Standard Life Oversea Holdings Limited

Annual report and accounts
for the year ended 31 December 2017

Registration number: SC299660

Contents

Statutory information

Directors	:	P D Bartlett A H M Begbie W J Rattray C R Walklin
Secretary	:	K A Gilmour
Registered Office	:	1 George Street Edinburgh EH2 2LL
Independent auditors	:	KPMG Chartered Accountants and Statutory Auditors Saltire Court 20 Castle Terrace Edinburgh EH1 2EG

Strategic report

Principal and ongoing activity

The principal activity of the Company is to act as a holding company for overseas operations of the Standard Life Aberdeen Group (the Group).

Review of the business and future developments

The Company has historically acted as a holding company for overseas operations of the Group. The Company made a loss for the year ended 31 December 2017 of £592k (2016: £18,593k loss). The Company has not paid a dividend in the current year (2016: nil).

On 29 March 2017 the Company entered into an agreement to sell its wholly owned subsidiary, Standard Life (Asia) Limited to Heng An Standard Life (HASL), the Group's joint venture in China. The transaction is subject to regulatory and other approvals being obtained and is expected to complete by the end of 2018.

On 11 May 2018 the Company issued 1,750,000 ordinary shares to Standard Life Aberdeen plc for a cash consideration of £1.75m.

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Corporate governance and risk management

The Standard Life Aberdeen Group, of which the Company is a part, has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across the Group that includes a clearly stated corporate organisational structure, appropriately delegated authorities and independent internal audit and risk management functions. Risk management for the Company operates within this governance framework.

The principal risks to which the Company is most specifically exposed are market risk, credit risk and liquidity risk. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's Annual Report and Accounts which does not form part of this report.

Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, to ensure that there are adequate resources to meet the Company's external liabilities as they fall due, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company's capital is managed in conjunction with that of other companies in the Standard Life Aberdeen Group. The Company manages its capital by measuring its resources and cash available on a regular basis. The Company's capital position and the movement in this from the prior year are disclosed within the Statement of changes in equity. The Company has no externally imposed capital requirements.

On behalf of the Board of Directors on 27 September 2018

P. Bartlett

Patrick Bartlett
Director

Directors' report

The Directors submit their audited Annual Report and Accounts of Standard Life Oversea Holdings Limited (the Company), registration number: Scotland Number SC299660, for the year ended 31 December 2017.

Results and dividend

The Company made a loss for the year ended 31 December 2017 of £592k (2016: £18,593k loss). The Directors consider the results to be satisfactory. The Company has not paid a dividend in the current year (2016: nil).

Directors

The current Directors of the Company are listed on page 2. The changes to directors during the year are shown below:

William Rattray was appointed as a director on 14 August 2017
Luke Savage resigned as a director on 14 August 2017
Patrick Bartlett was appointed as a director on 20 December 2017
Stephen Percival resigned as a director on 20 December 2017

The Directors are not subject to retirement by rotation. None of the Directors have a beneficial interest in the shares of the Company.

As per the Company's Articles of Association, the Company maintained a qualifying third party indemnity provision on behalf of its directors and officers to provide cover should any legal action be brought against them. This provision was in force at the date of signing.

Employees

The Company has no employees (2016: nil).

Statement on disclosure of information to the independent auditor

In accordance with applicable company law, as the Company's directors, we certify that so far as each Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor are unaware. Having made enquiries of fellow Directors and the Company's auditor, each of the Directors have taken all the steps that they ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

During the year, KPMG LLP replaced PricewaterhouseCoopers LLP as the Company's external auditor. Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board of Directors on 27 September 2018

P. Bartlett

Patrick Bartlett
Director

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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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.

Independent auditor's report to the members of Standard Life Oversea Holdings Limited

Opinion

We have audited the financial statements of Standard Life Oversea Holdings Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of financial position, the Statement of comprehensive income, the Statement of cash flows, the Statement of changes in equity and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

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.

MWilson

Mostyn Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
27 September 2018

Statement of comprehensive income
For the year ended 31 December 2017

	Notes	2017 £k	2016 £k
Revenue			
Investment return	1	124	206
Total Revenue		124	206
Expenses			
Administrative expenses	2	(695)	(18,799)
Total Expenses		**(695)**	**(18,799)**
Loss before tax		**(571)**	**(18,593)**
Income tax expense	5	(21)	-
Loss for the year		(592)	(18,593)
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on available-for-sale financial assets		23	(23)
Other comprehensive income/(loss) for the year		23	(23)
Total comprehensive loss for the year		(569)	(18,616)

The accounting policies and notes on pages 12 to 21 are an integral part of these financial statements

Statement of financial position
As at 31 December 2017

	Notes	2017 £k	2016[1] £k
Assets			
Investment in subsidiaries	6	-	15,920
Interests in pooled investment funds	17	1,410	720
Debt securities	9	-	16,294
Other assets	10	4	38
Operations held for sale	7	15,920	-
Cash and cash equivalents	11	4	47
Total assets		**17,338**	**33,019**
Equity			
Share capital	12	58,257	58,257
Other reserves		-	(23)
Retained earnings		(42,629)	(42,037)
Total equity		**15,628**	**16,197**
Liabilities			
Other financial liabilities	13	1,689	999
Other liabilities	14	21	15,823
Total liabilities		**1,710**	**16,822**
Total equity and liabilities		**17,338**	**33,019**

Approved on behalf of the Board of Directors on 27 September 2018

P. Bartlett

Patrick Bartlett
Director

The accounting policies and notes on pages 12 to 21 are an integral part of these financial statements.

[1] 2016 Restated - refer to Note 8.

Statement of changes in equity
For the year ended 31 December 2017

	Share capital	Other reserves	Retained earnings	Total equity
2017	**£k**	**£k**	**£k**	**£k**
At 1 January	**58,257**	**(23)**	**(42,037)**	**16,197**
Loss for the year	-	-	(592)	(592)
Other comprehensive income for the year	-	23	-	23
At 31 December	**58,257**	**-**	**(42,629)**	**15,628**

	Share capital	Other reserves	Retained earnings	Total equity
2016	**£k**	**£k**	**£k**	**£k**
At 1 January	**58,257**	**-**	**(23,444)**	**34,813**
Loss for the year	-	-	(18,593)	(18,593)
Other comprehensive loss for the year	-	(23)	-	(23)
At 31 December	**58,257**	**(23)**	**(42,037)**	**16,197**

The accounting policies and notes on pages 12 to 21 are an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2017

	Notes	2017 £k	2016 £k
Cash flows from operating activities			
Loss before tax		(571)	(18,593)
Impairment of subsidiaries	2	-	17,600
Adjustment for non-cash movements in investment activities		3	(24)
Change in other assets	10	34	652
Change in other financial liabilities	13	691	997
Change in provisions	14	(15,802)	3,162
Interest income		(42)	(3)
Net cash flows from operating activities		**(15,687)**	**3,791**
Cash flows from investing activities			
Interest received		42	3
(Purchase)/sale of debt securities		16,294	(16,294)
Purchase of interests in pooled investment funds		(692)	(639)
Net cash flows from investing activities		**15,644**	**(16,930)**
Net movement in cash and cash equivalents		**(43)**	**(13,139)**
Cash and cash equivalents at the beginning of the year		47	13,186
Cash and cash equivalents at the end of the year		**4**	**47**

The accounting policies and notes on pages 12 to 21 are an integral part of these financial statements.

Accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (FVTPL).

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements.

(a)(i) New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to existing standards, which have been endorsed by the EU.

Interpretation or amendment	Effective Date[1]	Detail
Amendments to IAS 7 Statement of Cash Flows : Disclosure Initiative	1 January 2017	The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
Amendments to IAS 12 Income Taxes : Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	These amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

[1] For annual periods beginning on or after.

The Company's accounting policies have been updated to reflect these. Management considers the implementation of the above interpretations and amendments to existing standards has had no impact on the Company's financial statements.

(a)(ii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Company's annual accounting periods beginning after 1 January 2017. The Company has not early adopted the standards, amendments and interpretations described below:

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)
IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 allows two measurement categories for financial assets in the statement of financial positon: amortised cost and fair value. All equity instruments and derivative instruments are measured at fair value. A debt instrument is measured at amortised cost only if it is held to collect contractual cash flows and the cash flows represent principal and interest, otherwise it is classified at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) depending on the business model it is held within or whether the option to adopt FVTPL has been applied. Changes in value of all equity instruments and derivative instruments are recognised in profit or loss unless an OCI presentation election is made at initial recognition for an equity instrument or a derivative instrument is designated as a hedging instrument in a cash flow hedge. IFRS 9 also introduces a new impairment model, an expected credit loss model which will replace the current incurred loss model in IAS 39. An impairment loss may now be recognised prior to a loss event occurring. Accounting for financial liabilities remains the same as under IAS 39 except that for financial liabilities designated as at FVTPL, changes in the fair value due to changes in the liability's credit risk are recognised in OCI.

Additionally, IFRS 9 amends the current requirements for assessing hedge effectiveness in IAS 39 and also amends what qualifies as a hedged item and some of the restrictions on what qualifies as a hedging instrument. The accounting and presentation requirements for designated hedging relationships remain largely unchanged.

As well as presentation and measurement changes, IFRS 9 also introduces additional disclosure requirements.

The implementation of IFRS 9 Financial Instruments is not expected to have a significant impact on the profit or net assets of the Company.

Other

There are no other new standards, interpretations and amendments to existing standards that have been published that are expected to have a significant impact on the financial statements of the Company.

Accounting policies *continued*

(a)(iii) Critical accounting estimates and judgement in applying accounting policies
The preparation of financial statements requires management to make estimates and assumptions and exercise judgements in applying the accounting policies that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where judgements, estimates and assumptions have the most significant effect on the amounts recognised in the financial statements are as follows:

Financial statement area	Critical accounting judgements, estimates or assumptions	Related accounting policies and notes
Investments in subsidiaries and Operations held for sale	Determination of the recoverable amount	(f) and Note 6 & 7

(b) Basis of consolidation

The Company has taken advantage of the exemption within IFRS 10, paragraph 4 whereby it is not required to prepare consolidated financial statements as it meets the following criteria:

- The Company is a wholly owned subsidiary of Standard Life Aberdeen plc;
- The Company has no debt or equity instruments that are traded in a public market;
- The Company has not filed, and is not in the process of filing, its financial statements with any securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- The Company's immediate and ultimate parent, Standard Life Aberdeen plc, produces consolidated financial statements that are available for public use and comply with International Financial Reporting Standards as endorsed by the EU.

(c) Associate

Associates are entities over which the Company can significantly influence decisions made relating to the financial and operating policies of the entity but does not control the entity. For entities where voting rights exist, significant influence is presumed where the Company holds over 20% of the voting rights but does not have control.

(d) Foreign currency translation

The financial statements are presented in thousand pounds Sterling, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Gains and losses arising from such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the relevant line in the statement of comprehensive income.

(e) Revenue recognition

Gains and losses resulting from changes in both market value and foreign exchange on investments classified as at FVTPL, including investment income received (such as dividends), are recognised in the statement of comprehensive income in the period in which they occur.

Changes in the fair value of derivative financial instruments that are not hedging instruments are recognised immediately in the statement of comprehensive income.

Dividend income and distributions from securities that are classified by the issuer as equity instruments are recognised in the statement of comprehensive income when the right to receive payment is established.

Accounting policies *continued*

(f) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, at least at each reporting date. An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price (fair value less costs to sell) and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit, or group of units, to which the asset belongs.

(g) Debt securities

Debt securities are classified as available-for-sale (AFS) and are recognised at fair value with changes in fair value recognised in other comprehensive income. Interest is credited to the income statement using the effective interest rate method. On disposal of an AFS security any gains or losses previously recognised in other comprehensive income are recognised in the income statement (recycling).

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand and any highly liquid investments which have a maturity date within three months of the date of acquisition. For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts that are repayable on demand and form an integral part of the Company's cash management. Cash and cash equivalents are measured at amortised cost.

(i) Income tax

The current tax expense is based on the taxable profits for the year, after adjustments in respect of prior years.

Deferred tax is provided using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

The income tax expense is determined using rates enacted or substantively enacted at the reporting date.

(j) Provisions and contingent liabilities

Provisions for restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Contingent liabilities are disclosed if the future obligation is less than probable but greater than remote or if the obligation is probable but the amount cannot be reasonably estimated.

(k) Equity

(k)(i) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavorable. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in the share premium reserve. Incremental costs directly attributable to the issue of new equity instruments are shown in the share premium reserve as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments in a business combination are excluded from the cost of acquisition.

Accounting policies *continued*

(l) Structured entities

The Company has investments in a range of investment vehicles. These vehicles are structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity and as such are classified as structured entities. The Company's ownership interest in these vehicles can vary from day to day based on the Company and third party participation in them. The control assessment of each of these entities considers the rights of the Company to direct the relevant activities of the vehicle, its exposure to variability of returns and the ability to affect those returns using its power. In addition, the removal rights of other investors that may affect the capacity of the Company to direct the relevant activities are also taken into account. Where the Company is deemed to control such vehicles, they are presented as subsidiaries. Where the Company has an investment but not control over these types of entities, the investment is classified as pooled investment funds in the statement of financial position.

(m) Operations held for sale

Assets of operations which have been classified as held for sale are presented separately in the statement of financial position. Operations are classified as held for sale when their carrying amount will be recovered principally through a sale transaction.

An operation classified as held for sale is measured at the lower of its aggregate carrying amount and its aggregate fair value, less the estimated incremental costs that are directly attributable to the disposal (excluding finance costs and income tax expense). No depreciation or amortisation is charged on assets of an operation once it has been classified as held for sale.

Notes to the financial statements

1. Investment Return

	2017 £k	2016 £k
Interest and similar income from cash and cash equivalents	60	67
Gains on debt securities	42	3
(Losses) /gains on financial instruments at fair value through profit and loss	(4)	2
Foreign exchange gains on instruments other than those at fair value through profit and loss	26	134
Investment return	**124**	**206**

2. Administrative expenses

	2017 £k	2016 £k
Impairment of investment in subsidiary	-	17,600
Other administrative expenses	695	1,199
Administrative expenses	**695**	**18,799**

During 2016, an impairment charge of £17,600k was recognised in the Company's investment in its subsidiary, Standard Life (Asia) Limited, as a result of a decrease in projected future revenues of the entity. No further impairment charge has been recognised in 2017. The recoverable amount is £15,920k, which is its fair value less costs of disposal. This value is based on expected sale proceeds.

3. Auditors' remuneration

During the financial year ended 31 December 2017, the Group appointed KPMG as principal auditor replacing PricewaterhouseCoopers LLP (PwC).

The auditors' remuneration amounted to £4,000 (2016: £4,079) in respect of the audit of the Company's financial statements. Auditors' remuneration for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of Standard Life Aberdeen plc, the Company's ultimate controlling party, are required to disclose fees in respect of non-audit services on a consolidated basis. The auditors' remuneration was borne on behalf of the Company by Standard Life Aberdeen plc.

4. Directors' remuneration

No amounts (2016: £nil) are payable to the Directors in respect of their services to the Company.

5. Income tax expense

Current year tax expense:

	2017 £k	2016 £k
Current tax expense from continuing operations	21	38
Adjustments in respect of prior years	-	(38)
Total income tax expense	21	-

Reconciliation of tax expense:

	2017 £k	2016 £k
Loss before tax from continuing operations	(571)	(18,593)
Tax at 19.25% (2016: 20%)	(110)	(3,719)
Adjustment in respect of prior years	-	(38)
Permanent differences	131	3,757
Total tax expense for the year	21	-

Notes to the financial statements *continued*

6. Investments in subsidiaries

	2017 £k	2016 £k
At 1 January	**15,920**	**33,520**
Impairment of subsidiaries measured at cost	**-**	**(17,600)**
Reclassified as held for sale	**(15,920)**	**-**
At 31 December	**-**	**15,920**

No further impairment has been recognised in 2017.

The following are the particulars of the Company's investments in other entities:

Name	Country of incorporation/ registration	% of interest held	Nature of business
Standard Life (Asia) Limited	Hong Kong	100%	Life Assurance

7. Operations held for sale

On 29 March 2017, the Group announced the proposed sale of its wholly owned Hong Kong insurance business, Standard Life (Asia) Limited to the Group's Chinese joint venture business, Heng An Standard Life Insurance Company Limited. The transaction is subject to obtaining local regulatory and other approvals in mainland China and Hong Kong. This has now been reclassified in the 2017 accounts as an operation held for sale.

	2017 £k	2016 £k
Operations held for sale	15,920	-
Total assets held for sale	**15,920**	**-**

The held for sale asset has been measured at the lower of its carrying amount and its fair value less costs to sell, being its carrying amount. Fair value has been determined by reference to the expected sale price.

There are no financial liabilities held for sale at 31 December 2017 (2016: nil).

8. Financial Investments

A presentational change has been made to the statement of financial position to include associates measured at FVTPL within Interests in pooled investment funds. Previously these were included within Investments in associates. The reason for the change is to make the presentation more relevant to the users of the financial statements as it is more consistent with peers. This relates to a 0.08% (2016: 0.04%) holding in a short term investment fund, Seabury Assets Fund plc, over which the ultimate parent has significant influence. Seabury Assets Fund plc is incorporated in the Republic of Ireland.

9. Debt Securities

Debt securities of £nil are held as available-for-sale as at 31 December 2017 (2016: £16,294k).

10. Other assets

	2017 £k	2016 £k
Group relief	-	38
Other	4	-
Total other assets	**4**	**38**

Notes to the financial statements *continued*

11. Cash and cash equivalents

The Company holds £4k cash and cash equivalents at 31 December 2017 (2016: £47k).

12. Share capital

The issued ordinary share capital of the Company during the year was:

	2017 Number	£k	2016 Number	£k
At 1 January	58,256,512	58,257	58,256,512	58,257
Total allotted and fully paid ordinary shares of £1 each at 31 December	**58,256,512**	**58,257**	**58,256,512**	**58,257**

All ordinary shares in issue rank pari passu and carry the same voting rights and the rights to receive dividends and other distributions declared or paid by the Company.

13. Other financial liabilities

	2017 £k	2016 £k
Due to related parties	1,689	999
Total other financial liabilities	**1,689**	**999**

All other financial liabilities are expected to be settled within 12 months.

14. Other liabilities

	Notes	2017 £k	2016 £k
Group relief		21	38
Provisions	15	-	15,785
Total other liabilities		**21**	**15,823**

All other liabilities are expected to be settled within 12 months.

The carrying amounts disclosed above reasonably approximate the fair values as at the year end.

15. Provisions

During the year, the Federal Appeal Court of Canada handed down its judgement relating to tax litigation, to a former Canadian subsidiary of the company. The company decided not to pursue any further appeals. The purchase price for the sale of the Canadian business to The Manufacturers Life Insurance Company (MLC) could be varied depending upon the ultimate tax outcome of this litigation. As a consequence of the conclusion to the litigation a provision of £15,802k has been released and a payment of this amount was made to MLC during the year.

16. Risk management

The Company is exposed to market, credit and liquidity risks. The main market risk for the Company is foreign exchange risk, which arises from potential impairment of the net investment in foreign operations due to fluctuations in the exchange rates in which the subsidiary undertakings are denominated.

(a) Market risk

The Company defines market risk as the risk that arises from the Company's exposure to market movements which could result in the value of income, or the value of financial assets and liabilities, or the cash flows relating to these, fluctuating by different amounts.

At 31 December 2017, the Company's primary financial assets are held for sale, which are denominated in Hong Kong dollars.

Notes to the financial statements *continued*

16. Risk management *continued*

(b) Credit risk

The Company defines credit risk as the risk of exposure to loss if a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner.

For those financial assets with credit ratings assigned by external rating agencies, classification is within the range of AAA to BBB. AAA is the highest possible rating and rated financial assets that fall outside the range of AAA to BBB have been classified as below BBB.

At 31 December 2017, no assets were deemed to be past due or impaired. Cash and cash equivalents were held with banks, with a credit rating of A or above.

(c) Liquidity risk

The Company defines liquidity risk as the risk that the Company is unable to realise investments and other assets in order to meet its obligations as they fall due, or can secure them only at excessive cost

Liquidity risk is managed through the Group liquidity and capital management policy. The Company is required to manage risk in accordance with the Group policy and to take mitigating action as appropriate to operate within defined risk appetites.

Liquidity risk is managed by the Company in consultation with the central Group capital management function, which incorporates treasury management. Liquidity risk is primarily managed by placing limits on the value of financial assets held which are neither quoted nor regularly traded on a recognised exchange and by maintaining a portfolio of committed bank facilities. The Company is also responsible for the definition and management of the contingency funding plan, if required.

17. Structured entities including interests in pooled funds

A structured entity is defined as an entity where control is not necessarily held through voting rights linked to ownership stake but rather through rights arising from contractual agreements that give power to direct the relevant activities. The Company's only interests in structured entities are its investments in pooled funds, previously reported as Associates.

The Company has not provided any non-contractual financial or other support to any structured entities and there are no current intentions to do so.

The Company's maximum exposure to loss in respect of the interests presented above is the carrying value of the Company's investment.

18. Fair value of financial assets and liabilities

(a) Fair value hierarchy

(a)(i) Determination of fair value hierarchy

The Company's financial assets and liabilities held at fair value have been analysed using a fair value hierarchy that reflects the significance of the inputs used in valuing those instruments. The fair value hierarchy is based on the following levels:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Fair values measured using inputs that are not based on observable market data (unobservable inputs).

(b) Financial investments and financial liabilities

An analysis of the Company's financial investments and financial liabilities in accordance with the categories of financial instrument set out in IAS 39 Financial Instruments: Recognition and Measurement is presented in Note 7 and includes those financial assets and liabilities held at fair value.

(c) Methods and assumptions used to determine fair value of assets and liabilities

Information on the methods and assumptions used to determine fair values for each major category of instrument measured at fair value is given below.

Notes to the financial statements *continued*

18. Fair value of financial assets and liabilities *continued*

Interests in pooled investment funds – 2017: £1,410k (2016: £720k)
Interests in pooled investment funds comprises an investment in a short term investment fund which is valued daily at net asset value adjusted for accrued interest. Although the price is not quoted in an active market the valuation is based on observable market data and as a result has been classified as level 2 in the fair value hierarchy.

Debt securities
For debt securities, the Company has determined a hierarchy of pricing sources. The hierarchy consists of reputable external pricing providers who generally use observable market data. If prices are not available from these providers or are considered to be stale, the Company has established procedures to arrive at an internal assessment of the fair value. These procedures are based largely on inputs that are not based on observable market data. These instruments are valued using models. For unquoted bonds the model uses inputs from comparable bonds and includes credit spreads which are obtained from brokers or estimated internally. Commercial paper and certificates of deposit are valued using standard valuation formulas. The categorisation of these instruments within the fair value hierarchy will be either level 2 or 3 depending upon the nature of the underlying pricing information used for valuation purposes.

(d) Fair value hierarchy for financial instruments measured at fair value in the statement of financial position

At 31 December 2017 there were £1,410k financial instruments measured at fair value (2016: £17,014k). The carrying value of financial assets and liabilities measured at amortised cost at 31 December 2017 approximates their fair value.

The following table sets out an analysis of financial instruments measured at fair value at 31 December 2017 by level of the fair value hierarchy.

	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
2017	**£k**	**£k**	**£k**	**£k**
Assets				
Interests in pooled investment funds	-	1,410	-	1,410
Debt securities	-	-	-	-
Total	-	**1,410**	-	**1,410**

	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
2016	**£k**	**£k**	**£k**	**£k**
Assets				
Interests in pooled investment funds	-	720	-	720
Debt securities	-	16,294	-	16,294
Total	-	**17,014**	-	**17,014**

19. Related party transactions

(a) Ultimate parent and controlling party

The ultimate parent and parent undertaking of the Company is Standard Life Aberdeen plc, which owns 100% of the Company's ordinary shares in issue. Copies of Standard Life Aberdeen plc's consolidated financial statements can be obtained at www.standardlifeaberdeen.com.

(b) *Transactions with and balances from/(to) related parties*

In the normal course of business, the Company enters into transactions with related parties that relate to its operation as a holding company such as capitalisation of subsidiary undertakings and distributions. Such related party transactions are at arm's length.

The year end balances with related parties are as follows:

	Notes	2017 £k	2016 £k
Due to related parties:			
Parent – other financial liabilities	13	1,689	999
Total due to related parties		**1,689**	999

Notes to the financial statements *continued*

19. Related party transactions *continued*

Transactions with and balances from/(to) related parties *continued*

Details of transactions carried out by the Company during the year with related parties are as follows:

	2017 £k	2016 £k
Purchase of Interests in pooled investment	690	639

20. Related undertakings

The particulars of the Company's related undertakings at 31 December 2017 are listed below:

(a) Direct Subsidiary

Name of related undertaking	Country of incorporation or residence	Share class	% interest held	Registered address
Standard Life (Asia) Limited	Hong Kong	Ordinary shares	100%	40th Floor, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

(b) Interests in pooled investment

Name of related undertaking	Country of incorporation or residence	Share class	% interest held	Registered address
Seabury Assets Fund plc: No 1 fund	Republic of Ireland	Open-ended investment company	0.08%	70 Sir John Rogerson's Quay, Dublin, Republic of Ireland

21. Events after the reporting period

On 11 May 2018 the Company issued 1,750,000 ordinary shares to Standard Life Aberdeen plc for a cash consideration of £1.75m.

On 31 August 2018 the registered office of the Company was changed to 1 George Street, Edinburgh, EH2 2LL.