

abrdn Investment Management Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Registration number: SC123321



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Company Information

Directors

C T Demetriou

N A Slater

D E Thomas

Company secretary

abrdn Corporate Secretary Limited

Registered office

1 George Street
Edinburgh
Lothian
EH2 2LL

Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Strategic Report for the Year Ended 31 December 2022

The Directors present their strategic report on abrdn Investment Management Limited ("the Company") for the year ended 31 December 2022, in accordance with section 414A of the Companies Act 2006.

Business review and future developments

The Company's principal activity is the provision of investment management services across a number of asset classes and is part of abrdn plc (together with its subsidiaries, "the abrdn Group"). There are no plans to change the principal activity of the Company.

On 31 August 2022, the Company acquired the business of Ignis Investment Services Limited ("IIS"), a fellow abrdn Group subsidiary undertaking. The Company paid a consideration of £52m to acquire the net assets of IIS at book value.

The Company's holding in HDFC Asset Management reduced by 6% to 10.2% following the sale of 12,800,000 million equity shares through a Bulk Sale on 16 August 2022. The total consideration net of taxes, expenses and related foreign exchange hedging was £229m.

A significant process execution event occurred during 2022 which resulted in a loss and has been thoroughly investigated. See Note 19 for further details.

From 1 January 2022 the Company was regulated by the Financial Conduct Authority reporting under the new Investment Firms Prudential Regime, also known as IFPR, which replaced the Capital Requirements Directive.

Key performance indicators ("KPIs")

The Company uses a number of KPIs to monitor the performance of the business throughout the year. These KPIs are shown below:

	2022 £ 000	2021 £ 000
Assets under management ("AuM")	191,442,532	187,005,465
Revenue	413,948	477,573
Operating (loss)/profit before restructuring and amortisation	(3,412)	53,190
Equity attributable to equity holders of the parent	824,489	1,203,234
Regulatory capital surplus	220,540	421,492

AuM

AuM has increased by £4,437m (2%) primarily as a result of the IIS acquisition (c£42bn) materially offset by outflows and market movements.

Revenue

Revenue has decreased by £63,625k (13%). The additional IIS AuM has generated additional revenue which is offset by the aforementioned outflows and market movements.

Operating (loss)/profit before restructuring and amortisation

Operating (loss)/profit before restructuring and amortisation has decreased by £56,602k (106%) as a result of decreased revenue and reduction in other operating income. The loss was mitigated by dividends received of £49,184k (2021: £15,163k).

Strategic Report for the Year Ended 31 December 2022 (continued)

Equity attributable to equity holders of the parent

Equity attributable to equity holders of the parent has decreased by £378,745k (31%) as a result of losses made in the year and the dividend paid.

Regulatory capital surplus

The regulatory capital surplus at 31 December 2022 has decreased by £200,952k (48%) as a result of the current period operating loss and dividends paid in the period. These are offset by the reduction in the investment in securities balances which are deducted from the own funds calculation.

From 1 January 2022 the Company was subject to IFPR, this resulted in a change to the regulatory capital calculations. Using the new methodology there would not have been a material change to the surplus reported in the comparative amount.

Enhancing our governance

Section 172 of the Companies Act 2006 requires a Director of a Company to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between different members of the Company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172.

The Board recognises that the long-term success of the business is dependent on the way it works with a large number of important stakeholders. The Directors have had regard to the interests of stakeholders (including clients and customers, our people, society and our shareholders) while complying with their obligations to promote the success of the Company in line with section 172 of the Companies Act. The Board has discussed these obligations throughout the year, including how stakeholder engagement is incorporated into our long-term decision-making and how the Company operates as a subsidiary within the wider abrdn plc group of companies.

In managing the Company, the Directors have taken into account the requirements of section 172 (1) of the Companies Act 2006 as summarised below:

The likely consequence of any decision in the long term - The Board of Directors of the Company operate the Company in accordance with the Company's Articles, the Board Charter and the overall business plan, which considers the long term success of the Company and the abrdn Group as a whole, and the likely long term consequences of any decisions by the Company are taken into account. The Directors have determined that there are no Company specific matters appropriate to disclose in relation to long term decisions made by the Company.

The interests of the company's employees - The Company has direct employees. Within the abrdn Group, engagement with employees is considered at an abrdn Group level and employee engagement matters have been disclosed in the abrdn plc Annual Report and Accounts which does not form part of this report. The Directors have determined that there are no Company specific matters appropriate to disclose in relation to engagement with employees.

Strategic Report for the Year Ended 31 December 2022 (continued)

The need to foster the company's business relationships with suppliers, customers and others - Supplier relationships within the abrdn Group are managed under the Outsourcing and Third Party Management Policies, which apply to all subsidiary companies. Engagement with suppliers, customers and others is considered at abrdn plc level and engagement matters have been disclosed in the abrdn plc Annual Report and Accounts which does not form part of this report. The Board of Directors receives reports from the Distribution function, the function within the abrdn Group which engages with clients and customers, as part of its regular meetings. The Directors have determined that there are no Company specific matters appropriate to disclose in relation to suppliers, customers and others.

The impact of the company's operations on the community and the environment - Engagement on environmental and community matters is considered at abrdn plc level and such matters have been disclosed in the abrdn plc Annual Report and Accounts which does not form part of this report. The Directors have determined that there are no Company specific matters appropriate to disclose, as the Company has no direct environmental or community impact beyond the impact of the wider abrdn Group.

The desirability of the company maintaining a reputation for high standards of business conduct - Maintaining a reputation for, and upholding, high standards of business conduct is vital to the ongoing success of the abrdn Group, including the Company.

The need to act fairly as between members of the company - The Company has a single member, and is a wholly owned subsidiary of abrdn plc.

Management of Risk

The management of the business and execution of the Company's strategy are subject to a number of risks.

The abrdn Group, of which the Company is a part, has an Enterprise Risk Management ("ERM") framework comprising three lines of defence.

The ERM framework underpins risk management throughout the abrdn Group, including the Company, and has evolved to ensure it keeps pace with industry best practice and the risk profile of the abrdn Group. In 2022, improvements to the framework included refinements to the risk appetite framework, extending our risk taxonomy, refocussing Risk and Control Self Assessments, reviewing our Conflicts of Interest framework and reviewing our policy register.

Business Risk Environment

The commercial environment was challenging during 2022 as the Russian/Ukraine conflict led to a surge in energy prices, higher inflation and a rapid tightening of monetary policy by central banks thereby putting pressure on asset prices. These conditions impacted market levels and client flows over the year.

Though we started 2022 dealing with the effects of Omicron, the impact of COVID-19 on our operating environment was much less pronounced as 'blended working' became the default arrangement for our people.

We continue to manage a lot of change across the business which creates operational stretch on top of our core client servicing activities. An additional challenge in this area is an uptick in staff turnover across various skillsets in the financial services industry post-COVID. That said, this also creates opportunities in the management and development of talent.

Strategic Report for the Year Ended 31 December 2022 (continued)

Business Risk Environment (continued)

We maintain heightened vigilance over risks to our operations from financial crime and cyber intrusion. Our dedicated in-house teams monitor and manage these risks as they evolve, with the support of external specialists.

Client and customer interests are at the heart of our business. We keep close focus on the outcomes which we deliver across our businesses. During 2022, we progressed the company-wide programme to implement the FCA's new Consumer Duty.

Evolving and emerging risks

We are vigilant to risks that could crystallise over different horizons and impact our strategy and operations. These risks vary in nature as they cover geopolitical, economic, societal, technological, legal, regulatory and environmental themes. We distil internal and external research to consider how risks could emerge and evolve. Some notable risks (and opportunities) for our business include tightness in labour markets, rising input costs, evolving cyber threats, disruptive financial technologies, unprecedented market shifts and climate change.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are integrated into the principal risks of the abrdn Group and are therefore not managed separately. The principal risks and uncertainties of abrdn plc, which include those of the Company, are detailed below:

Strategic risk

These are risks that could prevent the achievement of strategic aims and successfully delivering business plans. These could include failing to meet client expectations, poor strategic decision-making, poor implementation or failure to adapt. We continued to develop our single global brand during 2022. These risks have been managed through assessing emerging risks so that action can be taken in a timely and proportionate manner to mitigate these, including detailed stakeholder engagement plans to manage the transition to the new brand and ensuring each business unit has a clear organic growth strategy.

Financial risk

This is the risk of having insufficient resources, suffering losses from adverse markets or the failure or default of counterparties. It could be influenced by inflows and outflows, global market trends, as well as margins on investment mandates. Business planning and stress testing is used to project our financial resources under a range of scenarios and confirm the financial resilience of our business. During 2022 we had the first year of operation of the UK Investment Firms Prudential Regime which determines regulatory capital and liquidity requirements for the group and its key entities. Our Treasury Policy includes minimum standards for managing liquidity, market and counterparty risks, including the credit quality of our counterparties.

Conduct risk

Our business relies on our ability to deliver good service and fair client and customer outcomes, and there is a risk that we fail to achieve this through our operational activities and the implementation of our change programmes. This could lead to customer and client harm, reputational damage and loss of income. Being client and customer-led is an essential aspect of our culture. This means having a continuous focus on client and customer outcomes in all that we do. Our ERM framework supports the management of conduct risk with clear expectations around conduct goals and responsibilities. In 2022 we refreshed our framework for managing conflicts of interest and launched a programme to implement the FCA's new Consumer Duty effective which comes into force on 31 July 2023

Strategic Report for the Year Ended 31 December 2022 (continued)

Regulatory and legal risk

High volumes of regulatory change can create interpretation and implementation risks. Compliance failures can lead to poor customer and client outcomes, sanctions, reputation damage and income loss. During 2022 the company managed a heavy programme of regulatory implementation, including in relation to operational resilience, fund liquidity risk management and the new Consumer Duty. We invest in compliance and monitoring activity across the business. Our relationships with key regulators are based on trust and transparency while our compliance and legal teams support senior managers across our business.

Process execution and trade errors

This is the risk that processes, systems or external events could produce operational errors. During 2022 there was close management focus on process execution and trade errors. Potentially important systems outages were managed using established incident management processes. Underlying causes of error are monitored to identify areas for action, promoting a culture of accountability and continuously improving how issues are addressed.

People

In line with the wider economy, employee turnover has increased in all regions as a consequence of tight labour markets conditions, increases in the cost of living and continued labour market adjustment following the pandemic. Engaging with our people, and supporting their wellbeing, is critical to our strategy and the success of our business.

Since the onset of the pandemic we have successfully adapted, providing online tools to support collaboration and moving our learning and development offering online. We have responded to increased competition for talent in our industry, using targeted approaches to support retention and recruitment for our key business functions.

Technology

There is a risk that technology fails to adapt to business needs, as well as unauthorised users accessing systems and carrying out cyber attacks. This risk is relevant to a wide range of potential threats to the business including weather events, internal failure, external intrusion and supplier failure. We have an ongoing programme to invest in and enhance our IT infrastructure controls. We benchmark our IT systems environment to identify areas for improvement and further investment. We maintain heightened vigilance for cyber intrusion, with dedicated teams monitoring and managing cyber security risks. We carry out regular testing on penetration and crisis management.

Business resilience and continuity

Incidents that can impact business resilience and continuity include environmental issues, terrorism, economic instabilities, cyber attacks and operational incidents. The risk of disruption from inside the organisation remains broadly stable, but tools for exploiting IT vulnerabilities are becoming more widely available externally. As COVID-19 has continued to test business resilience, the business has adapted effectively to blended working. The operational resilience framework continues to be enhanced, as well as strengthened responses to disruption. Crisis management and contingency planning processes are regularly reviewed and tested, enabling us to minimise disruption as the balance of hybrid working has shifted over the year. We completed our programme to implement FCA Operational Resilience regulations, which came into force during 2022.

Strategic Report for the Year Ended 31 December 2022 (continued)

Fraud and financial crime

As a business that handles clients' money there is an exposure to the risk of fraudulent and dishonest activity. Engagement with a wide number of external parties means there has to be vigilance to the risk that these parties are connected with criminal behaviour, or subject to sanctions by national or global authorities. During 2022 there was extensive work to define and implement consistent anti-money laundering standards across the company globally and in each growth vector. Sound processes are in place to identify client activity linked with financial crime, globally. These include controls for anti-money laundering, anti-bribery, fraud and other areas of financial crime. There is a business-wide programme to invest in controls and processes to improve monitoring of these risks. There continues to be work with the financial authorities and industry peers to assist those targeted by scams.

Change management

We are continually implementing change to improve our business or meet regulatory expectations. As well as being costly, failure to deliver change effectively, can lead to poor client and customer outcomes and/or regulatory non-compliance. For major change projects we have established governance processes with ring-fenced project resources and clearly defined roles across the three lines of defence.

Third party management

Activities to suppliers are outsourced with specialist capabilities which means there is exposure to the risk of third parties failing to deliver in line with contractual obligations. The abrdn Group Third Party Risk Management framework is well embedded and continues to evolve in line with external developments, industry practice and regulatory developments.

Financial management process

We have extensive financial reporting obligations to clients, customers, regulators and other stakeholders. Failures in these processes could impact decision-making and lead to regulatory and litigation risk. Our financial reporting activities align to external reporting standards and industry best practice. These activities are subject to extensive internal control and external assurance.

Environmental matters

The Company follows the environmental strategy of the abrdn Group which is disclosed within the abrdn plc Annual Report and Accounts.

Approved by the Board and signed on its behalf by:



C T Demetriou
Director

6 April 2023

Directors' Report for the Year Ended 31 December 2022

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2022.

Directors of the Company

The directors, who held office during the year and to date, were as follows:

C T Demetriou

M Hardiman (appointed and resigned 30 December 2022)

G T Hotson (appointed 11 April 2022, resigned 30 December 2022)

N L N Machray (resigned 11 February 2022)

N A Slater

D E Thomas

The Company's ultimate parent company abrdn plc maintains directors' and officers' liability insurance on behalf of its directors and officers.

Company secretary

The Company secretary during the year was abrdn Corporate Secretary Limited.

Going concern

The Board's assessment of going concern is underpinned in Company forecasts that model severe market shocks to ensure the Company could continue to satisfy ongoing operating, liquidity and regulatory capital requirements. Based on their assessment, the Board is satisfied that the Company has and will maintain sufficient resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Further information is available in Note 1.

Dividends

The Directors recommended and paid dividends of £263,000k in 2022 (2021: £471,000k) to the Company's immediate parent, namely abrdn Investments (Holdings) Limited.

Political donations

It is the Company's policy not to make donations for political purposes.

Independent auditor

The Independent Auditor, KPMG LLP, has indicated their willingness to continue in office.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Directors' Report for the Year Ended 31 December 2022 (continued)

Modern slavery act

As a global investment company, abrdn plc wants to do all it can to help tackle human trafficking, forced labour, bonded labour and child slavery by focusing on its operations, supply chain and investment process. abrdn plc has published a modern slavery statement, reinforcing its commitment to this important issue. This can be found on the abrdn plc website.

People

The Company is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, religious belief, sex, sexual orientation, marital status or disablement. The Company will continue to employ, arrange for retraining, or retire on disability pension, any member of staff who becomes disabled, as may be appropriate. The Company communicates with its employees on a regular basis, with an emphasis on listening and responding to staff aspirations and development needs, making it clear how their role contributes to the abrdn Group's goals, either through the abrdn Group's intranet facility or through regular meetings with management. All employees are encouraged to participate in the abrdn Group's share schemes.

Additional details relating to employees are disclosed within the abrdn plc Annual Report and Accounts.

Directors' Report for the Year Ended 31 December 2022 (continued)

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, 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 the Directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 ("FRS 101") *Reduced Disclosure Framework*.

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 apply them consistently;
- make judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Approved by the Board and signed on its behalf by:



C T Demetriou
Director

6 April 2023

Independent Auditor's Report to the Members of abrdn Investment Management Limited

Opinion

We have audited the financial statements of abrdn Investment Management Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of abrdn Investment Management Limited (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements, how they analyse identified breaches and assessing whether or not there were any implications of identified breaches on our audit.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's authority to operate. We identified the following areas as those most likely to have such an effect: key areas of financial services regulations, including Client Assets, Anti-Money Laundering and market abuse regulations and specific areas of regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the matter discussed in note 19 we assessed disclosure against our understanding gained through the procedures above.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members of abrdn Investment Management Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

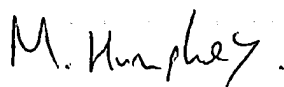
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of abrdn Investment Management Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.



Matthew Humphrey (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

6 April 2023

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	3	413,948	477,573
Dividends received		49,184	15,163
Commissions		-	(42)
Administrative expenses		(466,544)	(467,304)
Other operating income		-	27,800
Operating (loss)/profit before restructuring and amortisation		(3,412)	53,190
Restructuring costs	6	(36,564)	(33,297)
Amortisation and impairment of intangibles	10	(2,391)	(1,244)
Impairment of right of use asset	9	(2,351)	-
Operating (loss)/profit		(44,718)	18,649
Net finance income/(cost)	7	7,666	(621)
Gain on sale of investments		-	302,654
(Loss)/gains on valuation of investments		(108,751)	838,142
(Loss)/profit before tax		(145,803)	1,158,824
Tax credit/(expense)	8	30,374	(129,986)
(Loss)/profit for the year		(115,429)	1,028,838

The Company has not recorded any other comprehensive income during the years to 31 December 2022 or 31 December 2021. A separate statement of comprehensive income is therefore not disclosed.

The notes on pages 19 to 45 form an integral part of these financial statements.

Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Non-current assets			
Property, plant and equipment	9	69,453	69,360
Intangible assets	10	353	1,318
Investments in subsidiaries	12	30,752	30,752
Investment securities	13	15,138	858,648
Deferred tax assets	11	23,241	6,810
Trade and other receivables	14	340,000	325,000
Derivative financial instruments		54	89
Total non-current assets		478,991	1,291,977
Current assets			
Investment securities	13	477,424	-
Trade and other receivables	14	157,124	143,311
Cash and cash equivalents		79,845	99,700
Total current assets		714,393	243,011
Total assets		1,193,384	1,534,988
Equity			
Called up share capital	15	34,440	34,440
Retained earnings		790,049	1,168,794
Equity attributable to equity holders of the parent		824,489	1,203,234
Non-current liabilities			
Deferred tax liabilities	11	52,134	91,733
Leases	18	66,371	66,661
Total non-current liabilities		118,505	158,394
Current liabilities			
Trade and other payables	16	209,390	173,360
Provisions	19	41,000	-
Total current liabilities		250,390	173,360
Total liabilities		368,895	331,754
Total equity and liabilities		1,193,384	1,534,988

The notes on pages 19 to 45 form an integral part of these financial statements.

Balance Sheet as at 31 December 2022 (continued)

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C T Demetriou', written in a cursive style.

C T Demetriou
Director

6 April 2023

Registration number: SC123321

The notes on pages 19 to 45 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	34,440	610,545	644,985
Profit for the year	-	1,028,838	1,028,838
Total comprehensive income	-	1,028,838	1,028,838
Tax taken to equity	-	411	411
Dividends	-	(471,000)	(471,000)
At 31 December 2021	34,440	1,168,794	1,203,234

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	34,440	1,168,794	1,203,234
Loss for the year	-	(115,429)	(115,429)
Total comprehensive loss	-	(115,429)	(115,429)
Tax taken from equity	-	(316)	(316)
Dividends	-	(263,000)	(263,000)
At 31 December 2022	34,440	790,049	824,489

The notes on pages 19 to 45 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for period ended 31 December 2022 have been prepared in accordance with FRS 101 Reduced Disclosure Framework as issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with requirements of the Companies Act 2006 (adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Summary of disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- International Accounting Standards ("IAS") 1 Presentation of Financial Statements requirement for comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- IAS 1 Presentation of Financial Statements disclosures in respect of capital management;
- IAS 7 Statement of Cash Flows and related notes;
- IAS 8 Accounting Policies requirement to disclose the effects of new but not yet effective International Financial Reporting Standards ("IFRSs");
- IFRS 15 Revenue from Contracts with Customers;
- IAS 24 Related Party disclosures in respect of transactions with wholly owned subsidiaries;
- IAS 24 Related Party disclosures in respect of the compensation of Key Management Personnel; and
- IAS 24 Related Party disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of abrdn plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 7 Financial Instrument Disclosures and IFRS 13 Fair Value Measurement.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

The Company is a wholly owned subsidiary of abrdn plc which prepares consolidated financial statements and is therefore exempt from the requirement to prepare consolidated accounts by virtue of section 400 of the Companies Act 2006.

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position, are set out in the Strategic Report.

The Company has sufficient financial resources. In preparing these financial statements, the Directors have also considered the impact of severe market shocks on Company forecasts, focussing specifically on:

- the current level of regulatory capital, which was £221m in excess of capital requirements at 31 December 2022;
- the level of liquid resources, including cash and cash equivalents;
- the potential impact of potential downside scenarios on revenue, assets flows and costs, including potential management actions;
- the effectiveness of the Company's operational resilience processes including the ability of key outsourcers to continue to provide services; and
- consideration of the going concern assessment of the abrdn plc Group.

In forming this opinion, the Directors have also considered any potential impact of macro-economic events such as market volatility and the ongoing conflict in Ukraine on the going concern and viability of the Company.

Based on a review of the above factors the Board is satisfied that the Company remains well capitalised and has sufficient liquidity to withstand potential severe market shocks.

Consequently, the Board is satisfied that the Company has and will maintain sufficient resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Changes in accounting policy

No new standards, interpretations and amendments effective for the first time from 1 January 2022 are deemed to have had an impact on the Company.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Revenue recognition

Management fees are generated through investment management agreements and are generally based on agreed rates as a percentage of AuM and are shown net of rebates. The fees are recognised when it is highly probable that a significant reversal will not be required.

Performance fees are earned where the actual performance of the clients' assets exceed defined benchmarks or target returns over a set time period. Performance fees are recognised when it is highly probable that a significant reversal will not be required.

Other revenue mainly represents income from the recharge of costs to other abrdn Group companies plus distributions from private equity funds which are recognised when received. Other revenue is recognised when it is highly probable that a significant reversal will not be required.

Other operating income

Other operating income represents amounts released from a contract liability, net of payments made following changes in commercial agreements relating to the distribution and marketing of the Standard Life brand. These amounts do not form part of the normal course of business for the Company.

Dividends

Dividend income from subsidiaries is recognised as received. Dividend income from securities is recognised when the Company's right to receive payment is established. In the case of listed securities, this is the ex-dividend date.

Dividends paid are recognised directly in equity in the Company's financial statements in the year in which they are approved.

Net finance income / (cost)

Interest income and costs are derived on cash and cash equivalents, loans to other abrdn Group companies and leases. Interest is recognised on an accruals basis using the effective interest rate method.

Administrative expenses

Expenditure incurred by the Company is recognised in the month to which it relates. Expenses relating to a month that have not been invoiced are accrued, while invoices received and paid for expenses relating to future periods are recognised as prepayments.

Restructuring costs

Where the Company incurs significant expenditure arising from a reorganisation of a function or team, and which are sufficiently material to warrant separate disclosure, then the expenditure incurred is separately recognised on the face of the profit and loss account. Restructuring costs are recognised on accruals basis.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Foreign currency transactions and balances

(i) Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in thousands of pounds sterling, which is the Company’s presentational and functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account.

Financial assets

(i) Fair value through profit or loss

These instruments include investments in securities, consisting of seed capital, private equity investments and listed equity securities, which are designated as fair value through profit or loss. This category also includes investments held for trading, acquired principally for the purpose of selling in the short term. Fair value changes are recognised through profit or loss. The fair value of financial instruments that are actively traded on organised financial markets is determined by reference to market bid prices at the close of business on the balance sheet date. For investments where there is no active market, the fair value is determined using valuation techniques. These techniques include arm’s length market transactions, reference to the current market value of another financial instrument which is substantially the same and discounted cash flow analysis.

In limited circumstances, the Company enters into short term forward exchange and equity futures contracts to hedge its exposure to associated risks in relation to seed capital investments. Open forward foreign exchange contracts are valued using forward rates of exchange applicable at the balance sheet date for the remaining period until maturity, and are settled on net basis. Open future contracts are valued at the exchange quoted price at close of business on the balance sheet date.

(ii) Amortised cost

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These instruments are included in current assets and consist of cash and cash equivalents, trade receivables, amounts owed by abrdn Group undertakings, accrued income and other receivables. These instruments are initially recognised at fair value, net of any transaction costs, and subsequently at amortised cost using the effective interest rate method.

The Company has adopted trade date accounting. Accordingly, a financial asset is recognised on the date the Company commits to its purchase and derecognised on the date on which the Company commits to its sale.

Impairment of financial assets

An expected credit loss impairment model is applied to financial assets measured at amortised cost. Impairment losses representing the expected credit loss in the next 12 months are recognised unless there has been a significant increase in credit risk from initial recognition or they relate to trade receivables in which case lifetime expected losses are recognised.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Financial liabilities

(i) Fair value through profit or loss

These instruments include liabilities which are designated as fair value through profit or loss. Fair value changes are recognised through profit or loss. The fair value of financial instruments that are actively traded on organised financial markets is determined by reference to market bid prices at the close of business on the balance sheet date. For investments where there is no active market, the fair value is determined using valuation techniques. These techniques include arm's length market transactions, reference to the current market value of another financial instrument which is substantially the same and discounted cash flow analysis.

In limited circumstances, the Company enters into short term forward exchange and equity futures contracts to hedge its exposure to associated risks in relation to seed capital investments. Open forward foreign exchange contracts are valued using forward rates of exchange applicable at the balance sheet date for the remaining period until maturity, and are settled on net basis. Open future contracts are valued at the exchange quoted price at close of business on the balance sheet date.

(ii) Amortised cost

These instruments include trade payables, amounts owed to abrdn Group undertakings, other payables and accruals. These instruments are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

Intangible assets

Intangible assets relate to internally developed software and are recognised in the statement of financial position if it is probable that the relevant future economic benefits attributable to the assets will flow to the Company and their cost can be measured reliably and either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or arising from contractual or other legal rights, regardless of whether those rights are transferable or separable. These are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally developed software is considered to have a definite life and are therefore amortised on a straight line basis over their estimated useful lives. Internally developed software is amortised over a period of up to five years.

Impairment of non-financial assets

In respect of definite useful life intangible assets and investments in subsidiaries an impairment loss is recognised when events or changes in circumstances indicate that the recoverable amount of the asset may not exceed its carrying value. If any such indication exists, the asset's recoverable amount is estimated and any provision for impairment recognised. Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and includes cash at bank and highly liquid investments. Cash and cash equivalents are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Current & deferred tax

The tax expense comprises both current tax and deferred tax expense.

Current tax is the expected tax payable on taxable profit for the year and is calculated using tax rates and laws substantively enacted at the balance sheet date.

A deferred tax asset represents a tax deduction that is expected to arise in a future period. It is only recognised to the extent that there is expected to be future taxable profit or investment return to offset the tax deduction. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or prior year transaction.

Where local tax law allows, deferred tax assets and liabilities are netted off on the statement of financial position. The tax rates used to determine deferred tax are those enacted or substantively enacted at the balance sheet date that are expected to apply when the deferred tax asset or liability are realised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates unless the timing of the reversal is in our control and it is expected that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is recognised in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is credited or charged to other comprehensive income or directly to equity respectively.

Leases

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses. Depreciation is charged over the term of the lease, remaining term in the case of non-property right-of-use assets recognised at 1 January 2019.

The lease liability is calculated as the present value of the future lease payments. The lease payments are discounted using the rate implicit within the lease where readily available or the Group's incremental borrowing rate where the implicit rate is not readily available. Interest is calculated on the liability using the discount rate and is charged to the income statement under finance costs.

In determining the value of the right-of-use assets and lease liabilities, the Company considers whether any leases contain lease extensions or termination options that the Company is reasonably certain to exercise.

Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Property, plant and equipment

Property, plant & equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Expenditure on property, plant & equipment is capitalised on initial recognition. Subsequent expenditure is only capitalised when it is probable that there will be future economic benefits attributable to the item and the cost of the item can be measured reliably. All other expenditure is recognised as an expense in the profit and loss account as incurred.

Property, plant & equipment is depreciated so as to write off the cost of assets, on a straight line basis, over their estimated useful lives as follows:

Asset class	Depreciation method and rate
Leasehold Property	Period of lease or up to 15 years
Furniture, Fittings and equipment	5 to 8 years
Computer equipment	4 to 8 years

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Employee benefits

Defined contribution pension obligation

The Company contributes to a group personal pension plan operated by abrdn plc. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting year.

Share based payments

abrdn plc grants equity-based awards and cash settled awards (for awards in Aberdeen Standard Investment funds) to certain employees.

Equity settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of equity settled share based payments is expensed on a straight line basis over the service period to vesting, based on abrdn Group's estimate of equity instruments that will eventually vest.

Where abrdn plc makes awards under the deferred share schemes to employees of its subsidiaries, the cost is recharged based on the value at award date.

For cash settled deferred fund awards, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is measured, with any changes in fair value recognised in the income statement for the year.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements can necessitate the use of key estimates and judgements. These estimates and judgements can affect the reported amounts of assets and liabilities, contingent or otherwise, at the balance sheet date as well as affecting the reported profit or loss for the year, and the key judgement is disclosed beneath:

Critical estimates:

Fair value calculations - Fair value is defined as the value at which assets or liabilities could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Where quoted market prices are not available for private equity investments, fair value is based upon the net asset values of the funds, which use, wherever possible, independently sourced market parameters specific to the sector in which the fund operates. Management must use judgement and estimates where not all necessary data can be externally sourced or where factors specific to the Company's holdings need to be considered. The accuracy of the fair value calculations would therefore be affected by unexpected market movements, inaccuracies within the models used compared to actual outcomes and incorrect assumptions to which these estimates relate in note 13.

Critical judgements:

Investment in subsidiaries - Investments in subsidiaries are assessed for indicators of impairment each year which requires management to assess the future strategic direction of these investments. This is completed through review of both quantitative factors, such as net assets exceeding the investment carrying value and future profitability, as well as qualitative factors, such as macroeconomic conditions and relationships with key suppliers and customers.

3 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Management fees	341,846	388,491
Performance fees	6,434	10,579
Other revenue	65,668	78,503
Total revenue	413,948	477,573

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Operating (loss)/profit

Arrived at after charging

	2022	2021
	£ 000	£ 000
Foreign exchange (losses)/gains	(828)	1,907
Audit of the financial statements	231	230
Process execution event provision	<u>41,000</u>	<u>-</u>

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of abrdn plc.

Other administrative expenses includes an expense relating to a single process execution event provision, see note 19.

5 Employees & Directors

The average number of persons employed by the Company during the year, analysed by category was as follows:

	2022	2021
	No.	No.
Fund management and administration	<u>744</u>	<u>992</u>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£ 000	£ 000
Wages and salaries	63,390	81,078
Social security costs	11,388	13,207
Pension costs, defined benefit scheme	9,823	10,396
Share-based payment expenses	8,752	12,401
Other employee expense	<u>85</u>	<u>3,142</u>
	<u>93,438</u>	<u>120,224</u>

In addition to the above, costs of £16,544k (2021: £18,203k) relate to staff that are contractual employees of the Company, but provide services wholly to a fellow abrdn Group undertaking. The full recharge of these costs has been netted within administrative expenses in the profit and loss account as a result of these employees' activities not impacting the revenue generating activities of the Company.

The Directors' remuneration for the year was as follows:

	2022	2021
	£ 000	£ 000
Aggregate remuneration	1,150	2,925
Other benefits	<u>460</u>	<u>3,839</u>
	<u>1,610</u>	<u>6,764</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

5 Employees & Directors (continued)

There are a total of 2 (2021: 5) Directors accruing retirement benefits from the Company under a personal pension plan. During the year 3 (2021: 6) Directors were rewarded under the share-based payment schemes.

Highest paid director

The aggregate emolument of the highest paid Director during the year was £548,353 (2021: £757,819). Company pension contributions of £nil (2021: £nil) were made to a personal pension plan on their behalf. The highest paid Director was awarded deferred shares under the ultimate parent company's deferred compensation scheme as described in Note 22.

The remuneration of Directors paid by abrdn plc or any other abrdn Group company are included in the respective financial statements.

6 Restructuring costs

Restructuring costs incurred during the year is as follows:

	2022 £ 000	2021 £ 000
Staff costs	14,915	18,620
Redundancy	9,837	8,734
Professional and consultancy fees	549	2,017
Third party administrative costs	46	(274)
Other restructuring costs	11,217	4,200
	<u>36,564</u>	<u>33,297</u>

Other restructuring costs relate to restructuring costs recharged from other abrdn entities.

7 Net finance income/(expense)

	2022 £ 000	2021 £ 000
Finance income		
Interest income on bank deposits	29	15
Interest on group borrowings	7,859	937
Interest income	<u>1,404</u>	<u>151</u>
	<u>9,292</u>	<u>1,103</u>
Finance expense		
Interest on bank overdrafts and borrowings	(4)	(47)
Interest expense on leases	<u>(1,622)</u>	<u>(1,677)</u>
	<u>(1,626)</u>	<u>(1,724)</u>
Net finance income/(expense)	<u>7,666</u>	<u>(621)</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Tax expense

Analysis of tax (credit)/charge in the year:

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	(5,990)	2,825
Current tax prior period adjustment	(1,024)	(1,004)
	<u>(7,014)</u>	<u>1,821</u>
Foreign tax	30,706	34,924
Total current tax	23,692	36,745
Deferred taxation		
Arising from origination and reversal of temporary differences	(54,066)	93,241
Tax (credit)/expense in the profit and loss account	<u>(30,374)</u>	<u>129,986</u>

The tax charge assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	(145,803)	1,158,824
Corporation tax at standard rate	(27,703)	220,177
Income not subject to tax	(9,562)	(3,062)
Permanent differences	1,777	1,495
Deferred shares and funds	1,047	732
Other	1,486	1,580
Differences due to overseas tax	8,547	(90,999)
Adjustments in respect of prior periods	(1,257)	142
Differences due to change in tax rate	(4,709)	(79)
Total tax (credit) / expense	<u>(30,374)</u>	<u>129,986</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Tax expense (continued)

The standard UK Corporation Tax rate for the accounting period is 19%. The rate will increase to 25% with effect from 1 April 2023, following the UK Government enactment in May 2021. This will impact the current tax in the UK going forward.

9 Property, plant and equipment

	Leasehold property £ 000	Furniture, fittings and equipment £ 000	Right of use assets £ 000	Computer equipment £ 000	Total £ 000
Cost or valuation					
At 1 January 2022	18,011	8,897	75,701	2,376	104,985
Additions	5,433	1	4,228	-	9,662
Transfers	-	131	-	-	131
Disposals	-	-	-	(349)	(349)
At 31 December 2022	23,444	9,029	79,929	2,027	114,429
Depreciation					
At 1 January 2022	5,498	4,623	23,290	2,214	35,625
Charge for the year	2,313	1,141	3,735	96	7,285
Impairment	-	-	2,351	-	2,351
Transfers	-	9	-	-	9
Eliminated on disposal	-	-	-	(294)	(294)
At 31 December 2022	7,811	5,773	29,376	2,016	44,976
Net book value					
At 31 December 2022	15,633	3,256	50,553	11	69,453
At 31 December 2021	12,513	4,274	52,411	162	69,360

The impairment charge in 2022 relates to a Business Continuity Site which is no longer required.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Intangible assets

	Software Development £ 000	Management Contracts £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	42,273	-	42,273
Transfers in		1,426	1,426
Disposal	(15,600)	-	(15,600)
At 31 December 2022	26,673	1,426	28,099
Amortisation			
At 1 January 2022	40,955	-	40,955
Amortisation and impairment charge	965	1,426	2,391
Disposal	(15,600)	-	(15,600)
At 31 December 2022	26,320	1,426	27,746
Net book value			
At 31 December 2022	353	-	353
At 31 December 2021	1,318	-	1,318

11 Deferred tax

	2022 £ 000	2021 £ 000
As at 1 January	(84,923)	8,601
Credit/(debit) through profit and loss account	54,066	(93,242)
Adjustment through equity	(316)	(282)
Acquisitions in period	2,280	-
As at 31 December	(28,893)	(84,923)
Deferred tax assets	23,241	6,810
Deferred tax liabilities	(52,134)	(91,733)

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Deferred tax (continued)

Movements in deferred tax assets and liabilities

	Accelerated capital allowances	Employee benefits	Losses carried forward	Provisions and other temporary timing differences	Unrealised gains on investments	HDFC Asset Management	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 January 2022	1,093	7,833	-	742	(2,858)	(91,733)	(84,923)
Amounts through profit & loss	330	(1,985)	15,000	301	822	39,598	54,066
Acquired through acquisitions	2,280	-	-	-	-	-	2,280
Through equity	-	(316)	-	-	-	-	(316)
At 31 December 2022	3,703	5,532	15,000	1,043	(2,036)	(52,135)	(28,893)

	Accelerated capital allowances	Employee benefits	Losses carried forward	Provisions and other temporary timing differences	Unrealised gains on investments	HDFC Asset Management	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 January 2021	(66)	8,390	1,286	416	(1,425)	-	8,601
Amounts through profit & loss	1,159	(275)	(1,286)	326	(1,433)	(91,733)	(93,242)
Through equity	-	(282)	-	-	-	-	(282)
At 31 December 2021	1,093	7,833	-	742	(2,858)	(91,733)	(84,923)

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Deferred tax (continued)

The deferred tax asset can be analysed as follows:

	2022 £ 000	2021 £ 000
Accelerated capital allowances	3,703	1,093
Employee benefits	5,532	7,833
Losses carried forward	15,000	-
Provisions & other temporary timing differences	1,043	742
Less: Offset against deferred tax liabilities	(2,037)	(2,858)
	<u>23,241</u>	<u>6,810</u>

The deferred tax liability can be analysed as follows:

	2022 £ 000	2021 £ 000
Unrealised gains on investments	(2,036)	(2,858)
Other- HDFC Asset Management	(52,135)	(91,733)
Less: Offset against deferred tax assets	2,037	2,858
	<u>(52,134)</u>	<u>(91,733)</u>

Gross deferred tax liabilities relating to unrealised gains on investments of £54m include £52m (2021: £92m) relating to our investment in HDFC Asset Management following the reclassification of this holding from an associate to an investment security measured at fair value during 2021.

A deferred tax asset is recognised as it is probable that sufficient future taxable profits will be available against which the deferred tax asset can be recovered. Their recoverability is measured against anticipated taxable profits and gains based on business plans. The deferred tax asset recognised on losses relates to UK losses where there is currently no restriction on the period of time over which losses can be utilised. Recognition of this deferred tax asset requires that management must consider if it is more likely than not that this asset will be recoverable in future periods against future taxable profits arising in the UK. In making this assessment management have considered future operating plans and forecast taxable profits and are satisfied that forecast taxable profits will be sufficient to enable recovery of the tax losses. Based upon the level of forecast taxable profits management do not consider there is significant risk of a material adjustment to the carrying value of the deferred tax asset within the next financial year. Management expect the deferred tax asset to be utilised over a period between 4 and 6 years.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Investments in subsidiaries

	2022	2021
	£ 000	£ 000
As at 1 January	30,752	30,752
As at 31 December	30,752	30,752

The particulars of the Company's subsidiary undertakings as at the statement of financial position date are in Note 26.

13 Investments in securities

The following are the particulars of the Company's investment securities as at the statement of financial position date:

	2022	2021
	£ 000	£ 000
Non-current		
Seed capital investments	1,610	1,601
Private equity investments	13,528	17,003
Listed equity investments	-	840,044
	15,138	858,648
Current		
Listed equity investments	477,424	-
	492,562	858,648

HDFC Asset Management is considered to be a current asset as at 31 December 2022 as it is expected to be recovered or settled within 12 months.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Trade and other receivables

	2022 £ 000	2021 £ 000
Non-current trade and other receivables:		
Amounts owed by abrdn Group undertakings	340,000	325,000
Total non-current trade and other receivables	340,000	325,000

	2022 £ 000	2021 £ 000
Current trade and other receivables:		
Trade receivables	75,644	31,714
Amounts owed by abrdn Group undertakings	17,076	80,854
Accrued income	57,716	29,153
Other receivables	5,838	785
Overseas corporate tax asset	850	-
Income tax asset	-	805
Total current trade and other receivables	157,124	143,311

Non-current amounts owed by abrdn Group undertakings are unsecured, attract interest at SONIA plus 0.96% per annum (2021: 0.96%), and are repayable by 2026 unless otherwise agreed by both parties to the loan. They have been classified as non-current based on expected settlement date.

Current amounts owed by abrdn Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand and as such they have been classified as current based on expected settlement date.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	34,440	34,440	34,440	34,440

16 Trade and other payables

	2022 £ 000	2021 £ 000
Current trade and other payables:		
Accruals	43,630	60,522
Amounts owed to abrdn Group undertakings	149,107	103,992
Taxes and social security	8,283	-
Collateral received for open derivative positions	244	-
Other payables	8,126	8,846
Total current trade and other payables	209,390	173,360

Amounts owed to abrdn Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17 Derivative financial instruments

	2022 Contract amount £ 000	Fair value assets £ 000	2021 Contract amount £ 000	Fair value assets £ 000
Non-current				
Forwards	2,804	53	6,344	89

The contractual undiscounted cash flows in relation to derivative financial instruments are all payable within 1 year, and are £2,753k (2021: £6,256).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 Leases

Leases where the Company is lessee

The Company leases various offices and equipment used to carry out its business. Leases are generally for fixed periods but may be subject to extensions or early termination clauses. The range of terms for current leases ranges is 24 months to 16 years.

The Company has recognised the following liabilities in relation to these leases:

	2022	2021
	£ 000	£ 000
Property	66,371	66,661

Details of the movements in the Company's right-of-use assets including additions and depreciation are included in Note 9. The interest on lease liabilities for the year ended 31 December 2022 is included in Note 7.

19 Provisions

The Company has recognised the following provision:

	2022	2021
	£ 000	£ 000
Process execution event provision	41,000	-

The process execution provision of £41,000k relates to a payment required to compensate an asset management client relating to the provision of certain services. Subsequent to the year end the matter has been sufficiently clarified such that the amount and timing are no longer uncertain. The abrdn Group has in place liability insurance and expects to recover £36,000k being the cost of the compensation, net of a £5,000k excess. No insurance recovery asset has been recognised in these financial statements. All of the £41,000k was charged to the income statement in 2022.

20 Related party transactions

In the normal course of business, the Company enters into transactions with related parties in respect of investment management business. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

All transactions between key management and their close family members and the Company during the year are on terms which are equivalent to those available to all employees of abrdn plc

Details of significant transactions with related parties (excluding fellow wholly owned subsidiaries and key management personnel) during the year include transactions amounting to £3.9m (2021: £nil) with abrdn Investments Deutschland AG in which the abrdn Group has an 89.9% ownership. At the year end £2.6m was outstanding with abrdn Investments Deutschland AG and included within trade and other payables (2021: £nil).

In 2021 significant transactions included £8.8m of revenue/dividends with Standard Life Assurance Limited and £14.9m with other associates.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

21 Parent and ultimate parent undertaking

The Company's immediate parent is abrdn Investments (Holdings) Limited and its ultimate parent is abrdn plc, both of which are incorporated in the United Kingdom and registered in Scotland.

The most senior parent entity producing publicly available financial statements is abrdn plc. Copies of the consolidated Annual Report and Accounts are available to the public from 1 George Street, Edinburgh, EH2 2LL, or to download on the website www.abrdn.com.

22 Employee share-based payments

The Company does not operate any share-based payment schemes. During the year the Company's ultimate parent company, abrdn plc, operated a number of share-based payment schemes for employees across the abrdn Group, the majority of which are equity settled. Details of these arrangements affecting the Company's employees are set out below.

The following plans made awards during the year ended 31 December 2022:

Plan	Options	Conditional awards	Restricted shares	Typical vesting period (years)	Contractual life for options	Recipients	Conditions which must be met prior to vesting
Standard Life Aberdeen plc Deferred Share Plan/ Discretionary Share Plan	Yes	Yes	No	1-3 years	Up to 10 years from date of grant	Executives and senior management	Service, or service and performance conditions. These can be tailored to the individual award.
Sharesave (Save-as-you-earn)	Yes	No	No	3 or 5	Up to six months after vesting	UK and Irish employees	Service only
Share incentive plan	No	No	Yes	3	Not applicable	UK and Irish employees	Service only

All of the awards made under these plans are equity-settled except for a small number of cash-settled awards for the deferred and discretionary share plans.

The fair value of awards granted under the Group's incentive schemes is determined using a relevant valuation technique, such as the Black Scholes option pricing model.

The awards made under the deferred and discretionary share plans include awards for deferred bonuses of the prior year. The deferred bonus awards have service conditions of one, two and three years after the date of the award and no outstanding performance conditions.

The awards made include certain awards under the deferred and discretionary share plans to senior management with specific performance conditions.

The deferred and discretionary share plans also made a number of deferred fund awards in the year ended 31 December 2022.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

22 Employee share-based payments (continued)

Options and conditional awards are all at nil cost with the exception of Sharesave where eligible employees in the UK and Ireland save a monthly amount from their salaries, over either a three or five year period, which can be used to purchase shares in the Company at a predetermined price.

The share incentive plan allows employees the opportunity to buy up to £1,800 of shares from their salary each year with the Group matching up to £600 per year. The matching shares awarded are granted each month but are restricted for three years.

The Group also operated the following plans which included awards for employees of the Company for which no awards were made during the years ended 31 December 2022 and 31 December 2021 and there are no outstanding awards:

Plan	Options	Conditional awards	Restricted shares	Typical vesting period (years)	Contractual life for options	Recipients	Conditions which must be met prior to vesting
Standard Life Investments Long-Term Incentive Plan	Yes	No	No	3	Up to six months after vesting	Executives and senior management	Service and performance conditions
Standard Life Restricted stock plan (RSP)	Yes	No	No	1-3	Up to six months after vesting	Executives (other than executive Directors) and senior management	Service, or service and performance conditions. These are tailored to the individual award.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

22 Employee share-based payments (continued)

The weighted average share price of options exercised:

	2022 pence	2021 pence
Sharesave	220	268
Deferred awards	195	292

The following table shows the range of exercise prices of the options outstanding:

	2022 No. 000	2021 No. 000
Sharesave		
118p	1,809	-
189p	272	951
199p	523	1,166
206p	118	215
257p	21	164
283p	-	29
328p	-	5
345p	13	29
Deferred awards		
£nil	10,666	14,453

The weighted average remaining contractual life of options outstanding:

	2022 years	2021 years
Sharesave	2.94	2.26
Deferred awards	7.66	7.90

23 Commitments

The Company has entered into partnership agreements which have committed the Company to invest a maximum of £17,889,000 (2021: £16,881,000) into limited partnerships. During the year the Company invested £51,000 (2021: £119,000) with a remaining undrawn commitment of £2,437,000 (2021: £2,505,000).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

24 Contingent liabilities

The Company is subject to regulation in all of the territories in which it operates its investment businesses. In the UK, where the Group primarily operates, the FCA has broad powers, including powers to investigate marketing and sales practices.

The Company, like other financial organisations, is subject to legal proceedings, complaints and regulatory discussions, reviews and challenges in the normal course of its business. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Company incurring a liability. Where it is concluded that it is more likely than not that a material outflow will be made a provision is established based on management's best estimate of the amount that will be payable. At 31 December 2022, there are no identified contingent liabilities expected to lead to a material exposure.

25 Events after the balance sheet date

To the knowledge of the Directors, there have been no material events after the reporting period other than the item noted below.

In March 2023 the Company decided to exit a leased UK property. The carrying value of the right of use asset for this property at 31 December 2022 was £40.5m and the lease expires in 2038. The Company is seeking to sub-let the property to third parties. It is expected that the decision to exit the property will give rise to an impairment of the right of use asset, the amount of which will be dependent on the sub-let activity.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

26 Supplementary information

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of undertaking	Country of Registration	Direct/Indirect	Percentage owned other than 100%
Standard Life Investments (Mutual Funds) Limited ¹	UK	Direct	
SLTM Limited ⁷	UK	Direct	
abrdn Alternative Funds Limited ¹	UK	Direct	
abrdn Private Equity (Europe) Limited ¹	UK	Direct	
abrdn (USA) Limited ¹	UK	Direct	
abrdn Jersey Limited ⁴	Jersey	Direct	
Standard Life Investments (General Partner EPGF) Limited ¹	UK	Direct	
Standard Life Investments (General Partner UK Shopping Centre Feeder Fund LP) Limited ³	UK	Direct	
Standard Life Investments (General Partner GARS) Limited ¹	UK	Direct	
Standard Life Investments (General Partner MAC) Limited ¹	UK	Direct	
Standard Life Investments (General Partner European Real Estate Club) Limited ³	UK	Direct	
Standard Life Investments (General Partner European Real Estate Club II) Limited ³	UK	Direct	
Standard Life Investments (General Partner European Real Estate Club III) Limited ³	UK	Direct	
Standard Life Investments (General Partner CRED) Limited ¹	UK	Direct	
Standard Life Investments Brent Cross General Partner Limited ¹	UK	Direct	
Standard Life Investments (General Partner GFS) Limited ¹	UK	Direct	
Standard Life Investments (General Partner Global Tactical Asset Allocation) Limited ¹	UK	Direct	
Standard Life Investments (General Partner ELIREF) S.a.r.l. ⁶	Luxembourg	Direct	
abrdn CP (Holdings) Limited ¹	UK	Direct	
abrdn Capital Partners LLP ¹	UK	Direct/Indirect	40% Direct & 60% Indirect
SLIPC (General Partner Infrastructure II) S.a.r.l. ⁶	Luxembourg	Indirect	
SLIPC (General Partner Infrastructure III) S.à r.l. ⁶	Luxembourg	Indirect	
SLIPC (General Partner Infrastructure II LTP 2017) Limited ¹	UK	Indirect	
SLIPC (General Partner SCF I) Limited ¹	UK	Indirect	
Aberdeen Standard MSPC General Partner S.à r.l. ⁶	Luxembourg	Indirect	
ASI (General Partner 2019 European PE A Carry) Limited ¹	UK	Indirect	
ASI (General Partner 2019 European PE A) S.a.r.l. ⁶	Luxembourg	Indirect	

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

26 Supplementary information (continued)

Name of Undertaking	Country of registration	Direct/Indirect	Percentage owned other than 100%
ASI (General Partner ECF II) Limited ¹	UK	Indirect	
ASI (SOF E GP) Limited ¹	UK	Indirect	
SLIPC (General Partner PMD Co-invest 2017) Limited ¹	UK	Indirect	
ASI (General Partner SOF IV) Limited ¹	UK	Indirect	
ASI (General Partner 2019 European PE B) Limited ¹	UK	Indirect	
ASI (General Partner PE2) Limited ¹	UK	Indirect	
ASI (General Partner PFF 2018) S.a.r.l. ¹⁶	Luxembourg	Indirect	
abrdn Global Absolute Return Strategies Master Fund Ltd ⁵	Cayman Islands	Indirect	
abrdn Global Absolute Return Strategies Offshore Feeder Fund Ltd ⁵	Cayman Islands	Indirect	
Standard Life Investments European RE Club (Offshore Feeder) Limited ⁵	Cayman Islands	Indirect	
Standard Life Investments European RE Club II (Offshore Feeder) Limited ⁵	Cayman Islands	Indirect	
SLCP (General Partner ESP 2006) Limited ¹	UK	Indirect	
SLCP (General Partner ESP 2008) Limited ¹	UK	Indirect	
SLCP (General Partner ESP 2008 Coinvestment) Limited ¹	UK	Indirect	
SLCP (General Partner ESP CAL) Limited ¹	UK	Indirect	
SLCP (General Partner NASP 2006) Limited ¹	UK	Indirect	
SLCP (General Partner NASP 2008) Limited ¹	UK	Indirect	
SLCP (General Partner) Limited ¹	UK	Indirect	
SLCP (General Partner II) Limited ¹	UK	Indirect	
SLCP (General Partner ESP 2004) Limited ¹	UK	Indirect	
SLCP (General Partner CPP) Limited ¹	UK	Indirect	
SLCP (General Partner Edcastle) Limited ¹	UK	Indirect	
SLCP (General Partner Tidal Reach) Limited ¹	UK	Indirect	

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

26 Supplementary information (continued)

Name of Undertaking	Country of registration	Direct/Indirect	Percentage owned other than 100%
SLCP (General Partner ESF I) Limited ¹	UK	Indirect	
SLCP (General Partner ESF II) Limited ¹	UK	Indirect	
SLCP (General Partner NASF I) Limited ¹	UK	Indirect	
SLCP (General Partner USA) Limited ⁷	UK	Indirect	
SLCP (General Partner SOF I) Limited ¹	UK	Indirect	
SLCP (General Partner SOF II) Limited ¹	UK	Indirect	
SLCP (General Partner SOF III) Limited ¹	UK	Indirect	
SLCP (General Partner Pearl Private Equity) Limited ¹	UK	Indirect	
SLCP (General Partner Pearl Strategic Credit) Limited ¹	UK	Indirect	
SL Capital Partners (US) Limited ⁷	UK	Indirect	
SLCP (General Partner Europe VI) Limited ¹	UK	Indirect	
SLCP (General Partner EC) Limited ¹	UK	Indirect	
Ignis Cayman GP2 Limited ⁵	Cayman Islands	Indirect	
Ignis Cayman GP3 Limited ⁵	Cayman Islands	Indirect	
SLCP (General Partner Infrastructure I) Limited ¹	UK	Indirect	
SLCP (General Partner Infrastructure Secondary I) Limited ¹	UK	Indirect	
SLCP (Founder Partner Ignis Private Equity) Limited ¹	UK	Indirect	
SLCP (Founder Partner Ignis Strategic Credit) Limited ¹	UK	Indirect	
SLCP (General Partner 2016 Co-Investment) Limited ¹	UK	Indirect	
Standard Life Investments UK Shopping Centre Feeder Fund Company Limited ⁴	Jersey	Indirect	

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

26 Supplementary information (continued)

Registered office

¹ 1 George Street, Edinburgh, EH2 2LL

² 11th Floor, 2 Snowhill, Birmingham, B4 6WR

³ 280 Bishopsgate, London, EC2M 4RB

⁴ Ogier House, 44 Esplanade, St Helier, Jersey JE4 9WG

⁵ C/o Maples Corporate Services Limited, PO Box 309, Ugland House, KY1-1104, Cayman Islands

⁶ 35A, Avenue JF Kennedy, L-1855, Luxembourg

⁷ 7 Exchange Crescent, Conference Square, Edinburgh, EH3 8AN