

Aberdeen Real Estate Operations Limited

Directors' report and financial statements
Registered number SC169791

For the year ended 30 September 2013

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Contents

Strategic report	1
Directors' report	3
Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent auditor's report to the members of Aberdeen Real Estate Operations Limited	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Strategic report

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

Business review and future developments

Throughout the year the activities of the Company related to the provision of specialist property fund and asset management services. These services are provided primarily to pension fund and insurance company clients investing directly in UK property. There are no changes expected to the future activities of the business.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. It is reliant on the support of its ultimate parent undertaking Aberdeen Asset Management PLC, to meet its liabilities as they fall due and the Directors have received a letter of support from the Directors of Aberdeen Asset Management PLC.

Key performance indicators

The Company forms part of the operational arm of Aberdeen Asset Management PLC's ('AAM PLC') UK based investment management business. The Company uses a number of financial performance measures to monitor the performance of the business against budget and prior year, throughout the year. These key performance indicators ('KPIs') are measured and reported to management on a monthly basis and are shown below:

	2013 £'000	2012 £'000
Turnover	11,650	13,461
Operating loss	(3,619)	(6,911)
Investment management operating margin	(31.1%)	(51.3%)
Assets under management (AuM)	£4.25 billion	£4.24 billion

Turnover decreased from £13.5m in the year to 30 September 2012 to £11.7m in the year ended 30 September 2013. AuM at the year-end has remained broadly static compared to the prior year, however during the year AuM fluctuated as a number of clients have been repositioning their portfolio. In addition performance fees earned in 2013 are lower than the previous year. The loss before tax decreased from a loss of £6.9m in 2012 to a loss of £3.6m in 2013. The results for the year are shown in the profit and loss account on page 6.

Financial performance

The Company's loss after tax for the year to 30 September 2013 is £2.4m (2012: loss of £5.3m).

The Directors are not entitled to recommend the payment of a dividend as the Company does not have distributable reserves at the year end.

Risk management

Risk management is fundamental to our core objective of delivering sustainable and long-term value to our shareholders. The Company's risks are recorded within the AAM risk management database and are subject to the AAM group risk management processes. The Group's risk management framework is designed to meet business needs, regulatory requirements and align the Group and Company with best practice in terms of corporate governance.

Strategic report *(continued)*

Principal risks and uncertainties

In common with many businesses, the Company is exposed to a range of risks. Some of these risks are an inherent part of the business, such as taking investment decisions on behalf of clients and our energies are focused on managing this risk, as opposed to eliminating it.

The management of risk is embedded in the culture of the Company and the whole Group and the way we conduct our business. The oversight and implementation of risk strategy for the Company and the Group is managed at an executive level through the risk management committee, together with the risk, compliance and internal audit departments. The board of the Company meet regularly and consider the risks facing the Company and controls required to manage these risks, as well as the output from the aforementioned governance committees held at an executive level.

There are further risks which apply to the Company and the Group described on page 43-45 of the 2013 Aberdeen Asset Management PLC annual report. In addition to these risks, the principal financial risks that the Company are exposed to include:

Strategic risk

The majority of the Company's turnover is earned from management fees which are calculated on the basis of the value of AuM. The value of AuM will be affected by general market movements, as well as investor appetite and the actual investment performance achieved by the asset managers. We add value to property investment through active management, top-class research, local presence and a rigorous investment process. We offer a wide range of well structured vehicles that provide strong risk-adjusted returns, as well as a choice of geographic and sector allocations. Also client relationships are fundamental to our business and retention of AuM. We keep in regular contact with clients to ensure that we address their changing needs.

Credit risk

We face credit risk as a result of counter party exposure specifically from our trade debtors and the risk of default from our debtors. We regularly monitor the receipt of cash and aging of debt and actively chase to ensure timely receipt of debts.

Brand risk

As well as poor investment performance, our reputation could be damaged if our brand or marketing is inconsistent with our culture or operations. During the year we performed a review of our brand - to ensure that it is aligned to our culture. The compliance team works closely with the business to check that our marketing materials are consistent with our products and capabilities.

Legal and regulatory

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

By order of the Board



For Aberdeen Asset Management PLC

Secretaries
10 Queen's Terrace
Aberdeen
AB10 1YG
13 December 2013

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 September 2013.

Health and safety

The Company has in place a Health and Safety Policy which can be accessed by all staff via an internal database. The aim is to provide both staff and visitors with a safe and healthy working environment. The Company is committed to adhering to the high standards of health and safety set out by its policies and procedures and to providing training as necessary.

Treating customers fairly ("TCF")

The Board adopted a TCF policy during 2006. The policy extends the AAM Group TCF focus into the operations of the Company and builds on the requirement to meet customers' reasonable expectations.

Directors

The Directors who held office during the year and up to the date of this report are given below:

M J Tibbits
G D Hardie
M G McCarthy
A J Creighton
A R I Smith (resigned 15/11/2013)

All directors benefitted from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditor

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



For Aberdeen Asset Management PLC

Secretaries
10 Queen's Terrace
Aberdeen
AB10 1YG
13 December 2013

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of Aberdeen Real Estate Operations Limited

We have audited the financial statements of Aberdeen Real Estate Operations Limited for the year ended 30 September 2013 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, 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 web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



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

13 December 2013

Profit and loss account

For the year ended 30 September 2013

	<i>Note</i>	2013 £'000	2012 £'000
Turnover	2	11,650	13,461
Administrative expenses		<u>(15,269)</u>	<u>(20,372)</u>
Operating loss		(3,619)	(6,911)
Interest receivable and similar income	6	<u>18</u>	<u>30</u>
Loss on ordinary activities before taxation	3 - 5	(3,601)	(6,881)
Tax on loss on ordinary activities	7	<u>1,238</u>	<u>1,607</u>
Loss for the financial year	14	<u>(2,363)</u>	<u>(5,274)</u>

Turnover and operating loss arise wholly from continuing operations.

There are no recognised gains or losses other than the loss for the financial year. Accordingly, no statement of total recognised gains and losses has been presented.

The notes on pages 8 to 17 form part of these financial statements

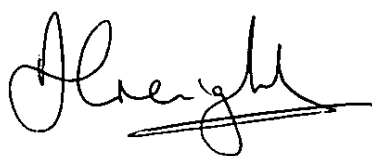
Balance sheet

At 30 September 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	8	<u>12</u>	<u>24</u>
		12	24
Current assets			
Debtors	9	2,678	6,355
Cash at bank and in hand		<u>622</u>	<u>6,379</u>
		3,300	12,734
Creditors: amounts due within one year	11	<u>(6,183)</u>	<u>(12,836)</u>
Net current liabilities		(2,883)	(102)
Provisions for liabilities	12	<u>(550)</u>	<u>(980)</u>
Net liabilities		<u>(3,421)</u>	<u>(1,058)</u>
Capital and reserves			
Called up share capital	13	-	-
Share premium account	14	800	800
Capital contribution	14	654	654
Profit and loss account	14	<u>(4,875)</u>	<u>(2,512)</u>
Shareholders' deficit	15	<u>(3,421)</u>	<u>(1,058)</u>

The notes on pages 8 to 17 form part of these financial statements

The financial statements were approved by the board of directors on 13 December 2013 and were signed on its behalf by:



A J Creighton
 Director

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Aberdeen Asset Management PLC, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Aberdeen Asset Management PLC, within which this Company is included, can be obtained from 10 Queen's Terrace, Aberdeen, AB10 1YG.

Going concern

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

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company made a loss in the year to 30 September 2013 of £2,363k (2012: loss of £5,274k) and has net liabilities of £3,421k (2012: net liabilities of £1,058k). The Company is expected to be profitable in the long term. It is reliant on the support of the ultimate parent company, Aberdeen Asset Management PLC, to meet its liabilities as they fall due within the next 12 months. The Directors have received a letter of support from the Directors of Aberdeen Asset Management PLC to provide such support.

The Directors, having assessed the responses of the Directors of the Company's ultimate parent Aberdeen Asset Management PLC to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Aberdeen Asset Management group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of the Company's ultimate parent undertaking, Aberdeen Asset Management PLC, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Share based payments

The Aberdeen Group awards deferred shares to employees as an element of annual bonus awards. These deferred shares are expensed on a straight-line basis over the service period to vesting, based on the Group's estimate of equity instruments that will eventually vest. Where Aberdeen Asset Management PLC makes awards under the deferred share scheme to employees of its subsidiaries it recharges the cost of these awards to each subsidiary based on the cash value of the shares at the award date.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in the statement of total recognised gains and losses. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding basis used for tax purposes. Deferred tax is generally recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Tangible fixed assets

Property, plant & equipment is stated at cost less accumulated depreciation. 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:

The principal annual rates used for this purpose are:

	%
Computer hardware and software	25
Furniture and equipment	25

Pension scheme

The Company contributes to a defined contribution pension scheme operated by the ultimate parent company. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Turnover

Turnover represents management fees charged to the funds net of value added tax and rebates and in addition transaction fees earned from the purchase/sale of properties. Turnover is derived mainly from the Company's principal activity of the provision of property fund management services within the United Kingdom.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense. No provision is established where a reliable estimate of the obligation cannot be made.

Notes to the financial statements (continued)

2. Analysis of net turnover

	2013 £'000	2012 £'000
Gross management fees	11,320	12,753
Transaction fees	-	3
Performance fees	330	705
	<u>11,650</u>	<u>13,461</u>

3. Notes to the profit and loss account

Loss on ordinary activities before tax is stated after charging:

	2013 £'000	2012 £'000
Depreciation	12	53
Operating lease costs – St Vincent Street, Glasgow	128	168
	<u>140</u>	<u>221</u>

Auditor's remuneration:

	2013 £'000	2012 £'000
Audit of these financial statements	<u>13</u>	<u>13</u>

4. Remuneration of directors

	2013 £'000	2012 £'000
Directors' emoluments	877	1,274
Amounts receivable under long term incentive schemes	377	833
Company contributions to group personal pension scheme	132	107
Other benefits	8	8
	<u>1,394</u>	<u>2,222</u>

The emoluments of those Directors who are also Directors of, and paid by other group companies are disclosed in the accounts of those companies. The reduction in Director's fees from last year is as a result of one Director transferring employment contracts to another group company.

The aggregate emoluments of the highest paid director during the year were £541k (2012: £1,105k) including pension contributions of £44k (£53k). No pension contributions were accruing at the year end. No share options were exercised by the highest paid director in the year (2012: £nil). In addition, the highest paid director was awarded deferred shares under the parent company's deferred share scheme with a value of £206k (2012: £563k).

Retirement benefits are accruing to the following number of directors under:

	Number of Directors	
	2013	2012
Defined contribution scheme	<u>4</u>	<u>6</u>

Notes to the financial statements (continued)

5. Staff numbers and costs

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

	2013 Number	2012 Number
Administration	<u>75</u>	<u>87</u>

The aggregate payroll costs of these persons were as follows:

	2013 £'000	2012 £'000
Salaries and bonuses	7,443	8,462
Redundancy	11	1,012
Share based element of remuneration	775	2,728
Social security costs	1,086	1,637
Other pension costs (note 18)	<u>1,097</u>	<u>1,173</u>
	<u>10,412</u>	<u>15,012</u>

No employees of the company, including directors, have share options or interests in the Group operated long term incentive scheme. All share based remuneration is from deferred shares or deferral into funds. The reduction in headcount from the previous year is as a result of staff in a number of departments transferring employment contracts to another group company.

6. Interest receivable and similar income

	2013 £'000	2012 £'000
Bank deposit interest receivable	<u>18</u>	<u>30</u>

7. Taxation

Analysis of tax credit in the year

	2013 £'000	2012 £'000
UK corporation tax		
Current tax credit for the year	(875)	(1,581)
Deferred tax		
Origination/reversal of timing differences	(65)	(26)
Adjustment in respect of prior years	<u>(298)</u>	<u>-</u>
Total deferred tax	<u>(363)</u>	<u>(26)</u>
Tax credit on loss on ordinary activities	<u>(1,238)</u>	<u>(1,607)</u>

Notes to the financial statements *(continued)*

7. Taxation *(continued)*

Factors affecting the tax credit for the current year.

The rate of corporation tax in the UK was reduced from 24% to 23% effective 1 April 2013. The composite rate applied during the year is 23.5%. The tax assessed for the year is lower than (2012: *higher than*) the standard rate of corporation tax in the UK of 23.5% (2012: 25%). The differences are explained below.

	2013 £'000	2012 £'000
Current tax reconciliation		
Loss on ordinary activities before taxation	<u>3,601</u>	<u>(6,881)</u>
Current tax at 23.5% (2012: 25%)	(847)	(1,720)
(Non-taxable income)/expenses not deductible for tax purposes	(125)	100
Accelerated capital allowances	(12)	(5)
Other timing differences and adjustments	<u>109</u>	<u>44</u>
Total current tax credit (see above)	<u>(875)</u>	<u>(1,581)</u>

Factors affecting the future tax credit

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax credit accordingly. The deferred tax asset at 30 September 2013 has been calculated based on the rates substantively enacted at the balance sheet date.

Notes to the financial statements *(continued)*

8. Tangible fixed assets

	Computer Hardware and Software £'000	Furniture and equipment £'000	Total £'000
Cost			
At 1 October 2012	<u>182</u>	<u>36</u>	<u>218</u>
At 30 September 2013	<u>182</u>	<u>36</u>	<u>218</u>
Depreciation			
At 1 October 2012	176	18	194
Charge for the year	<u>5</u>	<u>7</u>	<u>12</u>
At 30 September 2013	<u>181</u>	<u>25</u>	<u>206</u>
Net book value			
At 30 September 2013	<u>1</u>	<u>11</u>	<u>12</u>
At 30 September 2012	<u>6</u>	<u>18</u>	<u>24</u>

9. Debtors

	2013 £'000	2012 £'000
Trade debtors	964	902
Amounts owed by group companies	174	3,277
Other debtors	38	31
Prepayments and accrued income	1,030	2,036
Deferred tax (note 10)	<u>472</u>	<u>109</u>
	<u>2,678</u>	<u>6,355</u>

Notes to the financial statements (continued)

10. Deferred tax

	2013 £'000	2012 £'000
At 1 October	109	83
Credit to profit and loss account	363	26
At 30 September	472	109

The deferred tax asset can be analysed as follows:

	2013 £'000	2012 £'000
Difference between capital allowances and accumulated depreciation	58	75
Other timing differences – share based payments	414	34
	472	109

All UK deferred tax assets and liabilities that will unwind after 1 April 2014 have been recognised at the rate of 21%, being the rate substantively enacted by the UK Parliament, effective from that date.

11. Creditors: amounts due within one year

	2013 £'000	2012 £'000
Accruals and deferred income	1,593	1,916
Amounts due to group companies	3,383	8,675
Other creditors	1,207	2,245
	6,183	12,836

12. Provisions for liabilities

	2013 £'000
At 1 October	980
Utilisation of provision	(440)
Provision created in the year	10
At 30 September	550

From time to time and in the normal course of business, the Company may require provisions to be created as a result of certain actions, legal claims or management decisions. When such circumstances arise, the Directors consider the likelihood of a material outflow of economic resources and provides for its best estimate of costs where an outflow of economic resources is considered probable. A provision of £10k has been recognised in the current year in respect of employee related costs associated with the relocation of certain of the company's operational function. £440k of the provision was utilised in the year for payment to employees affected by the relocation and who left the Company during the year. The remaining costs are expected to be incurred during 2014 and the amount provided represents the best estimate of economic outflow.

Notes to the financial statements *(continued)*

13. Called up share capital

	2013 £	2012 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each (2012: 100)	<u>100</u>	<u>100</u>

14. Share premium and reserves

	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000
At 1 October	800	654	(2,512)
Loss for the financial year	<u>-</u>	<u>-</u>	<u>(2,363)</u>
At 30 September	<u>800</u>	<u>654</u>	<u>(4,875)</u>

15. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Loss for the financial year	<u>(2,363)</u>	<u>(5,274)</u>
Net reduction in shareholders' funds	(2,363)	(5,274)
Opening shareholders' funds	<u>(1,058)</u>	<u>4,216</u>
Closing shareholders' funds	<u>(3,421)</u>	<u>(1,058)</u>

16. Financial commitments - leases

At 30 September 2013 the Company had annual commitments under non-cancellable operating leases, in respect of properties, as set out below:

	2013 £'000	2012 £'000
Operating leases which expire:		
In one year – St Vincent Street, Glasgow	<u>-</u>	<u>126</u>

Notes to the financial statements (continued)

17. Share based payments

Deferred share awards

The Company's parent, Aberdeen Asset Management PLC ('AAM PLC'), operates share based payment schemes in which employees of the parent and certain subsidiary companies participate. The Company is required to account for the fair value of the share options and long term incentive at grant date over the vesting period. AAM PLC recharges each subsidiary with the specific cost of the schemes based on the cost incurred for each employee.

The following disclosures relate to the share schemes operated by AAM PLC in which employees of the Company participate. The disclosures are for the employees of the Company participating in the Group schemes. The cost recharged by AAM PLC relating to the Company's employees is disclosed below.

Employees of the Company participate in the deferred share award scheme operated by the parent company. Shares awarded do not have ongoing performance conditions, but have a time vesting condition. Awards made in respect of annual bonus awards from 2008 to 2013 vest annually in three equal tranches. All awards from 2008 to 2013 are subject to the continued employment of the participant.

	Weighted average share price 2013	Number 2013	Weighted average share price 2012	Number 2012
Outstanding at 1 October		2,103,367		2,224,495
Granted during the year	329.29p	199,485	199.10p	1,031,214
Exercised during the year	179.21p	(405,792)	213.52p	(1,043,745)
Forfeited during the year	-	-	164.16p	(108,597)
Outstanding at the end of the year		<u>1,897,060</u>		<u>2,103,367</u>

The awards outstanding at 30 September 2013 had a weighted average outstanding life of 8 years.

The following table shows the costs recharged by AAM PLC to the Company for the share based costs relating to employees of the Company participating in the above schemes.

	2013 £'000	2012 £'000
Expenses arising from award of deferred shares	755	2,579
Expenses arising from award of deferral into funds	20	149
	<u>775</u>	<u>2,728</u>

18. Pension scheme

The Group operates a defined pension contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the Group's defined contribution pension scheme and amounted to £1,097k (2012: £1,173k). There were no outstanding or prepaid contributions at the end of the financial year.

Notes to the financial statements *(continued)*

19. Contingent liabilities

The Company's bank balance is part of a group working capital facility in support of which cross guarantees are provided by the parent company, the Company and certain fellow subsidiary undertakings. At 30 September 2013 the net amount guaranteed under this arrangement was £nil (2012: £nil).

20. Intermediate and ultimate company

The Company's intermediate parent company is Aberdeen Real Estate Investors Operations (UK) Ltd.

The Company's ultimate parent company is Aberdeen Asset Management PLC, which is incorporated in the United Kingdom and registered in Scotland.

The results of the Company are consolidated in the Group accounts of Aberdeen Asset Management PLC, which is the largest group that the results are consolidated within, which are available to the public and may be obtained from 10 Queen's Terrace, Aberdeen, AB10 1YG. No other group accounts include the results of the Company.