,092)</b>	<b>(270)</b>	<b>28,638</b>
<b>Balance at 1 January 2015</b>	<b>30,000</b>	<b>(1,092)</b>	<b>(270)</b>	<b>28,638</b>
Total comprehensive income for the year	-	5,652		5,652
Equity-settled share-based payment transactions		50		50
Reserve reclassification		(270)	270	-
<b>Balance at 31 December 2015</b>	<b>30,000</b>	<b>4,340</b>	<b>-</b>	<b>34,340</b>

The accounting policies and notes on pages 16 to 31 should be read as part of the financial statements.

## Statement of cash flows

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Profit / (Loss) for the period before taxation		7,032	(1,206)
Adjusted for:			
Interest income	7.1	(255)	-
Changes in operating funds		6,660	1,206
- Change in income-earning assets	10.1	4,051	
- Change in other liabilities	10.2	2,609	1,206
Interest received	10.3	216	-
Corporation tax paid	10.4	(1,664)	-
Change in distributable share options		50	
<b>Net cash flows generated from operating activities</b>		<b>12,039</b>	<b>-</b>
<b>Investing activities</b>			
Cash flow from common control transaction			30,518
<b>Net cash flows generated from investing activities</b>		<b>-</b>	<b>30,518</b>
<b>Financing activities</b>			
Ordinary share capital issued		-	30,000
<b>Net cash flows generated from financing activities</b>		<b>-</b>	<b>30,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,039</b>	<b>60,518</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>60,518</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year</b>	<b>10.5</b>	<b>72,557</b>	<b>60,518</b>

The accounting policies and notes on pages 16 to 31 should be read as part of the financial statements.

## Significant accounting policies

The principal accounting policies applied in the presentation of the financial statements are set out below. These accounting policies have been reported consistently throughout the reporting period presented in the financial statements.

### 1 Basis of preparation

These financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union and the International Accounting Standards Board ("IASB").

The accounting policies adopted by the company are consistent with these adopted by SBG.

The financial statements are prepared in accordance with the going concern principle under the historical cost basis except for the following material items in the balance sheet:

- financial assets and liabilities at fair value through profit and loss and liabilities for cash-settled share-based payment arrangements that are measured at fair value.

### 2 Common control transactions

Common control transactions are those transactions in which a business is ultimately controlled by the same ultimate parent both before and after the transaction. Such transactions are accounted for at the predecessor's carrying values. Any difference between the carrying value of the assets and liabilities transferred and the acquisition price paid is recognised directly in equity as a transaction between equity owners and results in no gain or loss being recognised in the company's statement of profit or loss and other comprehensive income.

### 3 Foreign currency translations

#### *Functional and presentation currency*

Items are included in the annual financial statements using the currency of the primary economic environment in which the entity operates (functional currency). The company's functional and presentational currency is Pound Sterling.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items.

### 4 Cash and cash equivalents

Cash and cash equivalents disclosed in the cash flow statement consist of highly liquid short-term placements. Refer to note 2 to the financial statements.



## **5 Financial instruments**

### ***Initial recognition and measurement***

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity or hedging purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the company commits to purchase (sell) the instruments (trade date accounting).

### ***Receivables***

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

## **6 Taxation**

### ***Direct taxation***

Direct taxation includes current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted, or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date. Deferred tax is not recognised for the initial recognition of assets and liabilities which affect neither accounting nor taxable profits or losses.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which unused tax losses and other temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax relating to items which are charged or credited directly to other comprehensive income and are subsequently recognised in profit or loss when the related deferred gain or loss is recognised in the income statement.

## **7 Dividends**

Dividends are recognised in the period in which they are declared. Dividends declared after the reporting date are disclosed in note 14.

## **8 Employee benefits**

### ***Post-employment benefits—defined contribution plans***

The company contributes to individual personal pensions operated by third parties on a contract basis. The contributions are based on a percentage of pensionable earnings funded by the company and employees.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

### ***Termination benefits***

Termination benefits are recognised as an expense when the company is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### ***Short-term benefits***

Short-term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as private medical premiums. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## **9 Long-term incentive schemes**

The company operates cash-settled deferred compensation plans (The Quanto Stock Unit Plan and the Performance Reward Plan). In addition there is small number of outstanding awards in respect of historical schemes that employees have the choice to cash-settle or equity-settle.

### ***Quanto stock unit plan***

The Standard Bank Quanto stock unit plan awards a number of Quanto stock units denominated in US\$ and is a cash-settled, deferred incentive scheme. The value is based on the Standard Bank Group (SBG) share price and moves in parallel to the change in price of the SBG shares listed on the Johannesburg Stock Exchange. The awards vest over a three year period dependent on the employee being in service for the period and are accrued from the award date over the vesting period. The amount of the accrued liability is re-measured at the end of each reporting period. The changes in liability are accounted for through profit or loss over the life of the Quanto stock units.

### ***Equity compensation plans***

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and staff retrenchments, are not considered in the valuation but are included in

the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in liability are recognised in the profit or loss.

## **10 Revenue**

The company's revenue principally comprises of interest income and non-interest revenue, and is accounted for as follows:

### ***Interest income***

Interest income is recognised in profit or loss on an accrual basis using the effective interest rate method for all interest-bearing instruments. In terms of the effective interest rate method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

### ***Non interest revenue***

#### **Revenue sharing and fee arrangements with group companies**

SBG's transfer pricing arrangements can be summarised into the following main methodology types:

- Residual profit share arrangements;
- Revenue sharing arrangements; and
- Cost plus mark-up method.

#### **Methodology applied to SALL:**

##### **Residual profit share arrangements**

This method is applied where the agreement requires the sharing or allocating of residual profit between entities. Residual profit is profit available after settling back office costs at cost plus a mark-up; front office costs at no mark-up; and cost of capital. Residual profit is shared based on the product type. For credit based transactions the residual profit is split 80:20 to capital providers and originators respectively. For fee based transactions residual profit is split 50:50.

##### **Cost plus method**

The transfer pricing arrangement under the cost plus methodology is structured to state that the service seller (being SALL) is remunerated for services by adding a mark-up to the costs it incurs.

## 11 New standards and interpretations not yet adopted

The following new / revised standards and amendments are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these financial statements.

Standard	Summary of changes	Effective Date
IFRS 9 Financial Instruments	<p>First chapters of new standard on accounting for financial instruments which will replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard contains two primary measurement categories for financial assets:</p> <ul style="list-style-type: none"> <li>• amortised cost; and</li> <li>• fair value.</li> </ul> <p>Financial assets are classified into one of these categories on initial recognition. A financial asset is measured at amortised cost if the following conditions are met:</p> <ul style="list-style-type: none"> <li>• it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and</li> <li>• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.</li> </ul> <p>All other financial assets are measured at fair value.</p> <p>IFRS 9 <i>Financial Instruments (Hedge accounting and Amendments to IFRS 9, IFRS 7 and IAS 39)</i> issued November 2013:</p> <ul style="list-style-type: none"> <li>• new hedge accounting chapter added;</li> <li>• improvements to the reporting changes in the fair value of an entity's own debt contained in IFRS 9 made more readily available; and</li> <li>• removal of the mandatory effective date of IFRS 9.</li> </ul> <p>Subsequently, the IASB has tentatively set the effective date of IFRS 9 as periods beginning on or after 1 January 2018.</p>	<p>Not yet endorsed by EU.</p> <p>Annual periods beginning on or after 1 January 2018</p>
Disclosure Initiative – Amendments to IAS 1	<p>Amendments to IAS 1 on presentation of financial statements should not require any significant change to current practice, but should facilitate improved financial statement disclosures.</p>	<p>Endorsed by EU (18 December 2015).</p>

## Notes to the financial statements

### 1. Key management assumptions

The preparation of the financial statements requires the company to make estimations where uncertainty exists. The key management assumptions made by the company are set out below.

The company is subject to direct and indirect taxation. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The company recognises liabilities based on estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax expense in the year in which such determination is made.

A deferred tax asset of £814K (2014: £114K), see note 5, is recognised with respect to timing differences. A deferred tax asset has been recognised as it is probable that future taxable profits will be available against which the company can utilise the benefits.

### 2. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash held with external counterparties	16,720	30,518
Cash held with fellow subsidiaries (note 3)	55,837	30,000
<b>Total cash and cash equivalents</b>	<b>72,557</b>	<b>60,518</b>

### 3. Related Party Transactions

	2015 £'000	2014 £'000
<b>3.1 Related party transactions</b>		

The company entered into transactions with other entities forming part of SBG and other related parties. A significant portion of this activity reflects the placement of excess liquidity.

The company is a party to the following group transaction balances as at 31 December 2015.

#### Assets

Cash held with fellow subsidiaries (included in cash and cash equivalents)	55,837	30,000
Amounts owing by fellow subsidiary	614	5,840
<b>Total Assets</b>	<b>56,451</b>	<b>35,840</b>

These balances are categorised as loans and receivables in accordance with IAS 39 and are payable on demand. The carrying value of these assets approximates their fair value as at 31 December 2015.

#### Liabilities

Amounts owing to fellow subsidiary	6,230	1,206
Amounts owing to associated company	1,161	-
<b>Total liabilities</b>	<b>7,391</b>	<b>1,206</b>

These balances are categorised as liabilities at amortised cost and are repayable on demand. The carrying value of these liabilities approximate their fair value as at 31 December 2015.

The company has transfer pricing agreements in place with other SBG entities. Transfer pricing revenue earnings in the current year totalled to £87,918,000 (2014: nil).

**Cost plus transfer pricing method**

Revenue of £41,625,000 (2014: nil) was generated under the cost plus method from the following Group companies:

The Standard Bank of South Africa Limited	38,237	-
Standard Bank Jersey Limited	3,354	-
Standard Bank Isle of Man Limited	34	-
<b>Total transfer pricing from the cost plus method</b>	<b>41,625</b>	<b>-</b>

**Residual profit share transfer pricing method**

Revenue of £46,293,000 (2014: nil) was generated under the residual profit share method from the following group companies:

The Standard Bank of South Africa Limited	46,293	-
The company pays monthly charges to ICBC Standard Bank Plc and The Standard Bank of South Africa Limited for various services including rent, IT and other services. The extent of these is disclosed in note 8.		

**3.2 Key management compensation**

Key management comprises directors and the members of the governance committee

Salaries and other short-term benefits	5,996	-
Long-term incentives recognised in the income statement	2,315	-
Gains on the exercise of long-term incentives	3,898	-

There were no other transactions with key management in 2015 (2014: nil).

The average number of key management personnel is 15 people, 12 of whom were employees.

**4. Trade and other receivables**

	2015 £'000	2014 £'000
VAT amounts recoverable	896	-
Other receivables	614	297
<b>Total trade and other receivables</b>	<b>1,510</b>	<b>297</b>

Trade and other receivables are classified as loans and receivables. The carrying value equals the fair value.

**5. Deferred tax asset**

Deferred tax asset is attributable to the following:

	2015 £'000	2014 £'000
Employee benefits	814	-
Tax value of loss carried forward	-	114
<b>Total tax asset</b>	<b>814</b>	<b>114</b>

Movement in deferred tax in the prior year:

	1 January 2014 £'000	Recognised in income £'000	31 December 2014 £'000
Tax value of loss carried forward utilised	-	114	114
<b>Total Tax value of loss carried forward utilised</b>	-	<b>114</b>	<b>114</b>

## 6. Trade and other liabilities

	Note	2015 £'000	2014 £'000
Long-term incentive schemes	9	13,490	21,131
Amounts owing to associated company		1,161	-
Income tax payable		416	-
Accrued expenses		2,159	-
Other payables		17,699	15,794
<b>Total trade and other liabilities</b>		<b>34,925</b>	<b>36,925</b>

Trade and other liabilities, excluding tax, are classified as loans and receivables. The carrying value equals the fair value.

## 7. Supplementary statement of comprehensive income information

	Note	2015 £'000	2014 £'000
<b>7.1 Interest Income</b>			
Interest on loans and advances and short-term funds		255	-
<b>Total interest income</b>		<b>255</b>	<b>-</b>

<b>7.2 Non-interest revenue</b>			
Advisory fees from third parties		1,332	-
Revenue sharing and fee arrangements with group companies	3	87,918	-
Foreign exchange gain		64	-
<b>Total non-interest revenue</b>		<b>89,314</b>	<b>-</b>

## 8. Operating expenses

	2015 £'000	2014 £'000
Staff costs	60,185	-
Inter-group charges	5,081	-
Associated company charges	9,864	-
Auditors' remuneration – audit services	30	-

The average number of employees during 2015 was 230.

## 9. Long-term incentive schemes

	2015 Units	2014 Units
<b>9.1 Quanto stock unit plan</b>		
The company operates a cash-settled deferred incentive arrangement in the form of the Quanto stock unit plan. Qualifying employees, with an incentive award above a set threshold are awarded Quanto stock units denominated in US\$ for nil consideration, the value of which moves in parallel to the change in price of the SBGL shares listed on the Johannesburg Stock Exchange. The cost of the award is accrued over the vesting period (generally three years), normally commencing in the year in which these are awarded and communicated to employees. Awards made prior to 31 December 2014 were acquired by the company as part of the common control transaction. Awards prior to 2011 can be exercised within 10 years, 2011 awards can be exercised within 4 years and awards after 2011 will be exercised automatically on vesting. A description of the underlying accounting principles is disclosed in accounting policy Long-term Incentive Schemes.		
The provision in respect of liabilities under the scheme amounts to £12.3million as at 31 December 2015 (2014: £20.3m) and the charge for the year is £6.4m.		
Units outstanding at beginning of the year	267,154	-
Granted	99,899	-
Transferred (out)/in	(8,892)	267,154
Exercised	(135,229)	-
Leavers/lapses	(20,399)	-
<b>Units outstanding at end of the year</b>	<b>202,533</b>	<b>267,154</b>

The number of Quanto stock units granted to employees and not exercised at 31 December 2015 is as follows:

<b>Expiry year<sup>1</sup></b>		
2015	-	22,489
2016	22,934	60,031
2017	42,287	76,104
2018	70,339	108,017
2019	66,973	513
<b>Units outstanding at end of the year</b>	<b>202,533</b>	<b>267,154</b>

<sup>1</sup> The units vest at various intervals between the reporting date and the expiry period.

Of which relates to key management	57,820	73,802
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At 31 December 2015, the unrecognised compensation cost related to the unvested Quanto awards amounted to £4.6 million (2014: £6.6m). This represents the accumulated amount deferred on awards issued in 2015 and previous years. The vesting of these awards is expected to occur as follows:

	2015 £m	2014 £m
Year ending 31 December 2015	1.7	4.8
Year ending 31 December 2016	2.7	1.6
Year ending 31 December 2017	0.2	0.2
<b>Total unrecognised future costs of unvested Quanto</b>	<b>4.6</b>	<b>6.6</b>



The Quanto stock unit plan is being replaced by the Standard Bank Outside Africa Deferred Bonus Scheme with effect from March 2016 deferrals. This will follow the principles of the existing Quanto stock unit plan but will be denominated in sterling and will have three vesting periods; 18 months, 30 months and 42 months. £5.9m have been approved for issue in March 2016.

## 9.2 Group share options

Certain employees were historically granted share options under the SBG equity-settled share-based schemes. The amount charged for the year is £0.05 million (2014:nil).

	2015 Units	2014 Units
Options outstanding at beginning of the year	506,275	-
Transfers in	400,225	506,275
Transfers out	(14,845)	-
Exercised	(526,298)	-
Leavers / lapses	(65,457)	-
<b>Options outstanding at end of the year</b>	<b>299,900</b>	<b>506,275</b>
Of which relates to key management	183,900	171,900

Share options were exercised regularly throughout the year, other than during closed periods. The average share price for the year was ZAR 147.88.

The following options granted to employees that had not been exercised at 31 December 2015:

Options expiry period	Option price range per share (ZAR)	2015 Units	2014 Units
Year end 31 December 2016	97.50	25,000	95,000
Year end 31 December 2017	98.00 - 105.00	31,400	69,400
Year end 31 December 2018	92.00	66,875	90,000
Year end 31 December 2019	62.39	41,875	87,500
Year end 31 December 2020	111.94	53,000	26,875
Year end 31 December 2021	98.80	81,750	137,500
<b>Options outstanding at end of the year</b>		<b>299,900</b>	<b>506,275</b>

## 9.3 Performance Reward Plan (PRP) awards

An SBG long-term performance driven share plan commenced in 6 March 2014 (grant date) which rewards value delivered against specific targets. The Performance reward plan (PRP) incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive market place for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the Equity growth scheme (EGS), the group share incentive scheme (GSIS) and Deferred bonus scheme (DBS) post 2011.

The PRP is settled in shares to the employee on the applicable vesting dates together with notional dividends that are settled in cash. The vesting and delivery of shares to the employee are conditional on the pre-specified performance metrics.

Awards issued to individuals in employment of group entities domiciled outside South Africa are cash-settled. The provision in respect of these awards recognised in liabilities at 31 December 2015 is £1.09m (2014: £0.69) and the amount charged for the year for the scheme amounts £0.73m (2014: nil).

	2015 Units	2014 Units
<b>Reconciliation</b>		
Units outstanding at beginning of year	406,000	-
Transfers in	47,300	406,000
Issued during the year	289,900	-
Leavers / units cancelled	(198,530)	-
<b>Units outstanding at the end of the year</b>	<b>544,670</b>	<b>406,000</b>
Of which relate to key management	297,800	133,900

The units have the following grant dates:

	Weighted average fair value at grant date (ZAR)	Expected life remaining	Units
Year to 31 December 2014	126.87	2.1	308,154
Year to 31 December 2015	156.96	3.1	236,516
<b>Units outstanding at the end of the year</b>			<b>544,670</b>

#### 9.4 Deferred bonus scheme

In 2012 changes were made to the existing group DBS to provide for a single global incentive deferral scheme across the regions outside the International entities. The purpose of the DBS (2012) scheme is to encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates the retention of key employees. While DBS is not awarded to employees within SALL (the Quanto stock unit plan being the equivalent within SALL), employees transferred from other group entities may hold DBS.

All employees in group entities that are granted an annual performance award over a threshold have part of their award deferred. The award is indexed to SBGL's share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final payouts are determined with reference to SBGL's share price on the relevant vesting dates.

Awards issued to individuals in employment of a group entity domiciled in South Africa are equity-settled. Awards issued to individuals in the employment of group entities domiciled outside South Africa are cash-settled. The provision in respect of these awards recognised in liabilities at 31 December 2015 is £0.13m (2014: £0.12m) and the amount charged for the year is £0.05m (2014: nil).

	2015 Units	2014 Units
<b>Reconciliation</b>		
Units outstanding at the beginning of the year	53,920	-
Transfers in	34,292	53,920
Exercised	(47,524)	-
Lapsed / leavers	(17,628)	-
<b>Units outstanding at the end of the year</b>	<b>23,060</b>	<b>53,920</b>
Weighted average fair value at grant date (ZAR)	156.09	126.87

**9.5 Directors' emoluments**

	2015 £'000	2014 £'000
<b>Executive directors<sup>1,2</sup></b>		
Emoluments of directors in respect of services rendered		
Emoluments	2,059	-
Proceeds from exercise of long-term incentives	1,788	-
Pension contribution	37	-
<b>Highest paid director</b>		
Emoluments	901	-
Proceeds from exercise of long-term incentives	945	-

<sup>1</sup> Compensation relates to services rendered to SALL

<sup>2</sup> The number of directors for whom pension contributions were paid was 3 during the year and 2 at year end

	2015 Units	2014 Units
<b>Long-term benefits under the Quanto stock unit plan</b>		
Number of units brought forward	31,791	-
Issued during the year	15,703	-
New directors existing units	2,161	-
Leavers	(4,170)	-
Exercised	(18,787)	-
Transferred in	-	31,791
<b>As at 31 December</b>	<b>26,698</b>	<b>31,791</b>

**Long-term benefits under the SBG equity-settled share-based scheme and equity growth scheme**

Number of options brought forward	134,000	-
Number of options allocated in year	-	-
New directors existing units	-	134,000
<b>As at 31 December</b>	<b>134,000</b>	<b>134,000</b>

**Long-term benefits under the SBG performance related share-based scheme**

Number of options brought forward	102,400	-
Number of options allocated in year	76,500	-
New directors existing units	-	102,400
Leavers (retiring directors)	(23,600)	-
Number of options exercised	-	-
<b>As at 31 December</b>	<b>155,300</b>	<b>102,400</b>

**10. Cash flow statement notes**

	2015 £'000	2014 £'000
<b>10.1 Decrease/(increase) in assets</b>		
Amount owing by fellow subsidiary	5,226	
Other Assets	(1,175)	
<b>Net decrease/(increase) in assets</b>	<b>4,051</b>	

<b>10.2 Decrease/(increase) in other liabilities</b>		
Amount owing by fellow subsidiary	5,024	1,206
Other Liabilities	(2,415)	-
<b>Net decrease/(increase) in other liabilities</b>	<b>2,609</b>	<b>1,206</b>

<b>10.3 Interest received</b>		
Interest income per the statement of comprehensive income	255	-
Amounts unpaid at end of the year	(39)	-
<b>Net interest received</b>	<b>216</b>	<b>-</b>

<b>10.4 Tax paid</b>		
Income tax charge for the year	(2,080)	-
Amounts unpaid at end of the year	416	-
<b>Total tax paid</b>	<b>(1,664)</b>	<b>-</b>

<b>10.5 Cash and cash equivalents</b>		
Other cash equivalents (included in loans and advances to banks) <sup>1</sup>	72,557	60,518
<b>Total cash and cash equivalents at end of the year</b>	<b>72,557</b>	<b>60,518</b>

<sup>1</sup>Other cash equivalents include short-term placements that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**11. Equity**

	2015 £'000	2014 £'000
<b>Authorised</b>		
The directors are generally and unconditionally authorised at any time during a period of five years from 29 October 2014, to allot or grant any rights to subscribe for or convert any security into shares up to an aggregate nominal amount of £80 million.		
<b>Ordinary share capital issued and fully paid</b>		
30,000 ordinary shares of £1 each	30	30
Share premium	29,970	29,970

## 12. Taxation

	2015 £'000	2014 £'000
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Income tax payable on taxable profits is recognised as an expense in the period in which the profits arise. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on temporary differences arising from the differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet dates which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Current year Tax expense

Recognised in the income statement	(2,080)	-
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### Deferred Tax expense

Origination and reversal of temporary differences	632	114
Adjustments for prior years	68	-
<b>Total Deferred tax credit</b>	<b>700</b>	<b>114</b>
<b>Net tax (expense) / income</b>	<b>(1,380)</b>	<b>114</b>

### UK Tax rate reconciliation

Profit/ (loss) on ordinary activities before taxation	7,032	(1,206)
Tax using the UK corporation tax rate of 20.25% (2014:21.5%)	(1,424)	259
Reduction in tax rate on deferred tax balances	(10)	(8)
Non-deductible expenses	(14)	(137)
Over provision in prior years	68	-
<b>Net tax (expense) / income</b>	<b>(1,380)</b>	<b>114</b>
Effective tax rate	19.6%	9.5%

## 13. Financial risk management

	2015 £'000	2014 £'000
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The company's credit risk arises from financial assets with both group and non-group companies. The amounts are all current and performing.

Deposits with non-group entities are only held with highly rated UK subsidiaries of International Banking Groups and are typically held for short maturities. Such credit risk solely relates to the liquidity and funding management activities of the company and does not form part of its core customer business.

### 13.1 Credit risk

Deposits with fellow subsidiaries	55,837	30,000
Deposits with non-group company	16,720	30,518
<b>Total</b>	<b>72,557</b>	<b>60,518</b>

**13.2 Market risk – foreign currency and interest rate risk**

The company is not exposed to any significant foreign exchange or interest rate risk at year end.

**13.3 Liquidity risk**

	Maturing within 3 months	Maturing 3-12 months	Maturing after 12 months	Total
	2015 £'000	2015 £'000	2015 £'000	2015 £'000
<b>Financial assets</b>				
Amounts owing by fellow subsidiary	614	-	-	614
Trade and other receivables	1,510	-	-	1,510
<b>Total financial assets</b>	<b>2,124</b>			<b>2,124</b>

	Maturing within 3 months	Maturing 3-12 months	Maturing after 12 months	Total
	2015 £'000	2015 £'000	2015 £'000	2015 £'000
<b>Financial liabilities</b>				
Amounts owing to fellow subsidiary	6,230	-	-	6,230
Trade and other liabilities	29,684	436	4,805	34,925
<b>Total financial liabilities</b>	<b>35,914</b>	<b>436</b>	<b>4,805</b>	<b>41,155</b>

	Maturing within 3 months	Maturing 3-12 months	Maturing after 12 months	Total
	2014 £'000	2014 £'000	2014 £'000	2014 £'000
<b>Financial assets</b>				
Amounts owing by fellow subsidiary	5,840	-	-	5,840
Trade and other receivables	297	-	-	297
<b>Total financial assets</b>	<b>6,137</b>			<b>6,137</b>

	Maturing within 3 months	Maturing 3-12 months	Maturing after 12 months	Total
	2014 £'000	2014 £'000	2014 £'000	2014 £'000
<b>Financial liabilities</b>				
Amounts owing to fellow subsidiary	1,206	-	-	1,206
Trade and other liabilities	31,499	-	5,426	36,925
<b>Total financial liabilities</b>	<b>32,705</b>	<b>-</b>	<b>5,426</b>	<b>38,131</b>

The Company has sufficient cash resources to pay liabilities as they fall due.

**13.4 Capital management**

Capital position as at year end is as follows:

Capital resources	34,340	28,638
Total assets	75,495	66,769
Equity / assets	45.49%	42.89%

The company is authorised and regulated by the Financial Conduct Authority.

**14. Subsequent events**

The directors recommend the payment of an ordinary dividend of £4 million for the period ended 31 December 2015 (2014: nil).

**15. Ultimate holding company**

The group in which the results of the company are consolidated is that of Standard Bank Group Limited, a company incorporated in the Republic of South Africa. The consolidated financial statements of this group are available for inspection at the company's registered office:

**Standard Bank Group Limited**

9<sup>th</sup> Floor  
Standard Bank Centre  
5 Simmonds Street  
Johannesburg 2001  
Republic of South Africa