Aberdeen Standard Investments Life and Pensions Limited

(formerly ‘Aberdeen Asset Management Life and Pensions Limited’)

Annual Report and Financial Statements

Registered number 3526143

For the year ended 31 December 2019

Contents

Strategic Report

The Directors present their Strategic Report for Aberdeen Standard Investments Life and Pensions Limited ("the Company") for the year ended 31 December 2019, in accordance with section 414A of the Companies Act 2006.

On the 7 August 2019 the Company changed its name from Aberdeen Asset Management Life and Pensions Limited to Aberdeen Standard Investments Life and Pensions Limited.

Business review and future developments

The Company serves as an efficient delivery mechanism of investment services to institutional pension schemes through reassurance of their unit-linked liabilities held on the Company's balance sheet. Clients include trustee investment plans ("TIPs") for both defined benefit and defined contribution pension schemes, and also for reinsurance contracts covering the unit-linked liabilities of third party life assurers. The Company also has a number of segregated investment mandates ("SIMs") for pensions fund management contracts where the Company provides investment management services to pension schemes in respect of their assets.

All investment management activities are sub-delegated to fellow regulated subsidiaries within the Standard Life Aberdeen ("SLA") Group. This Company is part of Standard Life Aberdeen plc ("SLA plc" or, together with its subsidiaries, "the Standard Life Aberdeen Group").

The Company is regulated by both the Financial Conduct Authority ("FCA") for conduct of business matters and the Prudential Regulation Authority ("PRA") for prudential matters. The Company is authorised to conduct Class I (Life & Annuity), Class III (Linked Long Term) and Class VII (Pension Fund Management) of long term insurance business.

There are no conventional non-profit or with-profit contracts and no retail type insurance policies. The Company does not bear any insurance risk, as all benefits of the policies are tied to assets in the underlying internal linked funds by unit linking.

Provision of services
The Company has no employees. Services to the Company are provided by outsourcers as follows:

- Management services by Aberdeen Asset Management PLC ("AAM PLC");
- Investment management by Aberdeen Asset Managers Limited ("AAML");
- Custody & administration by Citibank;
- Transfer agency by DST Services Inc.; and
- Actuarial function by Barnett Waddingham LLP.

In January 2019, the Company changed service provider for custody and administration to Citibank.

Strategic Report (continued)

Key performance indicators
The Company uses a number of financial performance measures to monitor the performance of the business against budget and prior year. Key financial metrics are measured and reported to management on a regular basis including those shown below:

	2019	2018
	£000	£000
Assets under management ("AuM") for TIPs and reinsurance contracts	**1,152,093**	1,467,681
AuM for SIMs	**1,989,748**	6,307,934
Total AuM	**3,141,841**	7,775,615
Fee income for TIPs and reinsurance contracts	**5,626**	5,504
Fee income for SIMs	**5,614**	833
Total fee income	**11,240**	6,337
Profit for the financial year	**2,627**	103
Regulatory capital surplus	**10,244**	8,309

AuM
AuM has decreased by £4.6 billion largely explained by a fall in AuM relating to segregated investment mandates following the novation of a client to another company in the Standard Life Aberdeen Group. The fall in AuM for the TIPs and reinsurance contracts is due to net policyholder outflows partially offset by investment income and unrealised gains on investments.

Fee income
Fee income has increased by £4.9 million as a result of receiving revenues for a full calendar year in relation to segregated investment mandates. This business novated into the Company in November 2018. The largest client for the segregated investment mandates novated to another company in the Standard Life Aberdeen Group in June 2019.

Profit for the financial year
Profit for the financial year has increased by £2.5 million as a result of the aforementioned fee income partially offset by an increase in revenue sharing allocations to other Standard Life Aberdeen Group companies. The increase is explained by the segregated investment mandate business which novated in November 2018.

Regulatory capital surplus
The regulatory capital surplus has increased by £1.9 million as a result of fee income received for the segregated investment management business.

Strategic Report (continued)

Risks

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

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 Standard Life Aberdeen plc 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.

Accordingly, the principal risks and uncertainties of the SLA Group, which include those of the Company, are discussed fully in the SLA plc Annual Report and Accounts which does not form part of this report. Further details on each of the risks, together with how they link to the SLA Group's strategy, how they have evolved over the period and how they are managed can be found in the SLA Group's Annual Report and Accounts.

The list below does however provide a summary of the key risks facing the Company:

Brexit: the Company has considered the impact of Brexit and does not consider there to be any material impact on the Company's financial statements during 2020 and beyond. Clients of the Company have been considered and are UK based. Brexit is not expected to have a significant impact on the structure or operations of the Company.

Coronavirus (COVID-19): in early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The SLA Group is utilising business continuity and resilience processes with the objective of mitigating the impact of COVID -19.

Operational risk: notably IT failure and security including cyber risk; third party oversight including both outsourcing and supplier relationships; process execution failure; and the impact of inaccurate or incomplete information for financial management and decision making. The risks are mitigated by the Company and the SLA Group maintaining a strong and well established risk management framework as a foundation for the effective management of process risk across the business.

Conduct risk: specifically the risk that behaviours, strategies, decisions and actions deliver unfair outcomes to customers and clients. We have no appetite for conduct risk. The risks are mitigated by having conduct risk embedded within our risk management framework and conduct risk being formally considered and assessed at the Risk Committee and Client and Fund Governance Committee.

Regulatory and legal risk: we operate in a highly regulated industry which has the potential to expose the Company to risks. The risks are mitigated by having specialist compliance and legal teams in place to support our senior management and by maintaining open and transparent relationships with our regulators.

Strategic risks: notably investment performance; ensuring we meet the evolving needs of our clients and customers and adapting to preference changes. Geopolitical unrest and associated risks continue to be a key strategic risk and can impact the market in which we operate, impact our reputation and increase our capital exposure. Risks are mitigated by ongoing Board consideration of strategic risks.

Financial Risk: the Company has no appetite to fail to maintain sufficient resources to meet its capital requirements and liabilities as they fall due. It will ensure it can do so under both normal conditions and an appropriate range of stressed scenarios. SLA has an appetite for market and credit risk exposures where these are required in pursuit of its business objectives. Risks are mitigated by regular monitoring and reporting of capital and liquidity requirements.

Strategic Report (continued)

Further information regarding the Company's financial risk management is given in note 20.

Section 172 (1) Statement

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:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- 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's discussions throughout the year have reflected directors' consideration of these obligations, including how stakeholder engagement is incorporated into our long-term decision-making and how the Company operates as a subsidiary within the wider SLA plc group of companies.

The Directors have taken into account the requirements of section 172 (1) of the Companies Act 2006 as summarised in the following table:

Strategic Report (continued)

The likely consequence of any decision in the long term	The Board of Directors of the Company operate the Company in accordance with the Board Charter and the overall Standard Life Aberdeen plc business plan, which considers the long term success of the Company and the group as a whole, and the likely long term consequences of any decisions by the company are taken into account.
The interests of the company's employees	The Company does not have any direct employees. Within the SLA plc Group of companies, engagement with employees is considered at group level and employee engagement matters have been disclosed in the SLA 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.
The need to foster the company's business relationships with suppliers, customers and others	Supplier relationships within the SLA plc group of companies 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 group level and engagement matters have been disclosed in the SLA plc Annual Report and Accounts, which does not form part of this report. The Board of Directors receives reports from the client function as part of its regular meetings. The Company has one key supplier of services, Aberdeen Asset Managers Limited, which supplies a full suite of services to the Company under a Master Services Agreement and an Investment Management Agreement. The Board receives regular reports from each relevant business function which provides services to the Company under these contracts and representatives attend the Board meetings.
The impact of the company's operations on the community and the environment	Engagement on environmental and community matters is considered at SLA plc level and such matters have been disclosed in the SLA 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 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 SLA plc group of companies, 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 SLA plc.

Environmental matters

The Company follows the environmental strategy of the Standard Life Aberdeen Group which is disclosed within the Standard Life Aberdeen plc Annual Report and Accounts which does not form part of this report.

Approved by the Board on 6 April 2020 and signed on its behalf by:

A Mitchell
Director

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2019.

Dividends
The Directors do not recommend a dividend payment to be made in respect of the year ended 31 December 2019 (2018: nil).

Directors
The Directors who held office during the year and to the date of this report were as follows:

O Thoresen	(Non-executive Chairman)
D J P Hare	(Non-executive Director)
A Mitchell	(Chief Executive)
G Marshall	(Executive Director) (Appointed 25th September 2019)
H M Webster	(Chief Executive) (Resigned 12th June 2019)

The Directors benefited from qualifying third party indemnity provisions which were in place during the financial year and at the date of signing the financial statements.

Chief Actuary
J A Hoskin of Barnett Waddingham LLP.

Policy on payment of creditors
As required by the policy terms, all life fund claims and settlements are normally paid within three working days of such transactions being initiated.

Post balance sheet events
In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact. The ASI Life UK Property Fund was suspended on 18 March 2020. This followed the introduction of "material uncertainty" clauses into underlying property valuations by third party valuers, reflecting market disruption from COVID-19 impacts. The FCA issued a statement on 18th March 2020 confirming that, in these circumstances, suspension is likely to be in the best interests of fund investors.

Disclosure of information to auditors
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 they 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.

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

Going concern
The Company has made a profit for the financial year and is forecast to make profits for the foreseeable future, has sufficient financial resources and a strong cash position. The Board believes that the Company holds adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Directors' Report (continued)

Statement of Directors' responsibilities

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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework and Schedule 3 of the Companies Act 2006.

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 accounting 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 on 6 April 2020 and signed on its behalf by:

Avon Mitchell

A Mitchell
Director

Independent Auditor's Report to the Members of Aberdeen Standard Investments Life and Pensions Limited

1 Our opinion is unmodified

We have audited the financial statements of Aberdeen Standard Investments Life and Pensions Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of Company's affairs as at 31 December 2019 and of its profit 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 14 August 2017. The period of total uninterrupted engagement is for the three financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

Valuation of financial assets held to cover linked liabilities (2019: £1,152.0m, 2018: £1.467.7 million).

Refer to pages 17-18 (accounting policy) and pages 23 and 25-29 (financial disclosures)

<u>The risk</u>

Low risk, high value

The company's portfolio of investments makes up 98.5% of the company's total assets (by value) and is considered to be one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they largely comprise liquid investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Independent Auditor's Report to the Members of Aberdeen Standard Investments Life and Pensions Limited

Our response

Our procedures included:

- Tests of detail: Agreeing the valuation of 100 percent of investments in the portfolio to externally quoted prices; and
- Enquiry of custodians: Agreeing 100 percent of investment holdings in the portfolio to independently received third party confirmations from investment custodians.

Our results

We found the valuation of financial assets held to cover linked liabilities to be acceptable (2018: acceptable).

We continue to perform procedures over the impact of uncertainties due to the UK exiting the European Union on our audit. Given that the Company's financial assets held to cover linked liabilities are largely invested in liquid investments we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

We continue to perform procedures over the valuation of technical provisions for linked liabilities. Given that the primary procedures performed are linked to the valuation of assets held to cover linked liabilities, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £10.8m (2018: £11m), determined with reference to a benchmark of total assets, of which it represents 0.9% (2018: 0.7%).

In addition, we applied materiality of £317k (2018: £140k) to all non-unit linked related balances for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the company's members' assessment of the financial performance of the company

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £540k (2018: £550k) for the financial statements as a whole, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, 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 a year from the date of approval of the financial statements.

Independent Auditor's Report to the Members of Aberdeen Standard Investments Life and Pensions Limited

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the strategic report and the 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 those reports;
- in our opinion the information given in the strategic report the directors' report 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.

6 We have nothing to report on the other 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 by the Company, 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.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 8, the Directors are responsible for: the preparation of the financial statements including 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 other irregularities (see below), 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, other irregularities 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 Aberdeen Standard Investments Life and Pensions Limited

Irregularities – ability to detect

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), 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. 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, taxation legislation, and permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') 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 company's license to operate. We identified the following areas as those most likely to have such an effect: permissions and supervisory oversight of the PRA and FCA recognising the financial and regulated nature of the company's activities. 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. These limited procedures did not identify actual or suspected non-compliance.

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 (irregularities) 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 irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

6 April 2020

Profit and Loss Account

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Technical account – Long-term business			
Investment income	3	**243,598**	120,197
Unrealised gains / (losses) on investments	3	**15,063**	(190,990)
Other technical income	4	**11,240**	6,337
		269,901	(64,456)
Change in other technical provisions for linked liabilities	16	**(258,005)**	71,862
Investment expenses	3	**(7,691)**	(5,385)
Realised foreign exchange losses	3	**(18)**	(18)
Tax attributable to the long term business	10	**(1,099)**	(1,480)
		(8,808)	(6,883)
Balance on the long-term account		**3,088**	523
Non-Technical account			
Balance on the long-term account		**3,088**	523
Tax attributable to the balance on the long-term business technical account	10	**724**	123
Shareholders pre-tax profit from long-term business		**3,812**	646
Investment income	3	**96**	64
Other expenses	6	**(665)**	(604)
Other income	5	**-**	22
Profit on ordinary activities before tax		**3,243**	128
Tax on profit on ordinary activities	10	**(616)**	(25)
Profit for the financial year		**2,627**	103

Revenue and profit for the financial year derive wholly from continuing operations in the UK.

There are no recognised gains or losses other than the profit for the current financial year and prior financial year. Accordingly, no statement of comprehensive income has been presented.

The notes on pages 16 to 30 form part of these financial statements.

Balance Sheet

As at 31 December 2019

	Note	**2019 £'000**	2018 £'000
ASSETS			
Investments			
Financial investments	11	**13,151**	10,257
Assets held to cover linked liabilities	12	**1,152,093**	1,467,681
Debtors			
Debtors arising out of direct insurance operations	13	**817**	315
Other debtors	13	**625**	241
Other assets			
Cash at bank and in hand		**1,156**	1,399
Prepayments and accrued income	14	**1,323**	1,314
Total assets		**1,169,165**	1,481,207
EQUITY AND LIABILITIES			
Capital and reserves:			
Called up share capital	15	**1,500**	1,500
Profit and loss account		**11,996**	9,369
Total equity		**13,496**	10,869
Technical provisions for linked liabilities	16	**1,152,093**	1,467,681
Provisions for other risks and charges			
Provision for Tax	10	**62**	85
Creditors			
Creditors arising out of direct insurance operations	17	**817**	315
Other creditors	17	**2,697**	2,257
Total liabilities		**1,155,669**	1,470,338
Total equity and liabilities		**1,169,165**	1,481,207

The notes on pages 16 to 30 form part of these financial statements.

The financial statements were approved by the Board of Directors on 6 April 2020 and were signed on its behalf by:

Avon Mitchell

A Mitchell
Director

Statement of Changes in Equity

As at 31 December 2019

	Share capital	Profit and loss account	Total
	£'000	**£'000**	**£'000**
Balance at 31 December 2017	1,500	9,266	10,766
Profit for the year	-	103	103
Balance at 31 December 2018	1,500	9,369	10,869
Profit for the year	-	2,627	2,627
Balance at 31 December 2019	**1,500**	**11,996**	**13,496**

The notes on pages 16 to 30 form part of these financial statements.

Notes to the financial statements

1. General Information

The Company is a private company limited by share capital incorporated and domiciled in the UK. The address of its registered office is:

Bow Bells House
1 Bread Street
London
EC4M 9HH

The Company's business activities, together with expected future developments and key risks facing the Company, are detailed in the Strategic Report.

These financial statements were authorised for issue by the Board of Directors on 6 April 2020.

2. Accounting policies

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 Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC), and has adopted Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by the FRC. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU, but makes amendments where necessary in order to comply with Companies Act 2006 or the Large and Medium-sized Companies and Groups (Accounts & Reports) Regulation 2008.

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

- IAS 7 Statement of Cash Flows and related notes;
- 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.

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006, as modified by the valuation of certain financial assets and liabilities at fair value through profit or loss as described below.

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 made a profit for the financial year and is forecast to make profits for the foreseeable future, has sufficient financial resources and a strong cash position. The Board's assessment of going concern took into account recent market developments and uncertainty caused by COVID-19.

In making this going concern assessment, the Board considered:

- the current level of regulatory capital, which was £10.2m in excess of capital requirements at 31 December 2019
- the level of liquid resources, including cash and money market funds, which far exceed the level of creditors

Notes to the financial statements (continued)

- the potential impact of a significant fall in the value of assets under management and related fee income. As described in in Note 20 the Company does not hold any non-linked assets which are exposed to market price risk, nor does it directly bear the risk of market price movements in respect of assets within the unit linked funds. However, the Company is exposed to price risk indirectly, as its management fees earned are calculated as a percentage of assets under management. The Company pays a proportion of its fee income to a fellow Standard Life Aberdeen Group Company in respect of asset management services. The risk of market price movements is managed through contractual terms which reduce this expense payable, potentially to zero, in circumstances where the level of fee income reduces.
- the effectiveness of the Company's operational resilience processes including the ability of key outsourcers to continue to provide services.

The assessment was completed with reference to the stress testing undertaken as part of the Own Risk and Solvency Assessment which demonstrated that the Company has sufficient capital and liquidity to withstand the current market conditions and the impact of reasonably possible downside scenarios, including a significant fall in assets held to cover linked liabilities.

The Company is working closely with its key outsource providers who, at this point, continue to provide appropriate service levels. The vast majority of UK staff of the fellow group companies who are outsource service providers are working from home and will continue to work from home until further notice. These teams are resourced as necessary with staff who have access to the tools they require to do their jobs from home.

Based on the above, 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.

Financial assets

(i) Fair value through profit or loss

These instruments comprise investments which are classified as fair value through profit or loss on a mandatory basis. 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.

(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 debtors arising out of insurance operations, amounts due to Standard Life Aberdeen group undertakings, prepayments and accrued income and cash at bank and in hand. 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.

Other debtors are short-term and repayable on demand, therefore their carrying value reflects its fair value.

Assets held to cover linked liabilities

This category comprises investments made pursuant to unit-linked policies under which the benefits payable to the policyholder are wholly or partly determined by reference to the value of the associated investments. Purchases and sales are recognised on the trade date, and transaction costs are recognised immediately in the Profit and Loss Account. Assets are originally recognised at cost, being the fair value of the consideration given, and are subsequently re-measured at fair value through profit or loss on a mandatory basis. The fair values of investments are based on current bid prices. If the market for a financial asset is not active, or in

Notes to the financial statements (continued)

respect of unlisted securities, fair value is established using valuation techniques. These assets include cash and cash equivalents held to cover linked liabilities.

This does not include assets under management for the segregated investment mandates which are not held on the balance sheet of this Company.

Fair value methodology

The fair values of financial assets and financial liabilities at fair value through profit and loss are determined as follows:

Level 1 – fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair value is derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices); and

Level 3 – fair value is derived from valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable market inputs).

Financial Liabilities

Amortised cost

These instruments include creditors arising out of direct insurance operations, amounts owed to Standard life Aberdeen group undertakings, other creditors and accruals. These instruments are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. In practice the carrying value equate to the fair value due to the short nature of the amounts.

Technical provisions for linked liabilities

The Company issues unit-linked long term investment contracts without fixed terms. The fair value of the liabilities is calculated by multiplying the number of units attributed to the policyholders by the bid price of the units. The liabilities under the contracts are accounted for as financial liabilities at fair value through profit and loss. This matches the accounting treatment of the underlying assets within the funds as referred to above. The value of the liabilities is impacted by, inter alia, policyholder premiums and claims.

Long term contracts can either be classified as insurance or investment contracts. Contracts which transfer significant insurance risk are categorised as insurance contracts, and any long term contracts not considered to be insurance contracts are classified as investment contracts. The Company’s long term contracts do not transfer significant insurance risk and hence are classified as investment contracts.

Investment income

Investment income in the Technical account includes dividends from shares and collective investments, interest income and net realised fair value gains and losses from investments. Dividend income is recorded on the date on which the underlying stock is quoted ex dividend. Interest income is earned from deposits with credit institutions and is accounted for on an accruals basis.

Investment income in the Non-Technical account includes interest income similar in nature to the Technical account.

Unrealised gains on investments

Unrealised gain on investments are net gains and losses on investments recognised at fair value.

Notes to the financial statements (continued)

Other technical income

Other technical income comprises of management fee income which is stated net of rebates for the TIP, reinsurance and segregated investment mandated clients, and is accounted for on an accruals basis; and Performance fee income in relation to the segregated investment mandated clients which are recognised when it is almost certain that the revenue will be received.

Investment expenses

Expenses are accounted for on an accruals basis and includes fees for investment management payable to fellow Standard Life Aberdeen Group undertakings.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the profit and loss account in the reporting year. Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date together with adjustments to tax payable in respect of prior years.

Tax attributable to the long-term business is included in the Technical account for long-term business. Other tax is included in the non-technical account. Within the Non-Technical account the balance transferred from the long-term business technical account is grossed up for attributable tax using the appropriate enacted or substantively enacted tax rate. The tax on profit on ordinary activities, which appears in the non-technical account, comprises the tax attributable to the balance on the long-term business technical account and tax relating to the Investment income, Other Expenses and Other income which appear in the Non-Technical account.

Foreign currency translation

(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 GBP, 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. Revenue transactions are translated at rates of exchange ruling at the time of the respective transactions.

Critical accounting estimates

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, contingent or otherwise, at the balance sheet date as well as affecting the reported income and expenses for the year. Although the estimates are based on management’s best knowledge of current facts as at the balance sheet date, the actual outcome may differ from those estimates.

There are no critical accounting estimates which are material to the financial statements.

Notes to the financial statements (continued)

3. Investment return

	2019 £'000	2018 £'000
Interest income and dividends from shares and collective investments	47,815	28,017
Realised gains on investments	195,783	92,180
Investment income	243,598	120,197
Unrealised gains / (losses) on investments	15,063	(190,990)
Investment management expenses	(7,691)	(5,385)
Realised foreign exchange losses	(18)	(18)
Total investment return – Technical account	250,952	(76,196)
Investment income – Non Technical account	96	64
Total investment return	251,048	(76,132)

4. Other technical income

	2019 £'000	2018 £'000
Fee income from assets held to cover linked liabilities	5,626	5,504
Fund management fee income	5,319	833
Fund performance fee income	295	-
Fee income	11,240	6,337

5. Other income

	2019 £'000	2018 £'000
Other income	-	22

Other income in 2018 relates to withholding tax recoveries relating to a closed fund.

6. Other expenses

	2019 £'000	2018 £'000
Amount paid to Standard Life Aberdeen Group undertakings	167	167
Other	498	437
	665	604

Amounts owed to Standard Life Aberdeen Group undertakings are interest free and repayable on demand. Other largely relates to professional and regulatory fees paid by the Company.

7. Staff costs

The Company has no employees and therefore has incurred no direct staff costs.

Notes to the financial statements (continued)

8. Auditor's remuneration

	2019 **£'000**	2018 £'000
Statutory audit	77	73

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 Standard Life Aberdeen plc.

9. Directors' emoluments

	2019 **£'000**	2018 £'000
Directors' emoluments	90	90

Directors' emoluments consist of fees payable to Non-Executive Directors. Those directors have not received any other form of remuneration for their services. For those directors who are employees of the Standard Life Aberdeen Group and whose services cover several companies within the Group, no apportionment of emoluments has been made to the Company. None of the Directors who held office during the year ending 31 December 2019 had any interest in the shares of the Company (2018: none).

10. Taxation

Analysis of the tax charge / (credit)

	Technical Account 2019 £'000	Technical Account 2018 £'000	**Non-technical Account 2019 £'000**	Non-technical Account 2018 £'000
Overseas with-holding tax	656	1,069	-	-
Deferred tax	(23)	(23)	-	-
Adjustments in respect of prior periods	(229)	234	-	-
	404	1,280	-	-
Current tax charge/ (credit) on result for the year	695	200	(108)	(98)
Tax charge attributable to balance on long term business technical account	-	-	724	123
Tax charge on the profit on ordinary activities	1,099	1,480	616	25

Notes to the financial statements (continued)

Reconciliation of tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	Technical Account 2019	Technical Account 2018	**Non-technical Account 2019**	Non-technical Account 2018
	£'000	£'000	**£'000**	£'000
Profit before taxation	4,187	2,003	3,243	128
Current tax (2019: 19.0%, 2018: 19.0%)	796	380	616	25
Effects of:				
Overseas with-holding tax	656	1,069	-	-
Foreign tax deducted as an expense	(124)	(203)	-	-
Adjustments in respect of prior year	(229)	234	-	-
Tax charge on the profit on ordinary activities	1,099	1,480	616	25

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this 17% rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

Provision for deferred tax

	2019	2018
	£'000	£'000
Deferred tax liability		
Balance brought forward	85	107
Origination and reversal of timing differences	(23)	(23)
Impact of change in UK tax rate	-	1
Balance carried forward	62	85

11. Financial investments

	2019	2018
	£'000	£'000
Short term money market funds	13,151	10,257

Notes to the financial statements (continued)

12. Assets held to cover linked liabilities

	2019 **£'000**	2018 £'000
Listed investments	552,022	967,944
Unit trust and OEICs	574,892	471,395
Cash and cash equivalents	21,190	21,614
Other debtor / creditor positions	3,989	6,728
	1,152,093	1,467,681

13. Debtors

	2019 **£'000**	2018 £'000
Direct insurance debtors	817	315
Amounts owed by Standard Life Aberdeen Group undertakings	212	138
Other	413	103
Other debtors	625	241
	1,442	556

Amounts owed by Standard Life Aberdeen Group undertakings are interest free and repayable on demand.

14. Prepayments and accrued income

	2019 **£'000**	2018 £'000
Accrued income	1,319	1,311
Prepayments	4	3
	1,323	1,314

15. Share capital

	2019 **£'000**	2018 £'000
Authorised:		
50,000,000 (2018: 50,000,000) ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid:		
1,500,002 (2018: 1,500,002) ordinary shares of £1 each	1,500	1,500

Notes to the financial statements (continued)

16. Technical provisions for linked liabilities

	2019 **£'000**	2018 £'000
Balance at 1 January	1,467,681	1,601,651
Change in technical provisions for the year		
- Gross amount	258,005	(71,862)
Deposits received from policyholders under investment contracts	158,151	187,474
Payments made to policyholder under investment contracts	(728,876)	(246,925)
Management and operating expenses from the fund	(2,868)	(2,657)
Balance at 31 December	1,152,093	1,467,681

17. Creditors

	2019 £'000	2018 £'000
Creditors arising out of direct insurance operations	817	315
Amounts owed to Standard Life Aberdeen Group undertakings	1,907	1,051
Accruals	534	1,015
Other	256	191
Other creditors	2,697	2,257
	3,514	2,572

18. Capital management

The Company manages its capital to ensure that sufficient available capital resources are held to cover its capital resources requirements. The Company has no intention to seek additional forms of capital; therefore the capital management policy is designed to ensure that all capital requirements are met out of retained profits. Dividends will only be paid provided that, following any payment, the Company will continue to hold a level of cover above the appropriate regulatory requirement as deemed appropriate by the Board.

The key risk to regulatory capital relates to the inability of the business to earn enough revenue to cover the costs of administration in the event of closure to new business or adverse economic conditions. The Company manages this risk by ensuring that the form of all policy contracts allows termination by the Company on a period of notice of three months and by having an expense structure that is sensitive to the ability of the business to generate revenue from policy charges.

The following Solvency II information in the remainder of this note is not audited by KPMG LLP.

Since 1 January 2016 the Company has been subject to the capital requirements of the Solvency II directive. The balance of available capital resources is monitored against the Company's Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR"). The SCR is calculated in accordance with the Solvency

Notes to the financial statements (continued)

II Directive Standard Formula, and the MCR is based on the €3.7m monetary minimum set out in the regulations.

As at 31 December 2019 the company MCR was £3.2 million (2018: £3.3 million) and the SCR was £2.1 million (2018: £2.7 million). As the MCR is higher than the SCR, this MCR position is adopted as the capital requirement for the company.

All of the Company's own funds are classified as Tier 1 basic own funds comprised of equity and retained earnings and are available to provide cover for both the SCR and the MCR without restriction.

This Company's own fund position was £13.4 million at 31 December 2019 (2018: £11.6 million).

19. Financial instruments

All financial assets and liabilities are valued using Level 1, in accordance with the policy detailed in note 2. The fair values of the company's financial assets and liabilities equates to their carrying values.

20. Financial risk management

The Company is exposed to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market price risk;
- foreign exchange risk; and
- interest rate risk

In general, the vast majority of the Company's assets are held in unit-linked funds. The risks and rewards of those assets fall to the benefit of, or are borne by, the underlying policyholders and the value of the investment contract liabilities shown in the Company's balance sheet varies in line with the value of the assets held. The Company has no direct exposure to fluctuations in the value of assets which are held on behalf of policyholders, nor to fluctuations in the value of the assets arising from changes in market prices or credit default. The Company's exposure to these assets is limited to the revenue earned, which varies according to movements in the value of the assets.

Governance framework

The Board is responsible for the management and oversight of all risks affecting the Company. To achieve this, the Company uses the comprehensive risk management framework established by the Standard Life Aberdeen with specific arrangements where necessary to address the requirements of the Company as a UK insurance undertaking.

Day to day governance and risk control is delegated by the Company to wider group functions via a formal Management Services Agreement. Oversight of those services is carried out by a combination of committees within the risk control framework, and the dedicated committees established by the Company Board noted below.

The governance framework for the Company is based on the Standard Life Aberdeen Group framework, with specific arrangements where necessary to address the requirements of the Company as a UK insurance undertaking.

Day to day governance and risk control is delegated by the Company to AAML via a formal management services agreement. Investment management is delegated to AAML via a separate Investment Management Agreement ("IMA"). The Board considers the current system of governance appropriate for its business model, which is limited to offering unit-linked pension policies and investment management contracts to trustees of approved UK pension schemes and unit-linked pension reinsurance policies to UK insurance companies.

The Board has established the following dedicated committees, which receive input from functional committees established by Standard Life Aberdeen Group as part of its group-wide risk management framework.

Notes to the financial statements (continued)

Risk Committee

The Risk Committee of the Company is responsible for reviewing risk management information relating to the Company. The Committee keeps under review in particular:

- The alignment of the risk appetite and policy, approved by the Company's Board, with the Group's strategy for the Company
- Quality of the Standard Life Aberdeen Group's enterprise risk management framework and operating structure as a mitigation and key control to the Company's risks
- The extent to which risk assessment is in line with industry best practice and regulatory requirements.

Audit Committee

The Audit Committee of the Company monitors the integrity of the financial statements of the Company, reviewing significant financial reporting issues and judgements. The Committee reviews and challenges as appropriate:

- The consistency of, and any changes to accounting policies.
- Whether the Company has followed appropriate accounting standards and made appropriate estimates, assumptions and judgements, taking into account the view of the external auditor and the Chief Actuary.
- The clarity of disclosure in the Company's financial reports
- Annual internal audit plan, as informed by the Company's Board

The Committee also approves the terms of the external auditor's engagement.

Client and Fund Governance Committee

During the year the Client and Fund Governance Committee was reconstituted to be an Executive Committee rather than a Board Committee. The Client and Fund Governance Committee of ASI Life assists the Chief Executive

Officer in his or her responsibilities for oversight of any activity which has a direct impact on customer outcomes. This includes, but is not limited to:

- Investment performance.
- Client facing documents and communications.
- Product changes.
- Complaints.

The Committee is also responsible for reviewing decisions around unit dealing and pricing.

The CEO is responsible for keeping the board informed of any relevant matters. There were no other material changes to the governance arrangements of the Company during the reporting period.

Market price risk

Market price risk is the risk that the fair value or future cash flows of financial instruments will change due to movements in market prices, other than foreign exchange rates or interest rates.

The Company does not hold any non-linked assets which are exposed to market price risk, nor does it directly bear the risk of market price movements in respect of assets within the unit-linked funds. However the Company is exposed to price risk indirectly, as its management fees earned are calculated as a percentage of assets under management which will be impacted by changes in the value of assets in the underlying funds.

Notes to the financial statements (continued)

The Company pays a proportion of its net fees to a fellow Standard Life Aberdeen Group company in respect of asset management services. The risk of market price movements is managed through an arrangement which reduces this amount, potentially to zero, in circumstances where the level of net fees falls to an unsupportable level.

In relation to financial instruments the sensitivity of profit after tax and equity of the company to a 10% market price movement is not material. This sensitivity relates only to the direct impact on financial instruments and excludes indirect impacts on fee income and related costs.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk in respect of its assets held outside the unit-linked funds, and in its exposure to clients.

The company aims to maintain an un-collateralised counterparty limit of £2.0 million for non-linked assets except for holdings in UCITS qualifying liquidity funds. This balances the need for diversification with the need for a practical level of bank balances to be operated.

The Company is exposed to a degree of counter-party risk with clients as its business model operates with a delay between dealing and settlement. This risk is managed by making an individual assessment during each client take-on.

For large initial premiums, or where the investment represents a significant part of the client's total assets, the Company may require investments to be prefunded to limit credit risk.

The Company is exposed to amounts recognised in fee income which have not yet been settled by clients. The credit quality of outstanding balances is monitored and there has been no significant level of default. As such, there are no concerns over the credit quality of these assets.

An expected credit loss (ECL) 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 or contract assets in which case lifetime expected credit losses are recognised.

The company applies the simplified approach, as allowed under IFRS 9 to calculate the ECL allowance for trade receivables and contract assets. Under the simplified approach, the ECL allowance is calculated over the remaining life of the asset.

Notes to the financial statements (continued)

An analysis of relevant financial assets by ageing is given below:

2019	**Cash at bank and in hand £'000**	**Debtors £'000**	**Total £'000**
Neither past due nor impaired	1,156	823	**1,979**
Past due but not impaired	-	619	**619**
Impaired	-	-	**-**
Total	**1,156**	**1,442**	**2,598**

2018	Cash at bank and in hand £'000	Debtors £'000	Total £'000
Neither past due nor impaired	1,399	466	**1,865**
Past due but not impaired	-	90	**90**
Impaired	-	-	**-**
Total	**1,399**	**556**	**1,955**

Past due is any financial assets which are aged one month from the date of receipt due.

An analysis of cash at bank and in hand by credit rating is given below:

	2019 £'000	2018 £'000
AA-	1,156	1,399

The balance of debtors primarily consists of short term amounts due in respect of unit cancellations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its cash commitments as they fall due. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or from a counterparty defaulting on repayment of a contractual obligation; or from the inability to generate cash inflows as anticipated.

In respect of non-linked assets, the investment guidelines requires those assets to be held substantially in cash or short term deposits with approved credit institutions or holdings in UCITS liquidity funds.

In respect of unit-linked assets held to match TIP and reinsurance scheme liabilities these are managed to provide appropriate liquidity, in normal circumstances, to allow policyholder redemptions to be met as they fall due. In addition, ASI Life has the contractual ability to suspend transactions where this is considered to be in the interests of policyholders. As unit-linked liabilities are repayable on demand, no analysis by maturity date is provided.

In respect of segregated investment mandates, liquidity requirements depend upon client-specific requirements, noting that the assets managed under these contracts remain the legal property of the client.

Notes to the financial statements (continued)

Foreign exchange risk

The Company undertakes transactions in a number of currencies and foreign currency risk arises through fluctuations in foreign currency rates changing the fair value or future cash flows of financial instruments. The Company is exposed to a very small element of direct foreign currency risk from non-linked assets. The vast majority of foreign currency transactions are within the unit-linked funds where the direct currency risk is borne by the policyholders.

However the Company is exposed indirectly to this source of risk as its management fees earned are calculated as a percentage of assets under management, some of which will be impacted by foreign exchange movements.

The Company pays a proportion of its net fees to a fellow Standard Life Aberdeen Group company in respect of asset management services. The risk of foreign exchange movements is managed through an arrangement which reduces this amount, potentially to zero, in circumstances where the level of net fees falls to an unsupportable level.

In relation to financial instruments the sensitivity of profit after tax and equity of the company to a 10% foreign exchange rate movement is not material. This sensitivity relates only to the direct impact on financial instruments and excludes indirect impacts on fee income and related costs.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will change due to movements in market interest rates.

Direct interest rate risk

The Company's direct exposure to interest rate risk is in respect of non-linked interest earning assets, where the Company's policy is to hold investable assets in cash or UCITS liquidity funds. The Company does not hold interest bearing liabilities.

A decrease of 0.5 percentage points in interest rates would reduce profit before tax by approximately £72k per annum (2018: £60k).

An increase of 0.5 percentage points in interest rates would increase profit before tax by £72k per annum (2018: £60k).

Indirect interest rate risk

The Company is exposed to interest rate risk indirectly, as its management fees earned are calculated as a percentage of assets under management, some of which will be impacted by changes to interest rates. The level of fees earned which are linked to the value of such investments is a small proportion of the Company's revenue.

In relation to linked funds financial instruments the sensitivity of profit after tax and equity of the company to interest rate movements is not material. This sensitivity relates only to the direct impact on financial instruments and excludes indirect impacts on fee income and related costs.

21. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Notes to the financial statements (continued)

22. Ultimate parent company and parent company of larger group

The Company's immediate parent company is AAM plc and its ultimate parent company is Standard Life Aberdeen plc, which are both incorporated in the United Kingdom and registered in Scotland.

The results of the Company are consolidated in the Group accounts of Standard Life Aberdeen plc, the smallest group that the results are consolidated within, which are available to the public and may be obtained from 1 George Street, Edinburgh, EH2 2LL, or available to download from the website www.standardlifeaberdeen.com.

23. Events after the balance sheet date

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact.

The ASI Life UK Property Fund was suspended on 18 March 2020. This followed the introduction of "material uncertainty" clauses into underlying property valuations by third party valuers, reflecting market disruption from COVID-19 impacts. The FCA issued a statement on 18th March 2020 confirming that, in these circumstances, suspension is likely to be in the best interests of fund investors.