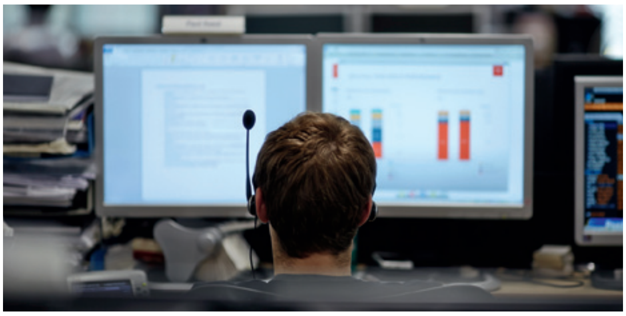
Broader capabilities, deeper expertise.

Aberdeen Asset Management PLC

Annual Report and Accounts 2014








Aberdeen
Simply asset management.

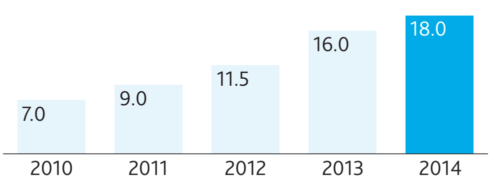

Aberdeen
asset management
Aberdeen

Highlights

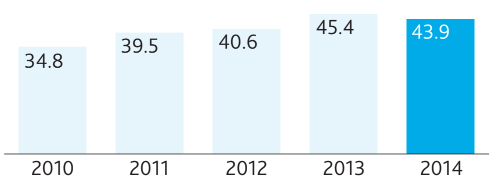
The acquisition of SWIP was a transformational transaction that has added scale and further diversification to our product range. As a result, Group's AuM increased by 62% to £324.4 billion.

It has been a challenging environment as financial markets have remained volatile and risk aversion to emerging markets led to AuM outflows. Nonetheless, revenue and underlying profit are higher than last year and we achieved a healthy operating margin of 43.9%.

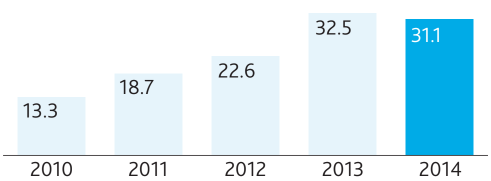
Dividend per share 18.0p



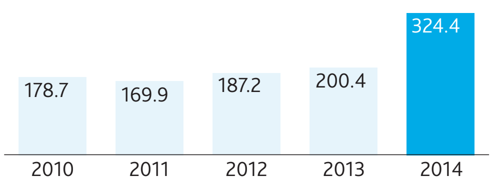
Operating margin 43.9%



Underlying diluted EPS[1] 31.1p



Assets under management ("AuM") £324.4 billion



Net revenue

£1,117.6m +3.6%

2013: £1,078.5m

Statutory pre-tax profit

£354.6m -9.1%

2013: £390.3m

Underlying pre-tax profit[1]

£490.3m +1.6%

2013: £482.7m

Dividend per share

18.0p +12.5%

2013: 16.0p

[1] Underlying figures are stated before amortisation of intangibles and acquisition-related items.

Our focus, your advantage

Who we are

Aberdeen Asset Management is a global asset manager with a broad range of investment capabilities. We are based in 27 countries with 33 offices, over 600 investment professionals and around 2,700 staff. Our assets under management were £324.4 billion as at 30 September 2014.

As a pure asset manager, without the distractions of other financial services activities, we are able to concentrate all our resources on our core investment management business.

Our investment processes strive to be simple and clear and we aim to identify investments that display those qualities too. Finally, we focus on taking a long term view of our investments.

What we do

Our business is predominantly the active management of financial assets for third parties. We use first-hand research to make our investment decisions.

Active investment spans equities, fixed income, property and alternatives, sharing resources and a common investment approach.

Our investment solutions team can blend our abilities across different asset classes to provide tailored investment outcomes to meet specific client needs. This can incorporate skills in both quantitative investments and alternatives.

Our culture

We believe there is an information advantage in understanding global markets from the local level up, with investment and client services teams based in or near the countries that we invest in.

The Group has grown rapidly in the last 30 years and values a flat management structure and being an open, diverse and accessible employer.

We champion local decision making, close-knit teams and interdependence among our offices worldwide.

Our responsibilities

Our primary focus is on serving our customers well. We believe that we are transparent and approachable to our clients and we aim to deliver the highest standards of client service.

We do our utmost to provide the best working conditions for our employees, to limit our impact on the environment and to manage our business in a fair and ethical manner.

Our corporate responsibility website may be found at **aberdeen-asset.com/csr**.

Contents

Annual report online

This report is available in digital format. Please visit the investor relations section of our website: **aberdeen-asset.com/investorrelations**

Chairman's statement

Roger Cornick
Chairman

The acquisition of Scottish Widows Investment Partnership ("SWIP"), which we completed on 31 March 2014, was a transformational transaction that added scale and diversification to our product range, and marked the beginning of a long term strategic relationship with Lloyds Banking Group. As a result, the Group's AuM increased by 62% to £324.4 billion at the year end. However, in general, 2014 was a more challenging year for the Group as financial markets, particularly in the emerging markets and Asian economies, remained volatile.

The SWIP transaction is a further strategic step in Aberdeen's growth and has strengthened existing capabilities as well as providing new investment opportunities for Aberdeen's global distribution team. The acquisition improves the balance of AuM and revenues across asset classes and will reinforce our strong cash generation. The integration process began immediately after completion and is progressing in line with our expected timing, and already delivering cost synergies ahead of expectations.

We have not been immune to the weak investor sentiment toward emerging markets and the consequential impact of risk aversion to this asset class, and this is reflected in some reversal of the strong fund inflows to emerging market equities seen in previous years. Importantly, however, we made progress in improving flows from the Group's wider capabilities where there are strong track records and where we have a competitive edge, particularly into emerging market debt (notwithstanding weaker sentiment to emerging markets) and property. Both of these asset classes have recorded net inflows of over £1 billion during the year and we continue to make steady progress towards building a diversified pipeline.

Despite the challenging environment, revenue and underlying profit are higher than last year, and we continue to achieve a healthy operating margin. The Group's financial strength and strong cash flow generation means that the Board has proposed a 12.5% increase in the final dividend, making a total dividend for the year of 18.0p per share.

Dividend per share

18.0p +12.5%

2013: 16.0p

Financial highlights

Net revenue for the year of £1,117.6 million was 4% higher than in 2013; recurring fee income was 7% higher, while performance fees reduced to £21.7 million (2013: £50.8 million). A consequence of the composition of the assets introduced by SWIP is that the enlarged Group's blended average management fee rate has been rebased to a lower level; while the blended rate for the full year is 41.8 basis points, it is perhaps more meaningful to focus on the second half of the year, in which we achieved a blended fee rate of 36.9 basis points, slightly ahead of the pro forma rate we reported on the announcement of the transaction.

Operating expenses increased by 6% to £627.2 million. Costs within the legacy Aberdeen business were 4% lower than 2013 as management was mindful of the tougher market conditions. The inclusion of SWIP for the second half year added costs of £60 million, after some initial benefit from cost synergies which will be more fully reflected in the new financial year.

Underlying operating profit, which is stated before amortisation of intangible assets and the one-off acquisition and integration costs of the SWIP deal, increased to £490.4 million (2013: £489.2 million), while the operating margin fell slightly to 43.9% (2013: 45.4%). After the deduction of acquisition costs and amortisation, statutory profit before tax decreased by 9% to £354.6 million (2013: £390.3 million).

There has, again, been strong conversion of operating profits to cash, with core operating cash flow of £543.8 million (2013: £529.1 million). As a result the balance sheet has been strengthened further with a year end cash position of £653.9 million (2013: £426.6 million), and we have generated healthy headroom over our regulatory capital requirement.

Dividend

The Board is recommending a final dividend of 11.25p per share, making a total payment for the year of 18.0p per share. This represents an increase of 12.5% on the total payment for 2013, consistent with the Board's commitment to a progressive dividend policy.

Our priorities are to ensure the efficient integration of SWIP as well as ensuring that we continue to deliver high quality client service.

SWIP

The SWIP acquisition was completed, adding £134.9 billion of assets. The purchase consideration was approximately £606.6 million, comprising the issue of 131.8 million shares to Lloyds Banking Group ("Lloyds") plus a deferred top-up payment of £38.3 million to be made to LBG after a 12 month period following completion. Additionally, a performance related earn-out payment of up to £100 million will be paid dependent on the growth delivered by the strategic relationship with Lloyds over the five year period from completion.

The integration process has proceeded in accordance with our plans. The majority of the investment desks and distribution functions have been fully integrated and the respective teams are now working in the same buildings and applying the same core approaches to investing. Progress on the migration of back office systems and functions is also encouraging and we expect this exercise to be completed in late 2015. One-off costs of £25.5 million were incurred on the integration and migration and we expect the final total for these one-off costs to be in line with the £50 million previously reported.

Investment performance

Our equity performance recovered during 2014, as our focus on investing for the long term in good quality companies again came to the fore, following a difficult period for performance in 2013. However, the fragile state of parts of the global economy means markets remain very sensitive. Importantly, our teams have not deviated from our robust investment process, maintaining our focus on delivering long term performance.

Fixed income performance has continued to be good, and the majority of our strategies are ahead of their benchmarks over one, three and five year periods.

Performance in the property division has improved during 2014. As the property markets begin to recover and our long term approach takes greater control of the investment risk which our portfolios run, we have taken a number of opportunities to crystalise profits. This has been in areas which we believe are out of line with the economic fundamentals and the market, whether this be prime office stock in gateway cities or weaker, secondary stock which has seen a permanent change in quality. We continue to focus on investing our clients' capital in good quality assets which are capable of delivering durable income streams and long term income growth.

Highlights

	2014	2013
Net revenue	**£1,117.6m**	£1,078.5m
Underlying results: before amortisation and acquisition-related items		
Profit before tax	**£490.3m**	£482.7m
Diluted earnings per share	**31.1p**	32.5p
Statutory results		
Profit before tax	**£354.6m**	£390.3m
Diluted earnings per share	**22.8p**	26.2p
Total dividend per share	**18.0p**	16.0p
Gross new business	**£34.7bn**	£43.9bn
Net new business	**(£20.4bn)**	(£2.5bn)
Assets under management at the year end	**£324.4bn**	£200.4bn

New business

The first nine months of the year was a difficult period for new business flows, but we have seen improvement in the final quarter and, indeed, in October and November. The Aberdeen element of the business experienced net outflows of £16.0 billion for the year (2013: £2.5 billion). The increase in net outflows arose entirely within the Group's core equity products, as weaker investor sentiment towards emerging markets in the first half of the year, dampened inflows and outflows were adversely impacted by the withdrawal by a single client of approximately £4 billion of low margin assets.

The SWIP business contributed net outflows of £4.4 billion for the six month period since completion of the acquisition. We expect some continuing net outflow of low margin business for anticipated structural reasons within the SWIP client base, but we are encouraged by steady net inflows to the SWIP Property Trust (now renamed Aberdeen Property Trust) and some new fund launches in infrastructure.

Fixed income net outflows totaled £3.6 billion. The Aberdeen business' net outflows of £2.3 billion are considerably lower than last year (2013: £5.6 billion). A major factor has been the continued steady growth of our emerging market debt product, with a further £1.6 billion of net inflows during the year.

Our property teams have added over £1 billion of net inflows during the year. We continue to see investor interest in our property capability, and this has been reflected in a growing number of mandate wins, some of which had not been funded by the clients at the year end and which will therefore be added to AuM in future periods.

The Aberdeen solutions business has benefited from considerable increase in scale and breadth of capability as a result of the addition of SWIP investment solutions, quantitative investments and alternatives strategies. This element of the Group's business will be key to the development of our relationship with the Lloyds Banking Group and also creates significant wider opportunities for our global distribution platform. Our aim is to provide a range of multi-asset strategies for our target client base, be it institutional, retail, wealth or wholesale investors. Similarly, increasing interest from institutional investors in alternative capabilities has been reflected in flows into both our individual alternative and pan-alternative strategies.

We continue to focus on distribution relationships where our strengths match market demand and develop new channels in order to attract new clients. Our distribution team has expanded which supports further our efforts to market our enhanced product suite and service existing clients. We are working well with Lloyds Banking Group in regard to the provision and development of products and solutions to meet the future needs of their clients. We are also encouraged that a range of SWIP strategies are attracting interest from clients around the world.

The Board

I would like to take this opportunity to thank my fellow directors on the Board who have, once again, made invaluable contributions to its effective operations. Special thanks must go to Anita Frew, who, on 30 September, stepped down from the Board after 10 years. Anita has served as senior independent non-executive director and has been of particular support and assistance to me since I took over as Chairman in 2009. She has our very best wishes for every success in her future career. We are in the process of recruiting an additional non-executive, and expect to be able to make an announcement in this context in the near future.

On behalf of the Board I would like to welcome all of our new colleagues from SWIP and thank all staff for their hard work throughout the year.

Outlook

At the time of writing, the world is facing a series of political and economic uncertainties so that, looking ahead, we expect economies and markets to remain susceptible to periods of volatility. However, we enter the new year in a strong financial position, with a broadened and enhanced range of products and an increasingly diversified global client base. We remain committed to our bottom up, fundamental style of investing for the longer term with which we have built our reputation over more than a quarter of a century. Our priorities remain focused on ensuring the efficient integration of SWIP as well as the continuity of high quality client service. We remain confident that, over the longer term, we will be able to deliver attractive returns, both for our investment clients and our shareholders.

Roger Cornick
Chairman

28 November 2014

Corporate advertising at London Heathrow to coincide with the SWIP acquisition in the UK.

Where we operate

We have the scale to provide global coverage of financial markets, yet we are flexible enough to focus on each and every portfolio decision.

We have teams of skilled investment professionals across a range of investment strategies including equities, fixed income, property and solutions to serve our institutional and retail clients.

Europe, Middle East and Africa

The UK accounts for 57% of our clients by AuM, some £186 billion. This increased from last year due to the acquisition of SWIP in March 2014.

Our headquarters are in Aberdeen, where we locate many Group functions.

Our largest investment offices are in London and Edinburgh where we have our investment teams for global emerging markets equities (ex. Asia), UK, European and global equities; European, global and emerging market fixed income; alternatives, investment solutions and quantitative investments; and UK property teams.

We have a significant presence across Continental Europe with 14 regional offices in 13 countries. Europe, excluding the UK, accounts for 17% in September of Group AuM. Luxembourg is the domicile for the flagship Aberdeen Global fund range which has AuM of £27 billion at the end of September.

We opened our first Spanish office in Madrid in October 2013, which builds on Aberdeen's work over the last decade marketing our investment capabilities in Spain.

The Middle East and Africa are important sources of institutional funds and we have a strong client base which we service from London. Around 4% in September of our AuM is managed for institutional and sovereign wealth entities in those regions.

Asia Pacific

Singapore is the Asian headquarters of the Group and is home to most of our Asia fund managers covering the main asset classes as well as substantial marketing, client servicing and administrative functions.

Other full service offices are in Bangkok, Hong Kong, Kuala Lumpur, Sydney and Tokyo. Our Taipei and Kaohsiung sales offices service the retail market in Taiwan.

Clients in Asia account for around 8% of our AuM and our investments in Asian equities, fixed income and property are core competencies for the Group.

Americas

Philadelphia is our hub for North America and includes fixed income, US equities and property teams. Our New York office is growing and is the home of our global and US high yield teams, as well as being an important office for so many of our clients.

The Toronto office services our burgeoning Canadian client base, while São Paulo, which is an investment office for our emerging market equity and debt teams has launched its own fund range. Our Americas team also covers Latin American clients investing in our Luxembourg fund range.

We manage 14% of our AuM on behalf of clients throughout the Americas and have developed a strong platform on which to service institutional and wholesale channels.

UK and European Offices
Aberdeen (Head office), Edinburgh, Jersey, London, Amsterdam, Brussels, Budapest, Copenhagen, Frankfurt, Geneva, Helsinki, Luxembourg, Madrid, Milan, Oslo, Paris, Stockholm and Zürich

Europe, Middle East and Africa

Net revenue

£653.7m

2013: £590.3m

Americas

Net revenue

£103.6m

2013: £95.4m

Offices
New York, Philadelphia, São Paulo and Toronto

Asia Pacific

Net revenue

£360.3m

2013: £392.8m

Offices
Bangkok, Hong Kong, Jakarta, Kaohsiung, Kuala Lumpur, Melbourne, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo


Welcome to Liverpool Street Station
Lift
We take a refreshing approach.
Just pure investment expertise.
Aberdeen
Simply asset management.
2619
JCDecaux
Toilets

Strategic report

Our strategic priorities have not changed and we will continue to apply our focused, long term investment process and aim to achieve further diversification of our AuM and revenue streams.

The SWIP acquisition has strengthened a number of capabilities and introduced new investment opportunities. We are now better placed to meet the needs of a broader range of clients.

By servicing our clients well, we believe we will deliver value for our shareholders in the future.

43.9%

Operating margin is 43.9%, notwithstanding impact of AuM outflows. This reflects strong cost discipline.

Overview of strategic report

Aberdeen aims to build on its position as a leading global asset management group founded on providing the highest levels of investment performance and client service across a broad range of capabilities.

High quality teams are at the heart of our investment process and operations.

Our aims

We aim to optimise long term returns for our shareholders through:

1. Maintaining a complete focus on providing the highest levels of investment performance and client service.
2. Recruiting, developing and retaining talent and being well resourced at all staffing levels, with robust succession plans in place.
3. Seeking cost effective growth – either organically or through selective acquisitions – and an optimal organisation structure for maximum efficiency.
4. Maintaining a strong balance sheet through consistent cash generation and paying an increasing rate of dividend.

Themes

Title	Comment	Page no
Future growth driven by broader range of capabilities	We are a global business with investment capabilities across several asset classes. We continue to add specialist resource - in particular to support alternatives and investment solutions, which we believe will be growth areas in the next three to five years. We have strong investment track records in many areas that we believe meet client demand. Our distribution focus is now on supporting these capabilities in the largest asset pools, particularly the US and Europe.	Pages 25 and 32
Emerging markets outlook	Although our investment capabilities are more diversified following the purchase of SWIP, Aberdeen is recognised as one of the leading emerging market and Asian asset managers. While investor sentiment to emerging markets was negative for much of the year, emerging markets continue to generate a major part of growth in global wealth. We remain positive on the long term outlook for emerging markets and believe that attractive investment opportunities still exist in Asia and emerging markets. With both our investment capability and presence in the region, we are well placed to capture future growth. Notwithstanding macro concerns, we believe that investors will refocus on corporate fundamentals, which remain attractive in the long run.	Pages 24 and 32
SWIP acquisition	This transaction is a strategic step in Aberdeen's growth plans and has strengthened our investment capabilities. It has increased our scale and added a major distribution relationship with Lloyds Banking Group ("Lloyds"). The integration process is well underway and completion in 2015 is a key priority.	Pages 33 and 35
Capital	Healthy cash generation has continued to strengthen our balance sheet. The increased total dividend payout of 18.0p (+12.5%) demonstrates our commitment to returning cash to shareholders.	Pages 42 and 43

Overview of strategic report

Section	Content	Summary
Business model	This shows what we do and how we operate.	Diversified product range, local investment teams, geographic reach and client base. This is supported by our office network, staff and global operating model.
Strategy	This shows the progress against our strategic aims on the left and our outlook in these areas.	SWIP acquisition broadens capabilities. Enlarged and strengthened business enables us to meet the needs of a broader range of clients.
Market review	Background on key trends in the industry, with an explanation of how they have impacted our progress and the effect that we anticipate they will have in the future.	There remains significant scope for macro economic and geographical events to upset markets over the coming months. However, there are longer term trends that we believe are favourable to Aberdeen: the growth of wealth, increase in retirement savings and growth in demand for alternatives and solutions products.
KPIs	We look at our performance against the key indicators that we measure over time.	KPIs show improvement in performance over the last five years.
Business review	A more detailed review of the last year for each of our asset classes and regions.	This demonstrates the progress being made over a broad range of capabilities and markets.
Financial review	A summary of financial performance, looking at the income statement, balance sheet, cash flow and regulatory capital.	Robust financial performance given volatility in markets and impact of SWIP transactions.
Risk management	A summary of the principal risks that we face, as well as an overview of the Group's risk management framework.	The risk profile is similar to last year, but we highlight the impact of the SWIP acquisition.

Our key measures of success

AuM (September 2014)	Operating margin	Net revenue	Underlying profit before tax
£324.4bn	43.9%	£1,117.6m	£490.3m

Read more on our KPIs on pages 28 and 29.

Summary

This section of the strategic report from pages 14 to 49 brings together an overview of our business model and strategy, as well as more information on our people and investment process. We look at how we performed in the year in the context of markets and the progress in the business and the Group's financial position.

Our key strategic priorities have not changed but we believe that the SWIP transaction is a major step forward; we will continue to apply our focused, long term investment process and aim to achieve further diversification of our AuM and revenue streams.

By order of the board.

M J Gilbert
Chief Executive
28 November 2014

W J Rattray
Finance Director

Business model

Our focus is on managing our clients' portfolios, with 97% of our net revenue coming from recurring management fees.

A diversified product range, geographic reach and client base, along with our scale and focused approach, enables us to provide effective asset management and superior client service.

1. How our business generates value

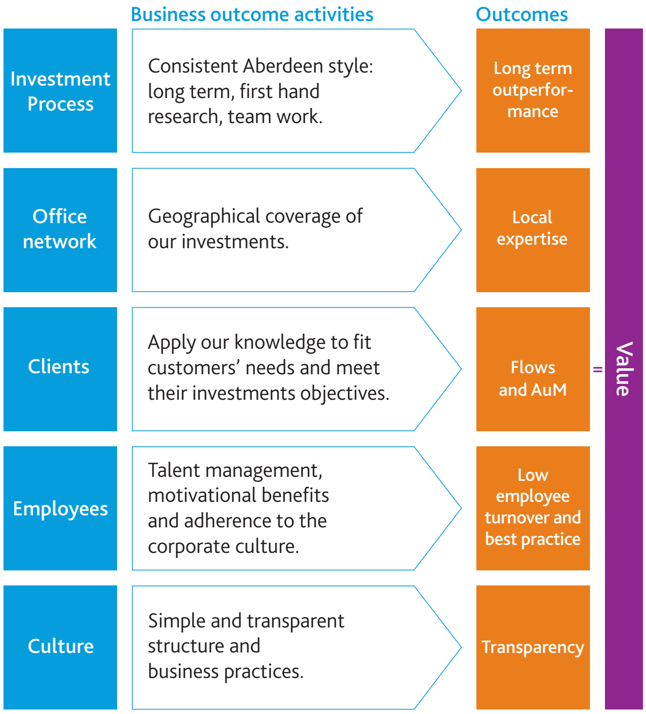
The basis for our business is our capabilities, our international reach, our clients and our people.

We aim to grow our business by growing the money managed for existing clients and winning new clients. We gain and retain clients through our investment process and our track record for managing money.

New business grows our assets under management ("AuM"). There will be a natural turnover of money managed and we expect a level of outflows from existing clients. However, we aim to retain as much AuM as possible with a long term focus on investment management and ensuring that the client teams meet our clients' needs. AuM may also increase and decrease due to market movements.

We charge fees based on the levels of AuM – these are based on the percentage of the money managed and are expressed as basis points ("bps"). Fee levels depend on the capability, amount of money managed and the channel. This product mix has an impact on the levels of revenue growth. All of the above is founded on our high quality teams.

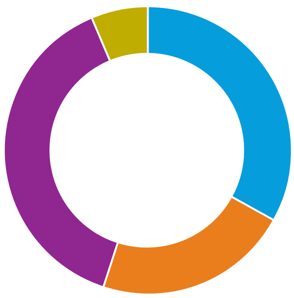
When revenues grow, our cash flows grow. We use cash generated to ensure that we have a strong capital base. Thereafter, we look to increase shareholder value through strategic acquisitions, dividends and other returns to shareholders.



2. What we do

We seek consistent long term investment performance across a diversified range of investment strategies. We have strengthened our investment teams with the addition of SWIP, as well as adding new complementary investment strategies. We aim to develop each of the investment areas, ensuring that each desk has a disciplined investment process, centred on team based decision making and original research.

AuM by class:	£bn
Equities	107.6
Fixed income	71.4
Aberdeen solutions	125.0
Property	20.4
Total	**324.4**



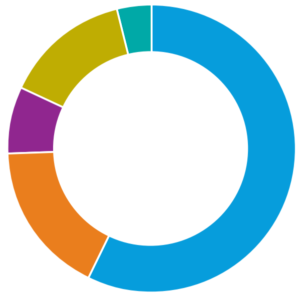
Read more on our investment process on pages 20 and 21.

3. Where we are

Our global network of 33 offices in 27 countries supports a uniformly high standard of local client service.

Where possible our client relationship teams are located close to their markets. We will continue to expand and deepen our distribution footprint to enhance client service and create new business opportunities. As we grow our investment capabilities, it is important that we have product specialists and client relationship teams who are well versed in these new capabilities.

AuM by client domicile:	£bn
UK	186.1
Europe ex. UK	55.6
Asia Pacific	24.9
Americas	45.6
Middle East & Africa	12.2
Total	324.4



Read more on our regional presence on pages 10 and 11.

4. Who our customers are

We have a diverse client base - both by channel and nature of client. Our institutional clients include pension funds, corporates, sovereign wealth funds, government agencies and insurance companies. We typically sell to retail clients through intermediaries, also known as distributors or third party advisors, such as private banks, financial advisors, wealth managers and platforms. We also call this the wholesale channel.

We sell products in pooled funds and segregated mandates. Over recent years, we have seen strong growth in our wholesale channel where flows are into pooled products. Going forward, we expect more balanced flows into segregated mandates and pooled funds.

Ensuring that we are looking after our clients' best interests is at the core of developing our strategy.

5. How we operate

The 'global operating model' underpins our ability to invest and service clients globally. This is the engine of the business and includes our strategic global IT applications and infrastructure and covers our key outsourcing relationships for back office functions.

These platforms are built to allow us to manage assets locally, whilst allowing our teams to work applying consistent processes globally and share research. Our systems platforms allow us to package these assets in products (be it through funds or segregated mandates) and provide those as products adapted to the needs of local markets and clients.

We believe - and our growth track record shows - that our model is scaleable and allows us to add new countries and investment capabilities to our Group, as well as integrate acquisitions. We believe that this will help us to capture growth from the appetite of investors to invest in global and international assets.

Read more on the progress of our regional distribution teams on pages 36 to 38.

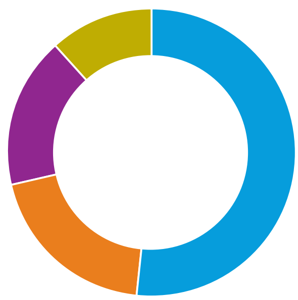
6. Who we are

Aberdeen employs 2,700 people. We are committed to recruiting and retaining talented and motivated individuals who put clients at the heart of our business.

Underpinning our global network of employees is a team structure; this applies to all business lines, not just our investment desks. A flat management structure facilitates information flow and keeps the business streamlined.

We recruit new joiners to fit the Aberdeen culture, as well as running an established graduate scheme that fosters loyalty and low staff turnover rates. Meanwhile our culture continues to evolve, through ideas from our new joiners and acquisitions.

Employees by location:	
UK	1,400
Europe ex. UK	530
Asia Pacific	460
Americas	310
Total	2,700



Read more on our people on page 22.

Strategy

Strategic priorities	2014 progress
Focus on providing the highest levels of investment performance and client service **Investment:** • Maintain and further develop our four established investment asset classes. • Deliver consistent long term performance across these competencies. **Distribution and client relationship:** • Provide the highest levels of client service and client management.	• The SWIP transaction is a strategic step in Aberdeen's growth. It adds new and complementary strategies and enhances Group's position as a leading global asset manager. • Investment capabilities strengthened include fixed income, multi asset and UK property. New capabilities added in quantitative investments and infrastructure. • There is increasing cross-desk collaboration in terms of originating and analysing investment opportunities for our clients. • Progress made in consistency of approach across desks in fixed income and alternatives asset classes. • Aberdeen solutions restructured with three teams: investment solutions, quantitative investments and alternatives. • Client retention remains a focus for both client service and investment teams. Taking into account the period of turbulence for emerging markets, there was little attrition from our institutional client base.
Recruit, develop and retain talent • Team based approach. • Well resourced at all levels. • Robust succession plans in place.	• Stable leadership and fund management teams. • SWIP acquisitions strengthens resource in UK. • Recruited 31 graduates across three regions. • 30 participants in senior management leadership and 54 in emerging talent programmes.
Seek cost effective growth and efficient organisational structure • Expand and deepen distribution footprint. • We focus on distribution capabilities where our strengths match market demand. • Further develop our capabilities where we have a competitive advantage. • Selective acquisitions at appropriate times in the business cycle. • Develop and maintain a comprehensive global operating model to support all services and locations.	• Acquisition of SWIP adds scale and complementary product capabilities. • Entered into a strategic relationship with Lloyds Banking Group providing distribution opportunities to their client base in the UK; adds to Aberdeen's strategic key long term distribution relationships. • Integration of SWIP and Aberdeen distribution teams increases UK resource – a key market for the Group. • Indonesian acquisition (completed in November 2014) brings access to the 4th most populous country in the world. • SWIP integration is well advanced; supported by clear operating model.
Maintain strong balance sheet through consistent cash generation • Maintain a progressive dividend policy.	• Comfortable headroom over regulatory capital requirement - notwithstanding impact of SWIP acquisition. • SWIP acquisition reinforces strong cash generation. • Cash resources continue to grow.

KPIs	2015 expectations	Risks
AUM: • £324.4 billion - with £134.9 billion added by SWIP. **Flows:** • Net outflows of £20.4 billion, of which £12.9 billion were from equities, reflecting challenging markets. **Product mix:** • Equities now account for £107.6 billion - 33% of Group AuM. This is a reduction from 57% in 2013, reflecting a more diverse business. • Emerging market debt ("EMD") net inflows of £1.6 billion; property net inflows of £1.1 billion. **Performance:** • Improvement in short term equities performance; long term performance remains robust. • Fixed income performance has recovered from credit crunch and majority of strategies ahead of benchmark.	• We continue to believe that our 'fundamental' approach is well suited to offering long term performance in current markets. • We expect that the macro environment will continue to be challenging and that markets remain sensitive – but we remain confident in the longer-term prospects of the companies and assets that we invest in. • Strengthened product suite and investment strategies means that we are well positioned to win new business, across a range of capabilities.	• Investment reputation and client retention could be damaged by significant changes in investment personnel. • Investment mandate breach. • Loss of clients due to poor management of relationships. • Misleading on suitability or misrepresentation of products to clients.
Headcount and retention: • Our headcount grew from 2,200 to around 2,700, largely due to SWIP. • Retention remains in line with our expectations.	• Continued investment in talent development programmes.	• Loss of key staff.
Margin: • Notwithstanding the loss of revenues from outflows of equities products, we achieved an operating margin of 43.9% (2013: 45.4%). • SWIP operating margin 49.9% - on track to deliver expected synergies. **Costs:** • Aberdeen standalone costs down 4%.	• Expect to grow average fee margins by winning new business at higher rates than back book. • Sales to increasingly reflect efforts to diversify away from major equities products. • Further cost synergies on completion of SWIP integration. • We will continue to manage costs tightly in uncertain markets.	• Aberdeen's capabilities are not suitable for market conditions. • Products that fail to meet clients' needs. • Failure of external service providers or Aberdeen systems. • Delays or overspend in integration of SWIP; these could also impact client service.
Dividend: • Dividend per share increased by 12.5% to 18.0p. **Cash:** • £653.9 million at year end (2013: £426.6 million).	• Increased balance sheet strength supports progressive dividend policy.	• Major legal or regulatory event leads to material fine or compensation payment. • Group financial position weakened through failure to manage liquidity, credit or foreign currency risks.

Summary of KPIs on pages 28 and 29.

More information on outlook by asset class and region is provided on pages 31 to 38.

More information on risks and mitigations on pages 44 to 47.

Our investment process

Clients access our investment expertise within three main asset classes: equities, fixed income and property.

Our Aberdeen solutions business blends our skills across capabilities (including investment solutions, quantitative investments and alternatives), markets and manager selection to meet specific client goals.

Investing for the future

We aim to generate strong performance by using primary research and a comprehensive and robust investment screening process to discover quality long term investments.

Investing for the long term may seem like an obvious strategy but it is surprising how few investors adopt it fully. In our fast-paced world, the desire for instant gratification can overwhelm. The prospect of immediate gain may encourage attempts to 'time' a sector or a stock or to pile into whatever is the flavour of the month long after the opportunity to profit has passed.

Equally, the urge to crystallise profits can cause quality assets to be sold well before they reach fair value. An investment approach that weathers market ups and downs over years, not just weeks, almost always proves more fruitful – as well as cheaper – in the long term.

By investing for the future, we are holding on to our quality investments over temporary turmoil. That is how we built our historical track record and generate value for our shareholders.

There are four universal elements to our investment process:

Global reach, local knowledge	Our investment teams are located in the markets they are investing in. We have the scale to provide global coverage of financial markets, yet we are flexible enough to focus on each and every portfolio decision.
Team approach	We strongly believe collaboration improves decision making. At Aberdeen we do not have star fund managers; we have teams with complementary skillsets who discuss investment decisions and take collective responsibility.
Fundamental research	We pride ourselves on our detailed, fundamental due diligence. No investments are made without a significant amount of well documented research.
Quality first, price second	Relative value is important, but valuation is only considered once an investment has passed our quality test. We will not invest in any asset where we do not believe fundamentals are strong, regardless of price.

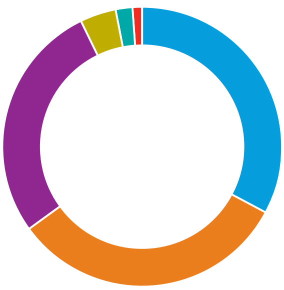
Our golden rules of investing:

- Understand limitations.
- Appreciate what is predictable and, more importantly, what is not.
- Research our investments thoroughly.
- Benchmark agnostic/maintain focus on a relatively small number of companies.
- Stick to established processes.
- Invest for the long term, accepting that periods of poor short-term performance may arise.

Equities

We use intensive first-hand research to find quality companies at the right price – aiming to hold them for the long term.

AuM breakdown



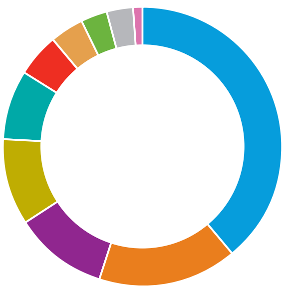
Asia Pacific	33%
Emerging markets	32%
Global	28%
UK	4%
US	2%
Europe	1%
Total	**£107.6bn**

Bottom-up evaluation of business model and management quality. We will not invest without meeting management.

Fixed income

Fixed income performance is as much about avoiding losses as picking winners. We invest to seek attractive returns relative to the possibility of loss.

AuM breakdown



UK	39%
Money markets	16%
EMD	11%
US	10%
Australian	8%
High yield	5%
Asia	4%
Global	3%
European	3%
Convertibles	1%
Total	**£71.4bn**

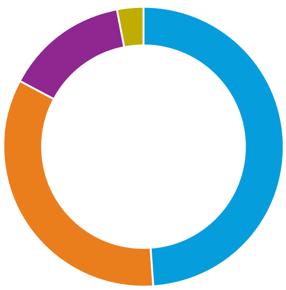
Proprietary, forward looking research.

Robust risk management is embedded in the process to identify, measure and control risk.

Property

We add value through active management, top-class research and a local presence. Our rigorous process is applied across regions and sectors.

AuM breakdown



UK	49%
Nordic	34%
Continental Europe	14%
Global	3%
Total	**£20.4bn**

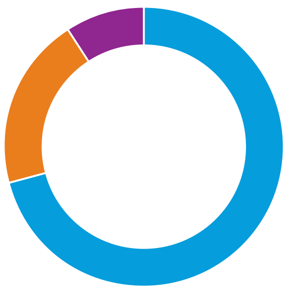
Advanced top-down research guiding local structured opportunity spotting.

Aiming for superior returns, by focussing on quality and not general market exposure.

Aberdeen solutions

Aberdeen solutions is made up of three separate divisions operating across: alternatives, investment solutions and quantitative investments.

AuM breakdown



Investment solutions	71%
Quantitative investments	20%
Alternatives	9%
Total	**£125.0bn**

Investment solutions
- Outcome orientated, helping clients solve problems.

Alternatives
- Aiming for consistent risk-adjusted returns throughout the market cycle.

Quantitative Investments
- Multi-strategy team sharing quantitative insights to build efficient portfolios.

Our people

We are committed to recruiting and retaining talented and motivated individuals who put clients at the heart of our business.

Culture

Our culture is important to us and we aim to ensure that our staff preserve the fundamental attributes: putting the client first, focus on teamwork, long-termism, approachability and simplicity.

Both appraisals and remuneration are designed to promote these attributes.

From the beginning, we have valued a culture of openness, mutual dependency and collective purpose. Plenty of companies talk about such things; we take pride in doing it. We organise our fund managers in teams, so every one of them has a voice. This culture applies to all functions and all locations. We recognise that culture is not stagnant and we look to adapt new ideas and share approaches across the Group.

SWIP

We increased our headcount by around 500 with the SWIP acquisition. As in past acquisitions, we welcome the new ideas and approaches that the people from SWIP bring. Many of the existing Aberdeen leadership joined through acquisitions which have proven to be an important way to strengthen our management teams.

Recruitment and selection

Recruitment, development and retention of talent is key to our ability to perform well for our customers and, as a consequence, our shareholders.

Our strategy is to recruit, wherever possible, at graduate level, placing an emphasis on succession planning and developing our future leaders. We continue to grow our apprenticeship and intern programmes. We also encourage moves within the business, preferring to use our existing talent pool to fill available posts.

We believe that this approach creates loyalty in the organisation and that the combination of experienced hands and younger minds invigorates our thinking and can lead to better performance.

This year we hired 110 interns, 31 graduates, 5 apprentices and 5 individuals on the Investment 2020 scheme (investment management trainee scheme). We have recruited 198 graduates globally between 1994 and 2014.

Competitive compensation

Rewarding employees for their contribution is key to recruiting and retaining a talented workforce. More information is given in the remuneration report starting on page 66.

Learning, development and talent management

We continue to improve our training and development for senior managers with the goal of building a pool of individuals ready to move into key leadership roles. We launched our senior leadership and emerging talent programmes – identifying individuals from across our global offices whom we believe have the potential to fill senior roles in the future. The senior programme is run by INSEAD, the business school.

Our annual appraisal process covers performance, objectives and areas for future development. We updated the process to ensure that, on one hand, there is a clearer documented link between objectives setting, performance and remuneration and, strategy and culture on the other.

Professional training is necessary for certain individuals to ensure that they are proficient in the skills required for their jobs. Those wishing to pursue a career in fund management are required to complete relevant examinations. There are opportunities for others to complete relevant industry qualifications.

Succession

Succession plans are in place for all roles across the Group from the Board, the Group management board ("GMB") to regional, country and desk heads. Plans are formally reviewed and updated annually.

Equality and diversity

As a global organisation with customers spanning a multitude of countries, cultures and professions, we view diversity as a valuable business asset. We strive to be an employer of choice in all of the countries in which we operate and to provide an environment in which everyone is treated equally.

Details of the Group's equal opportunities policy are available on our website and this policy is supplemented by specific policies that reflect local employment legislation and expectations.

We are committed to creating an inclusive environment in which all employees have the opportunity to develop.

We have a prominent voice supporting female representation in boardrooms and support gender equality. Our Backroom to Boardroom initiative is a forum to bring together senior women, executives and non-executive directors. We support many other initiatives, including Women on Boards UK, the Woman's Business Forum and Asian Women of Achievement awards.

We are a signatory to the UN Global Compact. Our operations and policies support and reflect the ten Global Compact principles and we uphold the Universal Declaration of Human Rights in all our operations. In countries where an employee delegate or works council is not present, employees are encouraged to share their opinions with line managers or human resources representatives.

We strongly believe that the combination of experienced hands and younger minds invigorates our thinking and can lead to better performance.

Breakdown of staff by gender:

Total workforce	2,700				
Male	55%	1,482 in total	Female	45%	1,218 in total
Senior managers					
Male	70%	71 in total	Female	30%	30 in total
Group management board					
Male	84%	16 in total	Female	16%	3 in total
Board of Directors					
Male	77%	10 in total	Female	23%	3 in total

Innovation committee

The Group established the Innovation committee in 2014 to encourage members of staff to share their ideas of where the Group can grow and provide input to the existing corporate culture within the Group. The Group is keen to continue planning for the longer term through the use of technology and the ideas and inspirations of its younger employees. Julie Chakraverty, an independent non-executive director, chairs the committee and is joined by Andrew Laing, our Deputy Chief Executive, Kerry Christie, our Global Head of Human Resources, and a further nine colleagues, principally from the staff on our emerging talent programme.

Operating under defined terms of reference, the committee has the following principal responsibilities:

- Agree what aspects of innovation are important for Aberdeen;
- Encourage staff to offer their 'blue sky thinking';
- Focus on exploring and prioritising new ideas.

Since its inception, the committee members have been allocated work streams in order to identify where we are currently innovative and where there needs to be improvements; what Aberdeen could look like in five and ten years' time and where innovation should be prioritised to have the greatest impact; where IT is an enabler or a barrier and; where there are innovation threats and opportunities impacting the wider financial sector.

The committee meets regularly and developments will be updated on the Group website.

The Board has agreed that the innovation committee will become a formal committee of the Board from 1 December 2014.

Market review

Short term volatility

Concerns about short termism in markets, government thinking and corporate strategy have only increased in the wake of the global financial crisis.

The influence of central banks on asset prices has never been greater. Even so, for all their money printing, each passing year resembles the previous one with the global economy not yet restored to health.

Thanks to policy stimulus the financial economy, by contrast, would appear to be doing fine: the S&P 500 is close to its peak; the Nikkei at a 7-year high. And bonds keep climbing: US 10-year Treasury yields remain sub-3%.

At some point growth will return enough for corporate profits to benefit, offsetting higher borrowing costs. Bonds will fall. If not soon, then stock prices will seem removed from earnings and bonds will continue to trade at low yields.

We do not expect this transition to be smooth. Liquidity is being taken for granted - worryingly when banks, as market makers, may be too busy shoring up capital or barred from trading outright. Regulators are charged with the challenge of walking a tightrope: encouraging liquidity on one hand and long term investment on the other.

Investors face the conundrum of finding a fair return on risk assets in the continuing low interest environment. There is an ongoing search for yield that has favoured bonds. But risk appetite remains muted. Over a 10-year period equities have disappointed and disenchantment persists: towards managers, advisers and the wider financial establishment.

Key trends and priorities

One gathering issue this past year has been the relative merits of developed and developing economies. After last year's 'taper tantrum', when the US Federal Reserve hinted at an end to bond purchases, investors fled emerging markets. A substantial outflow from emerging market equities in the first quarter of 2014 illustrates just how rapidly an asset class can fall out of favour in light of short-term underperformance.

Now, after months of renewed risk appetite, there is a risk of a repeat. At the end of October, the Federal Reserve confirmed the end of its bond buying programme. The end of the financial stimulus policies may not be a bad thing. Whilst the demise may drain markets of speculative capital, it may signal a return to investment fundamentals and the search for quality.

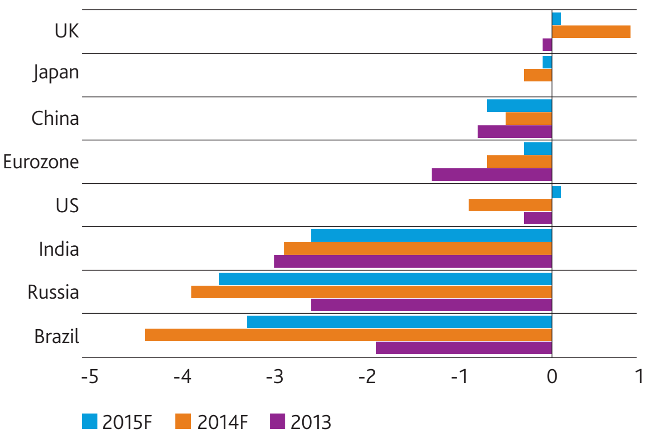
If the hope before was that emerging economies could 'decouple' from developed ones, the plain fact is that they cannot: the global economy is too integrated today.

However, investors increasingly recognise emerging markets' fundamental differences as well as the faster growth they offer as a whole; this is their existing attraction. Longer term, this solid progress will benefit emerging markets but in the absence of a quick, juicy return many investors opted out in favour of perceived safety. We are well placed for when interest in the asset class returns, given our large book of business in both emerging market equities and fixed income. These will remain core strategies.

The search for income is another trend. While this is a direct consequence of historically low interest rates, it is also a reflection of demographics. The ageing demographics of most developed economies mean that individuals are likely to spend many more years in retirement than has been the case historically. This increases the demand for income products.

Recovery postponed - again!

% point difference in GDP growth

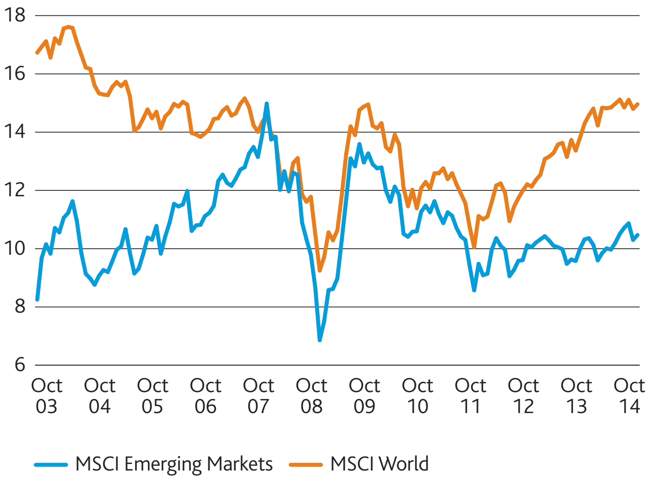


Differences between April 2012 consensus GDP forecasts and growth outturns/ OE forecasts, for 2013 - 2015.

Source: Oxford Economics/Consensus Forecasts, October 14

EM cheapest since global financial crisis

Forward price-to-earnings ratio for MSCI World versus MSCI EM



Source: Bloomberg, MSCI, October 2014

As the baby boomers retire, their needs are changing. Growth will matter less to them. Instead they want predictable returns and products they understand.

We have long championed funds that are straightforward and easily understood, even if that means favouring products that we think will be good over time to those that seem more ephemeral (commodities being one such example).

Solutions: case solved?

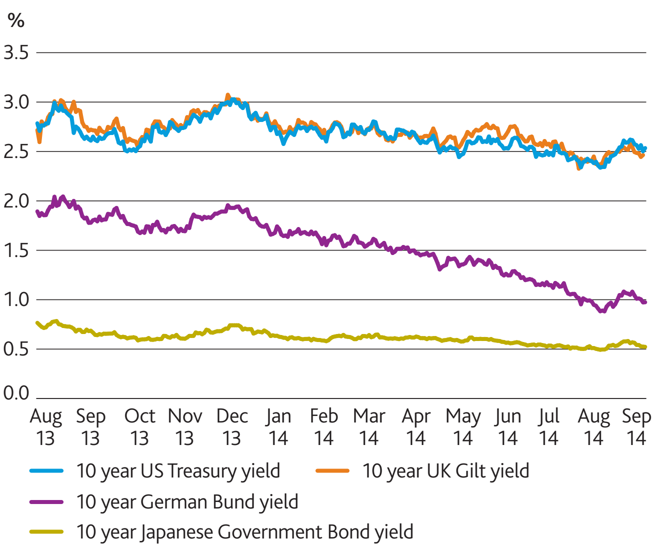
Combined with persistently lower interest rates, there has been a shift in investor appetite towards solutions, alternatives and passive products.

The products of the future will focus more on outcomes – such as assured income streams, low volatility or cash-plus returns. Investors are looking for particular outcomes or solutions that are specifically orientated to their needs – rather than merely looking for performance beyond a benchmark. Products must change as needs change; lifestyle funds that adjust allocations as investors age are just one example. These target date funds (setting the asset allocation based on the time frame appropriate to the investor) are already a US$650 billion market in the US.

Especially in countries where the defined contribution market is in ascendancy (US, UK, Australia and Japan), winners in retirement will be able to position themselves in the solutions space in the form of multi-asset products and will work to address the needs of investors after they reach their target retirement date.

In this new world, benchmark-relative returns are becoming less relevant (it is of scant consolation if a fund outperforms only to lose money). Behind this movement is a search for non-correlated sources of return. We recall that in the financial crisis all asset classes fell together.

The expected rise in bond yields never materialised



Source: Bloomberg, 30 September 2014

> "The products of the future will focus more on outcomes. Investors are looking for outcomes or solutions that are orientated to their needs."

The purchase of SWIP adds considerable expertise in these various capabilities termed 'solutions', with a big, experienced team, strong performance and considerable size of funds under management. The team also brings a track record of working with Lloyds Banking Group on an 'outsource' model for investment management and in offering a range of product capabilities designed to meet their clients' needs. The team selects managers from both internal and 'open architecture' third party managers. Our alternatives business combines a number of capabilities – pan-alternatives, hedge funds, private equity, infrastructure and property multi-manager. These capabilities, along with our traditional asset classes, are important to support our Aberdeen solutions proposition.

Passives capability

Passive funds have also become big beneficiaries of these trends and the increase in demand for lower cost products. Professional and individual investors alike have been switching into passives either because the work in finding good active managers is too tall an order or because they believe active managers are no longer worth it. This is especially the case if you think asset allocation, not security selection, is the main way of adding value to a portfolio.

We have added the SWIP quantitative solutions team to our investment capabilities. This is important for a product range that is suitable for those markets where there is greater focus on cost.

The line between active and passive asset managers and indeed between equity and fixed income specialists is beginning to blur, too. Managers are moving into new areas to make revenue streams more stable (we are no exception). The downside is that investors may see diversification as dilutive.

The majority of our business remains active management. We remain strongly of the view that active management will continue to have an important role and our clients understand the benefits by focusing on process, being clear about risks and taking a long term approach. The proviso, of course, is that we can deliver long term outperformance.

Distribution channels and technology

The line between fund managers and distributors is becoming blurred. The conventional view is that power lies with those who own the customers – the distributors – and as competition among fund managers intensifies they will shorten their list of third party fund providers.

We therefore see it as essential that we strengthen relationships with key distributors and continue to invest in branding and sponsorship in order to raise our public profile. In a crowded market it is necessary to stand out. Yet technology presents a potential counter-trend to third party manager concentration.

In many markets the ease with which individuals can compare funds and performance online could subvert distributors' information advantage and enable fund managers to sell directly to investors. Not all investors want to go it alone, but new channels may open up in the future. In key markets we are attending to such developments closely.

The UK notably has seen a growth in intermediary platforms. Meanwhile in the US the fastest growth in the distributor segment is that of 'Registered Independent Advisers' or RIAs. That suggests if investors are not up to the task themselves they are drifting away from traditional wire houses (the large US full service brokers) as a source of advice.

Product opportunities

If distribution is changing rapidly, then product needs have metamorphosed just as fast.

A characteristic of today's market is that new opportunities have been taken up very quickly by fund managers with the result that, far from encouraging more investors, the risk is one of herding and asset prices not being supported in the long run.

In the US market, there has been growth in such areas as infrastructure, bank loans (ie, lending where banks have withdrawn) and yield plays. Aberdeen attracted strong demand for US high yield and global high yield products, especially in the US but also in Europe.

We see these changes as opportunities given the breadth of our investment capabilities. In other respects the search for non-correlated sources of return, especially income, was positive for our direct and multi-manager property offerings. Yields in second tier cities and quality non-prime office space have remained relatively attractive. Again this is an opportunity for our alternatives offerings such as infrastructure and hedge funds.

Regulatory changes

There is an increasing volume of regulation around transparency, rebates and consumer protection. Authorities around the world have put lower fees at the centre of efforts to increase transparency and consumer protection.

Some of the biggest changes have occurred in the UK. The banning of commissions to distributors has forced many smaller financial advisers to quit, whilst others have turned to tax advice and planning.

The regulatory drive has led to a growth in clean or retail distribution review ("RDR") share classes which do not offer any fees to advisers. A side-effect is that the true cost of existing 'retail' share classes is clear for all to see. Consequently there is a growing backlash against stand-alone fees for advice – fees which when bundled in annual charges went almost unnoticed.

We are reviewing closely what will come next. Our sense is that we will soon have a multi-strand distribution model. This will include wholesale sales via IFAs, the bigger of which now run online platforms; white-labeled channels including via Lloyds, with which we have a strategic partnership; and perhaps direct retail sales.

In the latter case, the regulators' move to increase portability in the UK's pension market has led to individuals being able to self-manage their pension funds from as early as age 55. This has opened up a huge body of once trapped savings known as the 'whole of life' market, once a gift to insurers in the form of annuity management.

The UK government has also relaxed the rules surrounding the compulsory purchase of annuities. This money will need to be invested elsewhere. Whilst not all the capital will flow to be managed by asset managers, we expect that this will be of longer term benefit to the sector.

Meanwhile in the UK and Europe, there are discussions as to whether UK and/or EU based asset managers will need to pay for research costs on their own account and that these costs should not be 'bundled' as part of the dealing commissions. It is not clear what the outcome of these proposals will be. Given low turnover of equity portfolios and limits in how much we will spend on research, we do not anticipate that this would have a material impact on Aberdeen's profits.

Where the UK leads others may follow. RDR-type legislation in Europe may be only a couple of years away. In Australia, new rules are allowing retirees to take direct ownership of their superannuation funds.

Conclusion

Aberdeen is a more diversified and bigger business than we were only a few years ago. That is important because investors appear more willing than ever to invest outside their domestic markets. With our global distribution, product range and deep distributor relationships, we believe we stand to take market share from those less nimble or too niche.

There is a school of thought that traditional investment in equities and fixed income may have had its day. That is too sweeping, but perhaps the era of 'winner-takes-all' blockbuster products is fading. Having the right product remains crucial, but so too do brand, distribution and global reach. Service will matter almost as much as performance.

The needs of investors are changing. They have a growing appetite for particular outcomes and solutions orientated to their needs. We have high hopes for multi-asset 'solutions' products. With complementary expertise in areas such as alternatives and quantitative investments, we have the ability to cross-sell products to collaborate to develop new products to a degree that we lacked before.

In this unpredictable environment, our reach, continuity and depth of expertise (among fund managers and distribution staff alike) provide considerable comfort.

Feedback consistently shows that clients – retail and institutional alike – who 'get us' do so because they like our commitment to the long term and steadfastness in not chasing fads. Aberdeen believes that unless you need your money back soon, you should think long term and avoid getting caught up in the daily noise of markets. In our opinion, shorter-term trading and over-exuberant attempts at market timing are fraught with danger, meaning one should weather bouts of volatility in order to reap longer-term rewards.

In seeking not just to keep apace but ahead of global developments in a period of rapid change, this may be a powerful source of advantage.

"Aberdeen is a more diversified and bigger business than we were only a few years ago. This is important because investors appear more willing than ever to invest outside there domestic markets."

Long term plans

Taking into account the longer trends that we see in investments and the needs of our clients, our priority is to continue to diversify our client base by product and geography to meet these needs.

To achieve this, our longer term plans are to:

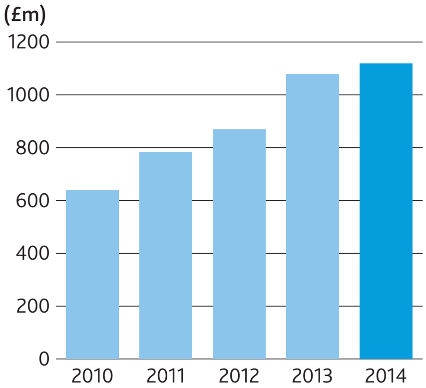
- Promote our Aberdeen solutions capabilities across a wider investor base - globally.
- Continue to build product specialist resource for these investment solutions and alternatives desks - so that our offering is better tailored to specific needs of clients.
- Grow property capabilities in Asia and US.
- Utilise existing experience to broaden base of distribution partners who outsource investment expertise to Aberdeen.
- Continue product development to support growing pool of retirement savings.
- Continue penetration across channels in US with global investment capabilities.
- Strengthen use of technology that enhances the information we provide to clients.

Key performance indicators

KPIs are discussed on the basis of presentation of financial results adopted for management purposes which we define as the underlying results.

KPI	Rationale	Comment

Net revenue



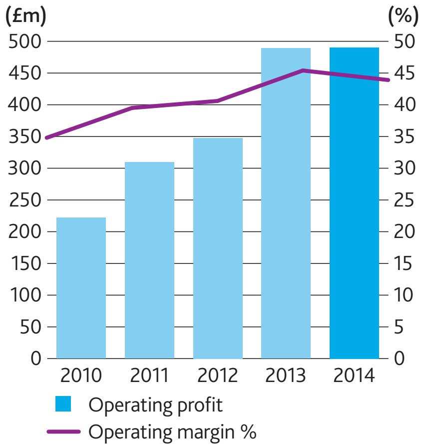
Rationale

- Shows the growth of the business through an increasing asset base and/or product margins.
- Most of our revenues are generated by management fees rather than performance or non-recurring fees.

Comment

- Net revenue increased by 4% from £1,078.5 million in 2013 to £1,117.6 million.
- Net management fees increased from £1,014.1 million to £1,085.7 million (+7%).
- SWIP acquisition added £119.8 million of management fees in the second half of 2014.
- Performance fees decreased from £50.8 million to £21.7 million in the current year. Representing 2% of net revenue.

Operating profit and operating margin



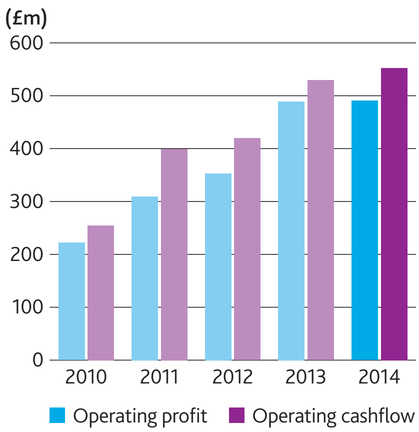
Rationale

- Key profitability metric as we expect revenues to grow by more than costs through effective cost management.
- Operating margin is underlying operating profit as a percentage of net revenue.

Comment

- Operating margin decreased to 43.9% in 2014 from 45.4%.
- Margin remained strong – notwithstanding revenue impacted by equities outflows.
- Three factors impacted the movement:
  - Lower revenue from performance fees reduced margin by 1.6%.
  - Reduced management fee income as a result of net outflows.
  - Higher incremental margin from SWIP.

Operating cash flow and operating profit



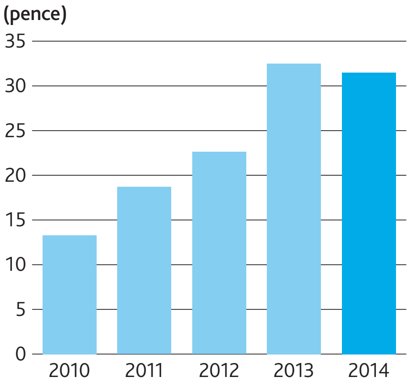
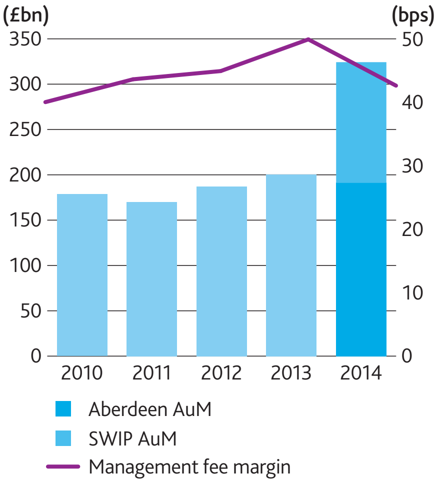
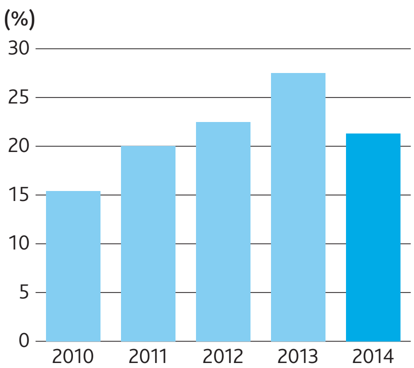
Rationale

- Conversion of profits to cash to allow for operational growth, as well as strengthening the balance sheet and capital position.

Comment

- Core operating cash flows were £543.8 million (2013: £529.1 million).
- Cash conversion of 111% (2013: 108%).
- Cash is used to strengthen the balance sheet, pay an increased dividend to ordinary shareholders and purchase shares to neutralise potential EPS dilution from deferred share awards.

On page 39 of the financial review, we discuss the distinction between underlying results and IFRS results.

KPI	Rationale	Comment
Underlying diluted EPS 	• Includes all components of the Group's performance, based on profitability and capital structure. • Investors typically value the Group's shares as a multiple of underlying EPS.	• Underlying diluted EPS decreased by 4% to 31.1p (2013: 32.5p). • Profit attributable to ordinary shareholders is slightly higher than 2013, but this is offset by increased share count.
Assets under management and average management fee margin 	• AuM forms the basis on which recurring management fee revenue is generated. • Changes in AuM reflect both net new business flows and market performance. • Revenue growth can also be driven by product mix and ability to generate focus in higher fee margin capabilities.	• AuM grew by 61.9% from £200.4 billion at September 2013 to £324.4 billion at September 2014. • Net outflows were £20.4 billion of which £16.0 billion related to Aberdeen and £4.4 billion to SWIP. • £134.9 billion added through SWIP. • Average fee margins decreased from 50.0bps in 2013 to 41.8bps in 2014, reflecting product mix of SWIP business. • The average fee margin for the second half of the year was 36.9bps. This is the starting point for the run-rate in 2015. • Excluding SWIP, fee margins increased to 50.2bps.
Post tax return on capital employed (ROCE) 	• Shows how much Aberdeen has grown from the back value of its asset base, including the impact of acquisitions. • Calculated as profit after tax (after acquisition costs, but before amortisation of intangibles) divided by average net assets.	• Reduction in 2014 reflects both acquisition-related costs of the SWIP transaction and 2013 being a strong year – whereas markets (and resulting outflows) were more challenging in 2014. • Notwithstanding return of 21.3% is only slightly lower than 2013. • The full year dividend per share is 18.0p, up from 16.0p the previous year.

Business review

Our enlarged and strengthened business enables us to meet the needs of a broader range of clients given our diverse product mix and geographic coverage.

Overview

2014 has been a more challenging year. Our AuM and flows were impacted by the sell-off in emerging markets and the consequential impact of risk aversion to this asset class. This is reflected in the reversal of the strong fund inflows seen in previous years in our equities asset class.

However, we made good progress in harnessing flows from the Group's wider capabilities where we have strong track records and a competitive edge, particularly into emerging market debt and our considerable property capability.

We successfully completed the acquisition of SWIP, which added £134.9 billion to the Group's AuM. This acquisition significantly enhances our capabilities – especially in the fixed income, investment solutions, quantitative investments and UK property investment capabilities – and strengthens the Group's position as a leading global asset manager. We aim to build on and deepen the strategic relationship with Lloyds as well as marketing our additional capabilities to our worldwide client base.

We have kept close control of costs – both in terms of cost synergies from the SWIP acquisition and actively managing the Group's wider cost base. Notwithstanding the impact of the loss of revenues from our equities products, we have maintained our operating margin at 43.9%.

Our immediate priorities for 2015 are to:

- Complete the integration of the SWIP business. We have achieved a lot in 2014 with the integration of investment teams and the migration of front office systems on track. The migration of the back office will not be finalised until the end of 2015.
- Continue to manage costs tightly in what we expect will continue to be volatile markets.
- Look for opportunities to grow revenues from a broader range of capabilities, which have been enhanced by SWIP as well as recent Artio and SVG deals which were completed in 2013.
- Increase collaboration across investment teams to identify new investment solutions for our client needs.
- Adapt distribution capabilities to ensure our strengths are matched with market demand.

AuM

Closing AuM is £324.4 billion, 62% higher than September 2013.

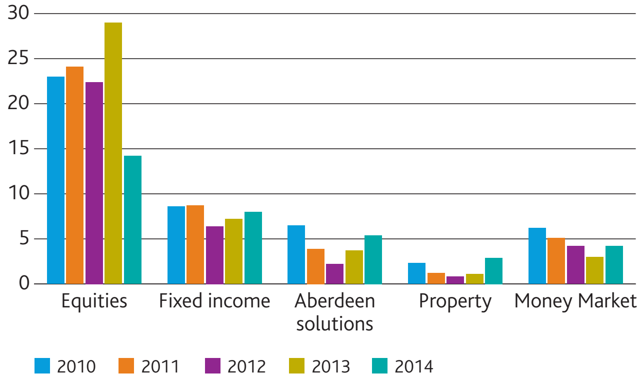
Gross new business inflows for the period were £34.7 billion (2013: £43.9 billion). Gross outflows were £55.1 billion (2013: £46.4 billion), resulting in net outflows of £20.4 billion (2013: net outflows of £2.5 billion).

Net outflows from the legacy Aberdeen business were £16.0 billion, of which £12.4 billion relates to equities. This was principally due to risk aversion for emerging and Asian markets, especially in the first half of the year. The reduced demand for these products also impacted our flows in each of the regions. The level of outflows moderated significantly in the second half of the year - albeit volatility remains in emerging markets.

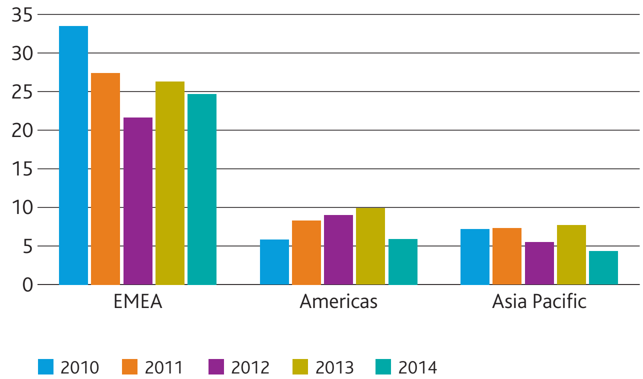
The Group continued to attract healthy levels of new business from a broadening range of investment capabilities. Net flows from property were £1.1 billion and from EMD were £1.6 billion.

Net outflows from the SWIP business were £4.4 billion. A part of the assets managed for Lloyds is a maturing back book of insurance assets which naturally leads to out-flows. These assets are low margin.

Gross inflows by asset class, £bn



Gross inflows by region, £bn



AuM movement

	Equities £bn	Fixed Income £bn	Aberdeen solutions £bn	Property £bn	Total £bn
30 September 2013	113.8	42.8	28.8	15.0	200.4
Aberdeen net flows	(12.5)	(2.3)	(2.0)	0.8	(16.0)
SWIP acquisition	2.4	29.8	98.1	4.6	134.9
SWIP net flows	(0.5)	(1.3)	(2.9)	0.3	(4.4)
Markets, performance	6.4	3.3	3.7	0.6	14.0
Exchange	(2.0)	(0.9)	(0.7)	(0.9)	(4.5)
30 September 2014	**107.6**	**71.4**	**125.0**	**20.4**	**324.4**

AuM growth from markets, net of foreign exchange movements, was £9.5 billion. Market conditions were stronger for much of the second half of the year – but at the start of the year, macro issues resulted in stiff headwinds for emerging markets. Within this, our AuM was reduced by £4.5 billion reflecting the relative strength of sterling.

Going forward the quality of net new business flows is the key driver of the growth in revenues and profits. We expect outflows from Lloyds closed book. Given the long term nature of an insurance book (notwithstanding the run-off), fee margins are low. As in previous years, we expect that new business will be won at higher average fee margins and this improvement in product mix will be a driver for future revenue growth.

SWIP acquisition

The acquisition of SWIP was completed, adding approximately £134.9 billion of assets.

This acquisition was funded through the issue of 131.8 million shares to Lloyds, representing consideration of £517.6 million plus an additional deferred top-up payment of £38.3 million payable to Lloyds in March 2015. A further earn-out payment of up to £100 million will be paid dependent on the revenue growth delivered by the strategic relationship with Lloyds over the five year period from completion.

The transaction meets a number of strategic objectives: increased scale; a major new distribution relationship with Lloyds; added asset classes and investment teams in some areas where we wanted to be stronger – fixed income, UK property, investment solutions and quantitative investments.

The acquisition also improves the balance of AuM and revenues across asset classes and will reinforce our strong cash generation. At 30 September 2013, 57% of the Group AuM was invested in equities. After the transaction, this fell to 33% - but remains over half of our business in revenue terms. It will be hard to diversify away from equities in the short term - but we have more capabilities for the longer term.

SWIP integration

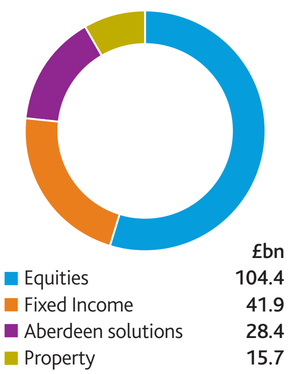
We recognised from the outset that the full integration of the SWIP business would take time, particularly in the back office administrative functions.

The integration continues to progress according to our expectations, both in terms of timing and on the achievement of cost synergies, with much of the front office migration complete and a number of SWIP teams having successfully transferred to Aberdeen's offices.

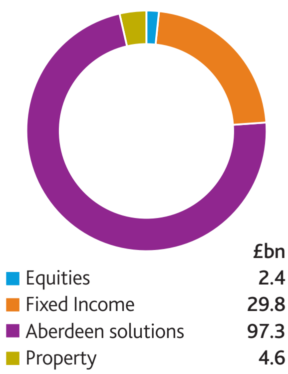
The remaining front office migration will be implemented over the next few months, while the back office integration will be completed by the end of 2015. All investment teams are now working together - and perhaps more than ever - there is a greater level of collaboration across asset classes.

An update on progress on cost synergies is given in the financial review section below.

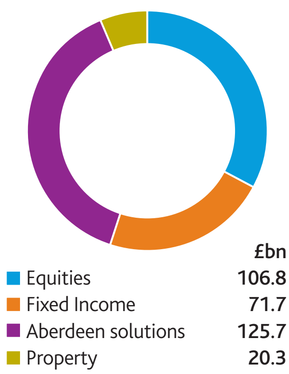
Aberdeen at 31 March 2014



SWIP at 31 March 2014



Enlarged Group at 31 March 2014



Source: Aberdeen Asset Management PLC

Investment team review

Equities

AuM

	Equities £bn
AuM at 30 September 2013	113.8
Gross inflows	14.2
Gross outflows	(27.2)
Net flows	**(13.0)**
Market and exchange movements	4.4
SWIP acquisition	2.4
AuM at 30 September 2014	**107.6**

Key events

- Adverse sentiment to emerging markets led to significant outflows, especially in the first half of the year.
- 2013 performance adversely impacted by market conditions; improved investment performance in 2014.
- Limited impact from SWIP acquisition - £2.4 billion added to the equities book and integration fully completed.

Markets

- A number of key themes in markets and performance impacted both our global and regional teams.
- Global equity markets recorded a third year of strong positive returns, with many regional indices pushing through historic highs. While appreciation was in general more moderate than in 2013, valuations across many of the developed markets continued to grind higher.
- In many instances, this divergence between rising share prices and low earnings growth would appear to be driven more by the announcements and actions of central banks than the underlying fundamental and economic reality.
- Investors turned negative on emerging markets last year, worried about the consequences of a change in the Federal Reserve's monetary policy on emerging markets countries; a slow-down in China's economy; and disappointing earnings from local companies. This resulted in substantial outflows from emerging markets in late 2013, peaking in the first quarter of calendar 2014.
- During this period emerging markets underperformed developed markets – yet, as value emerged and investors' worst fears failed to pass, the asset class rallied and over the year performed broadly in line.

Performance

- With this background we were not surprised that our funds lagged the returns of the broader market over the past year. As stock pickers, focused on companies' fundamentals, we struggled in an environment where investors worried about macro issues.
- The bulk of this underperformance occurred in the momentum driven markets at the tail end of 2013, and as market gains have moderated through 2014 our funds have recovered some relative performance.
- Our global equities funds were also impacted by being 'over-weight' in emerging market companies. This does not reflect any macro-overlay – rather is a consequence of the balance of companies that we like.

Flows

- In the case of GEM and Asia equities, outflows have been principally due to macro concerns over emerging markets. These led private banks and wealth managers to allocate away from emerging markets.
- In the case of global equities, the flows also reflected the weak relative performance recorded in 2013.
- In 2013, we implemented an initial charge, for the benefit of existing investors, on any new investment into our UK and Luxembourg GEM funds. Notwithstanding the level of outflows in 2014, we are keeping this measure in place to protect the investment process of our GEM team. The purpose is to moderate the rate of inflows to our GEM funds so that the quality of the product is not compromised.

Outlook

- Equities remains our largest asset class in terms of revenues even though it is a lower proportion of Group AuM after integration of SWIP.
- We expect that markets will be volatile as stocks adjust to normalising rates and tighter liquidity as quantitative easing ends.
- Investing in equities requires a separation of the economic outlook from the corporate earnings outlook for companies; we believe that stock selection is critical to achieving good long term returns.
- Our strategy in the face of uncertainty remains to focus on quality companies that will weather the slowdown and fallout from market catalysts. If and when such catalysts for volatility do materialise we endeavour to be prepared to take advantage of the opportunities that arise.

Fixed income

AuM

	Fixed income £bn	Money market £bn	Total fixed income £bn
AuM at 30 September 2013	36.8	6.0	42.8
Gross inflows	8.0	4.2	12.2
Gross outflows	(10.2)	(5.6)	(15.8)
Net flows	**(2.2)**	**(1.4)**	**(3.6)**
Market and exchange movements	2.5	(0.1)	2.4
SWIP acquisition	22.8	7.0	29.8
AuM at 30 September 2014	**59.9**	**11.5**	**71.4**

Key events

- SWIP acquisition added £29.8 billion of AuM and is a major increase in our fixed income capabilities.
- New teams add several strengths - including areas such as European 'core', absolute return and LDI ("liability driven investments"). There is also a significant increase in the assets managed by money market funds.
- The team has revised the articulation of its investment process - emphasising the common approach across all desks and all regions.

Overview

- The integration of our SWIP colleagues and the migration of the SWIP fixed income products to the Aberdeen platform has been completed.
- The legacy SWIP and Aberdeen investment processes were markedly similar. Accordingly there has been no significant change to investment process across the asset class; we hope that this will help to support continued strong performance for the next 12 months. This has been reassuring for clients and consultants.
- Performance on the whole has been positive across both the legacy SWIP and Aberdeen product ranges. Both ranges have exhibited strong numbers over short and long term views.
- We are confident that following a smooth integration of our SWIP colleagues we are a stronger team and will continue to build on these performance numbers.
- We continue to see demand for emerging market debt and high yield strategies. The former generated more than £1.6 billion in net sales. The latter was impacted by some pull back experienced in demand for high yield for the quarter to the end of September.
- The integration of the Artio high yield and total return bond teams into Aberdeen has proven to be very successful.
- We are working closely with our distribution colleagues to identify opportunities in the market with a view to expanding our product range.
- Net outflows were £3.6 billion. £1.4 billion related to Aberdeen's fixed income book and this is a reduction on last year (£3.6 billion outflows). £0.8 billion related to SWIP's insurance book. £1.4 billion related to the enlarged money markets business where money is held for shorter periods of time. Notwithstanding outflows, our underlying revenues continue to grow due to inflows into our higher margin products.

Outlook

- The fall in yields in many developed markets in the world has confirmed that the rotation out of fixed income products has been overstated. The majority of our key strategies have remained stable or has improved. We are confident that this will continue next year.
- We expect to see strong performance and growth from our emerging market debt and high yield suites of product. The fee margins on these products are significantly higher than on the insurance book, where we expect to see run-off.
- Loan strategies will be a focus for us in the next 12 months, as will be delivering Asian products.
- We have experienced fixed income outflows since a period of poor performance during the credit crunch in 2008. However, we believe that with the combination with the SWIP team, the clearer articulation of a common approach across of all fixed income desks and after a period of consistent and strong investment performance, there is a stable base for this asset class to make a steady and improving contribution to the Group.

Property

AuM

	Direct property £bn
AuM at 30 September 2013	15.0
Gross inflows	2.9
Gross outflows	(1.8)
Net flows	**1.1**
Market and exchange movements	(0.3)
SWIP acquisition	4.6
AuM at 30 September 2014	**20.4**

Key events

- SWIP property team successfully migrated into Aberdeen property division.
- Performance of our mainstream products remains robust.
- Over the last two years, the property team has refreshed its process, strengthened its leadership and expanded with good client wins.

Overview

- Our property team has taken significant strides in 2014 in building a common investing culture that is better aligned to our equities and fixed income businesses.
- We have had good inflows into our flagship pan-European product, the European Balanced Property Fund, which invests in a balanced real estate portfolio (office, retail and industrial) across Europe. The AuM of the fund is now £385 million.
- The SWIP Property Trust was renamed Aberdeen Property Trust. It celebrated its 10th anniversary in November and is one of the UK's largest and best regarded property vehicles. We are pleased by the level of interest from investors and steady growth achieved. AuM is now over £3 billion.
- Over £600 million of new segregated mandates were won in a number of European countries.
- In aggregate, we have added over £1 billion of committed funds. It can take time for these commitments to be invested and this will strengthen the quality of revenues in future years.
- The progressive wind-up of legacy German open-ended property funds and other closed end structures are proceeding on schedule. We have succeeded in winning new business in Germany, with particular success in residential property fundraising.

Outlook

- The business has received good feedback from external clients and consultants and has a strong pipeline of new business.
- New products will be launched selectively according to our product strategy and client demand. We expect inflows for our core products to continue.
- In the medium term, we have set plans to expand our business outside of Europe, where we have an extensive platform with local presence and expertise, mainly into US and Asia.
- We continue to see that the major North American and European markets are improving; investor sentiment has become more risk tolerant and investors are more readily prepared to broaden their geographic and sector focus.
- Whilst the recovery of capital values in some markets has been considerable, we continue to caution regarding economic and occupier fundamentals which remain fragile. This suggests that for the majority of our clients, adopting higher risk property strategies is likely to be a step too far.

Aberdeen solutions

AuM

	Aberdeen solutions £bn
AuM at 30 September 2013	28.8
Gross inflows	5.4
Gross outflows	(10.3)
Net flows	**(4.9)**
Market and exchange movements	3.0
SWIP acquisition	98.1
AuM at 30 September 2014	**125.0**

Key events

- SWIP acquisition significantly increased our scale and adds a track record in solutions when combined with the Aberdeen business.
- Following the SWIP acquisition, we restructured Aberdeen solutions to create three separate teams operating across: alternatives, quantitative investments and investment solutions.

Overview

- The alternatives desk is structured around four investment desks, three following a multi-manager approach focused on each of: hedge funds/liquid alternative strategies; private equity; and property. The fourth team invests directly into infrastructure projects.
- Integration of these teams has been very smooth and we are well advanced in achieving our goal of aligning investment processes, culture and philosophy across our alternatives capabilities.
- We have seen strong and growing demand for a range of alternative solutions to meet a wide variety of client needs including new mandates and pipeline opportunities in each of the four investment lines. In addition, we continue to see progress in interest and flows for our pan-alternative offerings, utilising the best available managers across a range of alternative strategies.
- There have been successful fund launches in infrastructure (team acquired through SWIP) and property multi-manger.
- The investment solutions desk is an independent open-architecture business with responsibility for a wide range of investment strategies spanning multiple asset classes and risk profiles. It will invest in 'best of breed' funds, regardless of the manager.
- By combining the two Aberdeen and SWIP teams we created one of the most highly resourced and experienced capabilities in the industry with over 60 investment professionals delivering and developing innovative solutions for our clients.
- The team offers a range of capabilities that can be used to design products to meet clients' needs. We can use this to work with distributors such as private banks and wealth managers who can outsource investment to Aberdeen. The Lloyds track record is an important credential that demonstrates our ability to partner with distributors.
- The quantitative investments desk manages passive equity index tracking portfolios, as well as enhanced passive, fixed income tracking and 'smart beta' portfolios.
- We remain confident in the outlook for quantitative investing and see significant growth potential for the strategies we manage. As our book expands, we continue to focus on efficient cost management, turnover and enhancement trades required to mitigate the costs of index replication. There is an important link with our multi asset investors in being able to offer low cost passive exposure.
- The quantitative team successfully launched a £2 billion corporate bond tracker working together with the fixed income team.
- These capabilities are supported by a product specialist team aligned to the three Aberdeen solutions businesses, which is providing impetus to fundraising efforts.

Outlook

- The global opportunity for Aberdeen across these business lines is substantial. The alternatives market today is estimated at US$4.6 trillion and expected to grow to US$6.0 trillion by 2016. The investment solutions market is estimated at US$5.9 trillion and expected to grow to US$8.2 trillion.
- This new divisional structure better enables us to exploit these opportunities by delivering our capabilities to clients in the way that works best for them, whether as pooled funds, single investor vehicles, bespoke solutions or advisory arrangements.
- The skill and scale of alternatives business demonstrates our credibility and we believe that we can capture a share of the growth in this product in the medium term.
- In solutions, we hope that our track record of a number of long term strategic distributor relationships - including Lloyds - will provide a good foundation for medium term growth.

Regional review

Regional growth strategies

- An increasing proportion of AuM managed by global firms is sourced from outside domestic markets; Aberdeen continues to be successful at distributing our strongest capabilities across our global office network.
- We recognise the importance of performing detailed analysis across geographies, channels, asset classes and products to identify growth opportunities where Aberdeen can capture a disproportionate share, and invest appropriately behind them.
- We have identified and prioritised a number of capabilities to be actively promoted in our various geographies.
- This is supported by better and more efficient coordination between marketing, product development, client management and business development to optimise our client servicing and sales efforts.

Americas

	Americas £bn
AuM at 30 September 2013	46.7
Gross inflows	5.9
Gross outflows	(8.7)
Net flows	**(2.8)**
Market and exchange movements	1.7
SWIP acquisition	–
AuM at 30 September 2014	**45.6**

Net flows

Key events

- The Americas region is an important business area for Aberdeen in both onshore and international wealth markets, contributing approximately 25% to the Group's gross revenues. We continue to devote considerable resource to positioning our domestic and internationally managed investments.
- There is ongoing investment in our brand. With focus on improving name awareness, we were very excited that in the US over 7 million viewers watched the Aberdeen Scottish Open, while our website visitors doubled during the tournament. However, whilst there has been strong growth in brand awareness, we will need to continue to build name recognition and industry awareness to support growth plans.
- There is a rotational shift in the US from domestic to international equities - and we believe over the long term that this will be beneficial to Aberdeen. We expect that global product will continue to be the driver of growth in the US.
- Our performance track record for our fixed income capabilities managed in the US is now much stronger, recovering from the credit crunch.
- We believe that we now have a strong fixed income offering for core plus, high yield, total return and emerging market debt and this is reflected in feedback from clients and consultants.
- We launched two domestic funds in Brazil in April for equities and multi-asset investments. Whilst AuM is small, this is a longer term strategy for the sixth largest asset management market in the world.
- Canada continues to be a growth area for the Group with AuM from Canadian clients of around £8.5 billion across a broad range of products.
- Over the past few years, we have been successful in building a strong institutional asset management business in Colombia, Chile and Peru. We are the largest active equity provider to the Chilean and Peruvian pension markets, and are second largest in Colombia.
- The SWIP purchase and integration had only a modest impact on our US business on the personnel side but increased the fixed income assets managed in the US (for UK clients) by £2.6 billion.

Europe, Middle East and Africa

	UK £bn	Europe ex. UK £bn	Middle East and Africa £bn	Total EMEA £bn
AuM at 30 September 2013	**59.1**	**53.5**	**14.6**	**127.2**
Gross inflows	11.8	12.2	0.5	24.5
Gross outflows	(19.5)	(16.1)	(4.2)	(39.8)
Net flows	**(7.7)**	**(3.9)**	**(3.7)**	**(15.3)**
Market and exchange movements	9.1	(3.0)	1.3	7.4
SWIP acquisition	125.6	9.0	–	134.6
AuM at 30 September 2014	**186.1**	**55.6**	**12.2**	**253.9**

Key events

- The SWIP acquisition and the Lloyds relationship is a major boost for our UK offices and our retail presence in the UK.
- We also opened our Madrid office in October 2013 – we now have 14 offices in 13 countries in Continental Europe and the Nordics.
- We continue to build a profile in the region. We held our inaugural European fund selector event in Davos at the end of January – this targeted 100 fund selectors.
- Our value of AuM managed for our clients in the region fell – mainly due to the sell-off of emerging market and Asian equities.
- Most of this was a consequence of asset allocation decisions of private banks and wealth managers. The institutional money proved more resilient; however, there was a withdrawal by a single client of approximately £4 billion of low margin AuM from our Asia Pacific and global equities strategies.

14

We have 14 offices across 13 countries in Continental Europe and the Nordics to support our client base locally.

- The flagship Luxembourg fund range was impacted by the outflows from equities and has reduced in value from £31 billion to £27 billion.
- Notwithstanding significant outflows in the equities business, there has been good progress across a wide range of investments.
- We had considerable success in winning new business in the region with our emerging market debt, global high yield and Japanese equities products.
- On the fund side, we launched our European Secondaries property multi-manager fund, raising just under £100 million, with overall commitments of £234 million; Aberdeen SVG raised around £160 million across two new funds - the first a private equity fund of fund and the second a feeder into a number of private equity funds managed by the Carlyle Group; the former Artio team took over management of the Aberdeen Global global high yield fund.
- We believe that the absolute return bond fund will be a key product across the region and we intend to add a fund to our Luxembourg range.
- There has been increased collaboration across different parts of Aberdeen as new investment specialists team for Aberdeen solutions bed into distribution to increase the profiles of our capabilities both internally and externally. Much of our initial focus with clients on the investment solutions and alternatives capabilities will be with clients in this region.
- On a regulatory front, we received a number of approvals to act as Alternative Investment Fund Managers for our investment trust, property, private equity and infrastructure products.
- Looking forward, UCITSV and MiFID II are on the horizon and, in many areas, regulation has an impact on how our business strategically operates across the EU.

Asia Pacific

	Asia Pacific £bn
AuM at 30 September 2013	**26.5**
Gross inflows	4.3
Gross outflows	(6.6)
Net flows	**(2.3)**
Market and exchange movements	0.4
SWIP acquisition	0.3
AuM at 30 September 2014	**24.9**

Key events

- The region remains an important base for our investment team. Our equities teams manage over £50 billion. Our Asian and Australian fixed income teams manage over £8 billion.
- Other strategies that started to gather interest included Japan equities. Long out of favour with dedicated investors, we have seen a rise in institutional allocations there on the back of a government stimulus programme that has led to a fall in the yen and, last year, a sharp rise in local shares. Our performance in Japan has been very good over the longer term.
- Whilst this has always been a key investment hub it is also an important region for our clients.
- We have had a number of encouraging new business wins for products managed outside of domestic markets – which is in line with our strategy. By way of illustration, these include our first property win in Australia; a mandate for Australian small cap equities for a Japanese client; money raised for global credit fund via our MUTB partnership in Japan; and our Korean office raised money for the European secondaries fund, a fund of funds investing in the property secondaries market.
- The spread of these wins across the region suggests the sales infrastructure we have built is gradually paying off.
- Through the period we strengthened our presence in South Korea and are looking at distributing funds there. In Malaysia we have begun pre-marketing wholesale funds alongside our two small, but growing, Sharia retail products. Institutional interest in Sharia mandates has been very steady, meanwhile.
- In November 2014, we purchased 80% of NISP Asset Management, in Indonesia. This gives us a base in one of Asia's largest economies. We acquired a small unit trust range that we expect to consolidate before expanding distribution in what is an early stage, but potentially high growth market. From an investment perspective we know the country well, having first invested there in 1987.

Outlook

- Overall, we see market sentiment in the region remaining volatile. While economies are in reasonable shape, household balance sheets have been deteriorating and money has become tighter. Foreign direct investment remains very strong, however. Where that leads, portfolio money tends to follow.
- The ASEAN collective investment scheme, the cross-border fund passporting framework that includes Singapore, Malaysia and Thailand become operational towards the end of the year. This allows fund managers to distribute funds across borders in these countries. We are keeping a close eye on the opportunities that this may create.

Financial review

Income statement

	2014	2013	Change
Net revenue	**£1,117.6m**	£1,078.5m	+4%
Underlying results: before amortisation and acquisition-related costs:			
Underlying operating profit	**£490.4m**	£489.2m	–
Underlying profit before tax	**£490.3m**	£482.7m	+2%
Underlying diluted EPS	**31.1p**	32.5p	-4%

Statutory results:			
Statutory profit before tax	**£354.6m**	£390.3m	-9%
Statutory diluted EPS	**22.8p**	26.2p	-13%

Post-tax return on average capital employed	**21.3%**	27.5%	
Dividend per share	**18.0p**	16.0p	+12.5%

Balance sheet and cash flow

Core operating cash flow	**£543.8m**	£529.1m	+3%
Net cash at year end	**£653.9m**	£426.6m	+53%

The Board considers that the Group's results are most meaningfully considered on a basis which excludes the effects of acquisition-related costs and amortisation of intangible assets; this shows the recurring revenues and costs which drive the Group's cash flow. We refer to this as the underlying results and the Group income statement on page 93 has been presented in a manner which enables this distinction. The Board's monitoring of the Group's performance and its key performance indicators, as set out on pages 28 and 29, is founded on the underlying results. As in previous years, this financial review focuses on the underlying figures.

The Group income statement discloses gross revenue less commissions payable to arrive at net revenue. Commissions are paid to intermediaries such as banks, platforms and advisors who distribute our products. Management reviews financial information net of such commissions as it gives a fairer basis on which to compare revenues, regardless of the channel through which products are sold.

Operating margin is calculated as operating profit (before acquisition-related costs and amortisation of intangibles) as a percentage of net revenue. We calculate post tax return on average capital employed by dividing profit after tax (post acquisition costs, pre-amortisation of intangibles) by the average of opening and closing net assets.

Operating margin is 43.9%, notwithstanding equities outflows and lower performance fees. Margin strengthened by SWIP acquisition and good cost management.

Results

Net revenue for the year increased by 4% to £1,117.6 million, while operating expenses grew by 6% to £627.2 million. Underlying profit before tax of £490.3 million is 2% higher than in 2013. With strong cash flow generation, we have strengthened the balance sheet and closing net cash is £653.9 million, 53% higher than last year.

SWIP contributed to results in the second half of the year and the impact is shown in the table below.

Operating margin for the year was 43.9% (2013: 45.4%) and the main factors were:

- lower revenue from performance fees which reduced the margin by approximately 1.6%.
- reduced management fee income as a result of net outflows of equity AuM in the first half of the year, albeit partially mitigated by lower operating costs.
- the higher incremental margin delivered by the SWIP business.

Impact of SWIP on results

	2014			2013
	Aberdeen	SWIP	Total	Total
Net revenue	997.8	119.8	1,117.6	1,078.5
Operating costs	(567.2)	(60.0)	(627.2)	(589.3)
Underlying operating profit	430.6	59.8	490.4	489.2
Operating margin	43.2%	49.9%	43.9%	45.4%

Net revenue

	2014 £m	2013 £m
Management fees	1,085.7	1,014.1
Performance fees	21.7	50.8
Transaction fees	10.2	13.6
	1,117.6	1,078.5

Recurring management fees were 97% of net revenues (2013: 95%) and continue to provide a high quality base on which to build.

Performance fees represented 2% of net revenue (2013: 5%), and are likely to continue at this lower proportion since the SWIP business has very little exposure to performance fees.

Revenue margins

The average management fee margin for the year was 41.8bps (2013: 50.0bps). However, the 2014 average is distorted by the completion of SWIP half way through our financial year. Average fee margins for the SWIP business that we acquired were 17.7bps.

The average margin for the second half of 2014 was 36.9bps which is the starting point for our blended fee margins for 2015 as it incorporates the full effect of SWIP in the product mix and gives a more meaningful position of average fee margins for the enlarged business.

The fee margin for the legacy Aberdeen business for 2014 grew to 50.2bps as new business continues to be won at higher margins than the back book.

	H2 2014 bps	2014 bps	2013 bps
Equities	65.8	65.3	64.6
Fixed income	23.3	24.5	26.1
Aberdeen solutions	17.6	19.1	21.9
Property	51.6	52.1	54.8
Average	36.9	41.8	50.0

Strong cost discipline: both in achieving cost synergies through the integration of SWIP and in managing Aberdeen cost base, given challenging market conditions.

Operating expenses

	2014 £m	2013 £m
Staff costs	**388.9**	358.1
Non staff costs	**238.3**	231.2
	627.2	589.3

Operating expenses have grown by £37.9 million (6%). Staff costs increased by 9%, with non-staff costs growing by 3%. The SWIP acquisition added £60.0 million to operating costs for the second half year, while we achieved a 4% reduction in the continuing Aberdeen business. The 2013 figure included only four months of costs from the Artio and SVG transactions; had these been included for the whole of 2013, costs would have been £17 million higher, and the effective reduction in 2014 would have been 6%.

There has been tight control of costs, both in respect of delivering the expected cost synergies from the SWIP transaction and careful management of the wider cost base. The main area of focus was staff costs, with headcount reductions in areas where there were duplicate roles, with some further savings in non-staff costs.

The compensation ratio, being total staff costs divided by net revenue, of 34.8% (2013: 33.2%) remains competitive within our peer group.

	2014 £m	2013 £m
Staff costs	**388.9**	358.5
Third party administration	**56.2**	51.5
Accommodation	**22.5**	25.2
IT	**36.1**	29.5
Marketing	**35.7**	40.7
Depreciation	**8.2**	6.6
Other	**79.6**	77.3
Non staff costs	**238.3**	230.8
Total costs	**627.2**	589.3

We also reduced discretionary marketing spend. This was an area that we had highlighted that we would cut if markets were unfavourable.

Third party administration costs cover the outsourcing of back office and certain middle office functions. These costs have remained as a constant percentage of revenue.

Net finance costs

Finance costs comprise the unwind of the discount on the SWIP deferred consideration and fees on undrawn bank facilities, less income on cash deposits.

Tax

The effective tax rate on the Group's underlying profit, defined as the tax charge divided by the underlying profit before taxation, was 16.0% for 2014 (2013: 16.4%).

The Group's overall tax rate is a blend of the rates which apply in each of the jurisdictions in which we operate, and reflects the fact that a large element of the Group's profit is earned in Asia, principally Singapore, where we have a large and long-established presence and where local tax rates are generally lower than in western countries. The effective tax rate has also benefited from a further reduction in the UK corporation tax rate to 22% for the year under review (2013: 23.5%), and the fact that we were able to utilise tax losses from earlier years to offset the tax due on our US business.

UK tax payable on the Group's underlying profit for the year is £29.4 million (2013: £37.9 million), together with overseas taxes of £28.3 million (2013: £39.2 million). These taxes are paid in instalments, some of which have been paid during the current year with the balance falling due during the coming year. Refinement of tax provisions made in previous years has resulted in a net tax credit of £1.0 million in the 2014 charge, which has reduced the effective rate by 0.2%.

Our policy is to ensure that profits are earned in the countries in which economic activities are undertaken and that those profits are properly subject to tax in accordance with the tax legislation which applies in each jurisdiction. We aim to comply fully with the requirements and expectations of each of the relevant tax authorities and to ensure that we deal with these authorities in an open and transparent manner.

EPS declined by 4% given the increased share count for issuance of shares to Lloyds. Nonetheless, the SWIP deal was earnings accretive and increased cash generated supports a 12.5% increase in the dividend.

Earnings per share

The Board believes that the most appropriate measure of the Group's profitability is the underlying diluted EPS number, which excludes from its calculation the amortisation charges on intangible assets as well as acquisition-related costs (including the unwind of the discount on deferred contingent consideration).

Underlying diluted EPS has decreased to 31.1p, with the underlying profit attributable to ordinary shareholders slightly higher than 2013, but an increased number of shares in issue as a result of the share consideration for the SWIP transaction.

Dividends

The Group has used the cash generated from operations to pay a progressive dividend.

An interim dividend of 6.75p per share was paid to ordinary shareholders in June 2014 and the Board is recommending payment of a final dividend of 11.25p per share, resulting in a total payment for 2014 of 18.0p, a 12.5% increase on 2013. This dividend is covered approximately 1.7 times by diluted underlying EPS and is covered 1.3 times by diluted EPS, reported on a statutory basis.

Acquisition-related items

Of the £37.7 million in respect of the SWIP transaction, £12.2 million relates to transaction and related fees (eg advisors' fees, stamp duty payable on the purchase consideration and the cost of a partial market hedge for a period around the announcement date). £25.5 million of costs related to the integration and migration programme, including redundancies, were incurred in the period.

The integration of the SWIP business is well advanced but is not expected to be fully complete until the end of 2015. We expect that total integration and migration costs will be around our original estimate of £50 million. Acquisition-related costs were reduced by £4.6 million in 2014 following reversal of a provision which was included in the opening balance sheet of Artio on completion of this transaction in May 2013.

Cash flow

The year to 30 September 2014 has seen strong cash flow, with operating profit of £490.4 million converted into £543.8 million of core operating cash flow, a conversion rate of 111% (2013: 108%). This ratio will typically exceed 100% due to the non-cash charge in the income statement for the deferred share element of the annual bonuses.

The core operating cash flow excludes the effect of short-term timing differences on the settlement of open end fund transactions (which are generally settled within four working days) and £26.7 million of acquisition payments for advisor fees, stamp duty, severance costs and the migration programme. The SWIP entities held £72.0 million of cash at the date of acquisition.

We spent £64.3 million buying shares in the market to satisfy outstanding deferred share awards. The Board's strategy is to purchase existing shares to satisfy vesting of deferred share awards to avoid dilution from potential issuance. The EBT holds sufficient shares to satisfy the exercise of all outstanding awards. In the future, it will aim to purchase sufficient shares to cover the current period's awards.

The cash flow also benefited from £72.0 million of cash in the opening balance sheet from SWIP, as well as net proceeds from the realisation of seed capital investments. The level of seed capital, and the related cash flows, will fluctuate according to the product launch cycle.

The Group's cash flow performance over the last two years is set out in the following table.

Cash flow performance

	2014 £m	2013 £m
Core cash flow from operating activities	**543.8**	529.1
Short-term timing differences on open end fund settlements	**(3.9)**	1.5
Operating cash flow before interest and tax	**539.9**	530.6
Interest and tax paid	**(58.0)**	(46.0)
Cash flow from operating activities after interest and tax	**481.9**	484.6
Ongoing capital expenditure	**(9.8)**	(7.0)
Dividends and coupons paid	**(221.9)**	(177.3)
Recurring free cash flow	**250.2**	300.3
Acquisitions and disposals	**67.9**	(92.1)
Acquisition-related costs	**(26.7)**	(11.7)
Net purchase of investments	**11.5**	(31.0)
Refinancing of perpetual capital notes	**–**	57.7
Issue of ordinary shares	**0.2**	0.5
Purchase of own shares (EBT)	**(64.3)**	(138.9)
Exchange fluctuations	**(11.5)**	(6.1)
Movement in cash and cash equivalents	**227.3**	78.7

The balance sheet is stronger and closing cash is £653.9 million. We will aim to continue to grow the dividend.

Total equity increased by £571.9 million to £2,075.9 million in the year to 30 September 2014. The main components of this increase were as follows:

Changes in equity

	£m
Profit for the year	307.1
Issue of new shares	450.3
Deferred share issue on acquisition	67.6
Purchase of own shares by EBT	(64.3)
Share-based payment charge	62.0
Coupon paid on perpetual capital securities	(16.2)
Ordinary dividends paid	(202.3)
Other movements in equity	(32.3)
Increase in total equity	**571.9**

Total equity has grown due to the issuance of shares to Lloyds as consideration for SWIP. Including the deferred element to be issued in 2015, this increased equity by £517.9 million.

Balance sheet

	Sep 2014 £m	Sep 2013 £m
Net cash	653.9	426.6
Other net tangible (liabilities) assets	(22.4)	91.2
Intangible assets (net of deferred tax)	1,445.4	986.2
Total net assets	2,075.9	1,504.0
Shareholders' funds	1,714.2	1,135.1
Non-controlling interest	40.1	47.3
Perpetual capital securities	321.6	321.6
Total equity	2,075.9	1,504.0

The Group's cash balance has grown to £653.9 million, reflecting the strong cash generation from operations. SWIP also added £67.9 million from its balance sheet at acquisition.

Two elements of the consideration (the deferred top-up of £38.3 million and the estimated earn-out of £53.9 million) were treated as liabilities and reduced the value of other tangible net assets.

Capital and liquidity

The Group aims to maintain a strong balance sheet. Net cash has increased from £426.6 million to £653.9 million.

The Group held a waiver from the consolidated supervision rules of the Capital Requirements Directive (CRD IV). This expired in August 2014 and the Group did not seek renewal as the increased balance sheet strength rendered it unnecessary.

The issue of share capital to Lloyds for the purchase of SWIP was capital neutral. The recognition of liabilities for the top-up payment (£38.3 million) and the earn out (£53.9 million) reduced the level of headroom over regulatory requirements on completion of the transaction.

The cash balance will be used, in part, to pay these liabilities, as well as the final dividend of 11.25p, which equates to around £146 million.

The previous level of headroom was reinstated by the year end from the profit earned in the second half year.

The Board's intention is to create and maintain capital for the Group's strategic and operational objectives and to maintain comfortable headroom above regulatory requirements.

Pension deficit

The net deficit on the Group's legacy defined benefit pension schemes has decreased to £3.6 million at 30 September 2014, compared to a net deficit of £4.4 million at the previous year end. Assets held by the schemes have increased by £25.9 million from a combination of improvements in markets and increased employer contributions.

In estimating the liabilities, we are required by IAS 19 to use a discount rate calculated by reference to the yield on high quality corporate bonds. The discount rate used this year is 4.0% compared to 4.5% in 2013.

While the lower discount rate led to an increase in the schemes' liabilities, the increase in the schemes' assets, from investment performance and the Group's ongoing contributions, has enabled a reduction in the net deficit.

Risk management

Risk management is fundamental to our core objective of delivering sustainable and long term value to our shareholders.

The Board believes that it is of vital importance that there is a Group-wide focus on risk management.

Risk management framework

The Group maintains a comprehensive risk management framework and has clearly defined procedures for identifying and escalating risk concerns throughout the organisation. These processes help us to safeguard client assets, protect the interests of all stakeholders and meet our responsibilities as a UK listed company and parent of a number of regulated entities.

Role of the Board

The Board risk committee are responsible for setting the Group's tolerance to risk. They set the Group's risk appetite which reflects the size and types of risks the Group is prepared to accept, in line with its strategy and to deliver its objectives. The Board are provided with clear management information as well as the key indicators which allow them to monitor performance against set thresholds.

Risk register

The risk register describes key risks and their owners along with the causes and effects of each risk. It documents which boards and committees oversee these risks as well as aligning to the policy and procedure framework.

Three lines of defence

Aberdeen operates a three lines of defence model:

1. Business lines are responsible for the identification and mitigation of risks and the implementation of an adequate control environment.
2. The control oversight functions within the Risk Division oversee compliance with regulatory and legal requirements as well as monitoring operational, investment and counterparty risk.
3. Independent assurance provided by Internal Audit.

Risk and control attestation

The Group has in place a risk management system which enables linkage between risks, controls, events and issues. Events are captured by the business and through a workflow are reviewed and assessed by the second line of defence. Issues can also be raised when there are failings identified or through regular continuous monitoring or deep dive reviews by the second and third line of defence teams.

Aberdeen undertakes a regular risk and control self-assessment process, under which risk owners across the Group describe their processes, the risks that manifest themselves from these processes, and the different types of impact that these risks would present if crystallising. Alongside this assessment are the controls designed to mitigate these risks and how these controls operate.

Internal Capital Adequacy Assessment ("ICAAP")

ICAAP is a regulatory requirement under which we are required to identify and quantify the Group's risks and the level of regulatory capital required to cover those risks. It is an on-going process which requires formal annual sign off by the Board. It is also reviewed for major business decisions, such as acquisitions. We utilise all components of the framework to inform the decision on key risks that are relevant to the Group.

Key risks

The tables on the following pages summarise the main risks that the Group faces. Over the last year the main change to the risk profile was as a result of the acquisition of SWIP. This is a key strategic acquisition for the Group and the project to integrate the businesses was subject to significant review to ensure the project is successfully implemented for clients, staff and stakeholders.

With the merging of the two businesses, the asset profile and client distribution balance has changed and the Group has benefited from less concentration to the equities asset class. Equally, the transaction adds new capabilities including quantitative investments and infrastructure and is a major step forward in the Group's strategy to diversity. The execution of strategy impacts the risk profile.

In the market review on pages 24 to 27, we have identified the impact of changing needs of investors and increased demand for solutions and alternatives products. Whilst we see this as an opportunity for Aberdeen given our investment skills, it also creates the risk that our product range fails to meet changing investor demands or that we fail to harness our investment and distribution capabilities to drive shareholder value. This was one of the themes discussed at the Board's 'blue sky thinking' session.

Risks	Mitigating factors	Changes in 2014
Investment process		
Risk of adverse movements in AuM due to markets and investment decisions. The Group's revenue is mainly earned from management fees, calculated on the basis of the value of AuM. This will be affected by general market movements, as well as investor appetite and actual investment performance achieved by the fund managers. Equities remains our largest asset class. Future revenues may be sensitive to stock market fluctuations and changes in investor risk appetite to equities.	We make investment decisions based on the long term, which may occasionally lead to periods of underperformance. We mitigate this by ensuring clients and investment consultants fully understand our investment philosophy and by openly discussing performance drivers, supported by relevant analysis of the performance components. We believe that our conservative style has helped to attract assets through a period of ongoing economic uncertainty. Our equities business grew significantly in recent years. Where necessary, we may moderate inflows to some products to avoid any risk of dilution in the quality of the portfolios. There is a market risk team, independent of the fund managers, which monitors the investment profile across all asset classes. We also forecast financial results using different scenarios to stress test the impact of major market falls on our capital base.	There has been volatility in both equities and bond markets. Macroeconomic and political events may continue to impact markets significantly over coming months; they also impact our investment performance. There have been no significant changes to process for existing capabilities due to SWIP - we have added infrastructure and quantitative investments teams, which are new capabilities for us.
Investment mandate		
Risk of breach of an investment mandate terms leading to action for compensation. This could arise from mis-management of an investment mandate.	We have robust controls throughout the client lifecycle to mitigate breaches and monitor client and fund limits on our systems. There are also overarching controls in various committees, as well as an independent review of portfolio data by the market risk team.	We added a major new mandate for Lloyds. There is strong governance between Aberdeen and Lloyds to monitor adherence to the mandate.
SWIP integration		
Given the scale and range of products managed by SWIP, the migration of data and integration of investment and other teams is a major project. There are risks over managing the project plan, achieving milestones on plan, migration of fund customer and holdings data across platforms, continuity of IT support and maintaining the consistency and quality of the investment process. There is also a transitional service agreement ("TSA") with Lloyds until March 2015.	There is robust governance over the integration project. The board receives reports at each meeting from the Chief Operating Officer, who chairs the integration steering group. There is oversight from Lloyds when data is being transferred from their systems. Each function has a detailed plan, against which progress and budget is measured.	A major element of integration has been completed on schedule, with the remainder due in 2015.

Risks	Mitigating factors	Changes in 2014
Loss of key investment personnel		
Our reputation and client retention could be damaged through significant changes in investment personnel.	We have a team based approach, which seeks to avoid reliance upon any one individual. There is a strong development programme for fund managers and we seek to encourage performance and loyalty through appropriate remuneration and our benefits package, which includes a significant deferred element. Recognising the importance of a small number of teams to the Group's future performance, we aim to mitigate this risk both through the team approach, remuneration and development programmes – as well as actions to grow the business outside of these core equities products.	AuM for GEM, Asia Pacific and Global equities reduced from 53% to 30% of the Group total, following SWIP addition. We communicated to clients where there were changes in teams due to SWIP integration.
Distribution and product		
Client management Client relationships are fundamental to our business and retention of AuM. We source business through two channels of distribution: directly from institutions, or through investment intermediaries. This incorporates the risk that we mislead or misrepresent products to clients – this could create regulatory censure as well as loss of clients – or poorly manage client or distributor relationships.	We ensure that our client relations teams keep in regular contact with clients to ensure that we address their changing needs. The Board views meeting customers' needs and expectations as integral to the corporate culture. Aberdeen has a global network of offices that allows us to service local clients and the leading private banks and wealth managers. We have also brought product specialists into distribution for key capabilities, such as property, money market solutions, alternatives and quantitative strategies. The FCA has identified conduct risk as a top priority. This is about ensuring that the right products are sold to the right clients.	During the year, our distribution teams have worked closely with our clients to ensure that they understand the impact of economic factors on performance. They also ensured that clients were kept appraised on the impact of the SWIP integration.
Product Risk of poor product design or that delivery of the final product was not what was intended. It can arise from creating new products, or risk that existing products no longer meet investor requirements.	We have a centralised product development team which oversees the assessment and launch of all new products across the Group. There is a Group-wide approach covering all asset classes as well as product and competitor reviews. We continue to strengthen governance and oversight in this area and have created new roles to head up governance of product management and conduct strategy. We also consider it important that all areas of the business work together in this area.	No change.
Client service and administration		
Business continuity We have an obligation to ensure that the business can operate at all times.	There is offsite back up for our systems in place to cover each of the Group's principal operating sites. We regularly test our back up plans and the tests also cover potential availability of key staff.	No change.
External service providers The Group relies on a number of third party relationships and services to carry out business functions. The risk arises from the inability to effectively carry out robust evaluations of third parties prior to Aberdeen engaging in dealings, as well as having poor ongoing oversight.	We use a small number of strategic suppliers. This ensures a degree of competition, whilst ensuring that we have significant influence and leverage. However, it also exposes us to concentration risk and dependence on strategic providers. Our operations team oversees these third party administrators. We have contingency plans reviewed by the Board on how we would best manage a withdrawal or failure of a strategic supplier. We regularly review the business recovery infrastructure and strategy of these suppliers. This includes visits by our senior executives to strategic suppliers during the year.	SWIP used one of our two global third party administrators. We continue with a dual administrator policy but have introduced a new outsourcing oversight committee.

Risks	Mitigating factors	Changes in 2014
Brand		
Reputation could be damaged if brand or marketing activities are inconsistent with our culture or operations.	The compliance team works closely with the business to check that marketing materials are consistent with products and capabilities.	No change.
Legal and regulatory		
Aberdeen operates in a complex and dynamic regulatory environment. Risks arise from legal and regulatory obligations and the failure to correctly interpret law or changes in the law which may materially and adversely impact the Group. We may also be subject to regulatory sanctions or loss of reputation from failure to comply with regulations.	The management of legal and regulatory risk is the responsibility of the senior management of all functions, supported by the in-house legal and compliance teams. The legal and compliance teams track legal and regulatory developments to ensure that the Group is well prepared for both global and local changes. As well as developing policies, delivering training and performing monitoring checks, they provide advice to other divisions to enable compliance with legal and regulatory requirements.	In general, the volume of regulation impacting the industry is increasing. Progress made in implementing AIFMD, CRDIV and FATCA regulations and planning for future changes.
Liquidity risk		
The Group aims to have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.	The Group's cash position, available facilities and forecast cash flows are monitored by the Group's treasury function. The Group's cash position continues to strengthen. We prepare long term forecasts and use stress tests to assess the Group's future liquidity, as well as compliance with regulatory capital. The cash and funding position of each subsidiary is monitored and each entity has access to appropriate liquidity.	No changes and the Group continues to increase cash balances.
Credit risk		
We face credit risk as a result of counterparty exposure. The principal risks are in respect of deposits placed with banks.	We monitor the value of deposits with our counterparties against limits in our treasury policy. As our cash balances have grown, have increased the number of counterparties where we deposit our cash. The treasury function is supported by the front office credit team, as well as the market risk function who perform internal credit reviews. Where appropriate, we extend our assessment of counterparty risk to include major suppliers.	No change.
Foreign currency risk		
The Group's results are reported in sterling. Due to the geographically diverse locations in which Aberdeen operates, business is conducted in a number of currencies. These include the US dollar, Singapore dollar and Euro.	The Board reviews the currency profile of the Group, including cash flows and balance sheet. Variations in the sterling value of operating costs and interest costs will, to an extent, offset any similar impact of fluctuating exchange rates on revenues. The treasury function prepares a sensitivity analysis of the effect of changes in rates. Further details on sensitivity to changes in currencies are set out in note 30 of the financial statements.	No change.

Corporate responsibility

The requirement to demonstrate we act responsibly has never been greater and we are very aware of this. We aim to show we act in the best interests of our shareholders, clients, employees and wider stakeholders and that we build value for these groups, for the longer term.

This year, we achieved a number of notable developments in our approach to corporate responsibility and worked to embed this more deeply across all functions of the business. We have engaged employees throughout the Group and up to Board level and worked with external organisations including the UN Global Compact, Principles for Responsible Investment ("PRI") and Business in the Community to improve the way in which we operate as a responsible business.

Corporate responsibility is managed by the corporate responsibility steering committee which is chaired by the Deputy Chief Executive, Andrew Laing, who in turn is responsible for reporting to the Board on developments, risks and opportunities in this area. Our key risks continue to be those of our people, our investments and our wider stakeholders.

Further details of the material corporate responsibility issues faced by the Group and the steps taken to manage these are contained in the annual corporate responsibility report which is available on the Group website.

Corporate culture

Led by the Board, we have started to critically analyse our corporate culture. We want to preserve the fundamental attributes of our culture – predominantly our focus on teamwork, long-termism, openness and simplicity – but we recognise that, as the business grows, our culture has to be actively articulated, shared, managed and monitored across our global offices.

One element of this relates to our people practices, and this year we have enhanced our appraisal system so it is now more focused on, and aligned with, the strategic objectives of the Group. We have also worked to further align remuneration with performance across a spectrum of metrics, looking at not just what was delivered but how it was delivered in line with our corporate values.

Our employee training and development programmes have been enhanced too and we have undertaken further Board training on our material corporate responsibility issues.

Responsible investment

In terms of our investments, we have further developed the way we integrate material environmental, social and governance ("ESG") considerations in our investment processes. While our approach differs by asset class, assessing investments from an ESG perspective is a crucial element of our long term view and we are seeing an ever increasing interest in our responsible investing capabilities from clients and our wider stakeholders. We take a risk based approach and analyse each investment on an individual basis.

More information regarding how we have integrated the consideration of ESG factors in equities, property, fixed income and Aberdeen solutions can be found in our annual corporate responsibility report and our annual equity engagement report.

Engaging with stakeholders

We recognise our responsibility to engage with governments, regulators and trade bodies, helping to shape a policy environment which operates in the best long term interests of our clients, who invest with us, and our shareholders, as well as for the wider financial sector. We believe this relationship is mutually beneficial as we have the opportunity to help shape the regulatory and political landscape in which we work and the regulatory bodies are able to understand what it is like to operate in the policy environment they create. This year, we have been actively involved with a number of industry organisations including, most recently, the Investor Forum, a new body which aims to promote long term investment approaches and create an effective model for collective engagement with UK companies.

Our suppliers are also critical to our ability to operate effectively and our largest risk is posed by a small number of strategic service providers. To manage this risk, we have an outsourcing risk oversight framework which is applied to all outsourcing relationships and sets out clearly defined roles, responsibilities and standards for all employees across the Group.

At a more local level, in 2014 we became one of only a small number of companies in the City of London and in the UK finance sector, to become an accredited Living Wage employer, whereby we pay all employees and contractors at least the Living Wage. We believe this was an important step, as without a strong support network of contracted staff who help to keep all our facilities running, we cannot operate at our best.

Aberdeen Charitable Foundation

This year the Aberdeen Charitable Foundation has grown significantly, with all our offices now involved in charitable giving and providing volunteering support to a range of great causes. In 2014, over 40% of employees globally voted to select our new emerging markets partner. Following the launch of long term partnerships in South America (ABC Trust) and Asia (SeeBeyondBorders), this year we short-listed charities with suitable projects in sub-Saharan Africa. Our new charity partner is AfriKids, a child rights organisation which works in northern Ghana to alleviate child poverty and promote economic growth. The Aberdeen project will deliver a spectrum of educational initiatives to the poorest children living in Bolgatanga in the Upper East Region of Ghana. These include night classes for street children, scholarships, a young entrepreneurs' project and school enhancement programmes in order to drive up attainment and employability across the region.

This year, for the first time, we took part in a 24 hour global volunteering day challenge to coincide with Give and Gain Day. Over 10% of the workforce from 24 cities took part – starting the day in Sydney and moving across the globe, finishing in Toronto, Philadelphia and São Paulo.

Support for our local community projects has also grown significantly this year. Some great new charities have been identified but, importantly, relationships have also developed. Further information on the projects we have supported can be found on our website. One project which has been particularly successful this year is our financial literacy programme in association with Knowledge@Wharton in Pennsylvania. This project started four years ago with five schools in Philadelphia. In 2014, 34 schools and a total of 140 teams took part. Aberdeen provides training materials, videos and webcasts to support Wharton and the local school teachers and then marks the student teams on their investment approach, emphasising the importance of long termism which is a fundamental dimension of our own investment philosophy. Financial literacy is a theme we are keen to pursue globally.

£1.6m

Donated to charitable causes globally in 2014[1]

2013: £1.3m

17%

Of our global workforce volunteered

2013: 15%

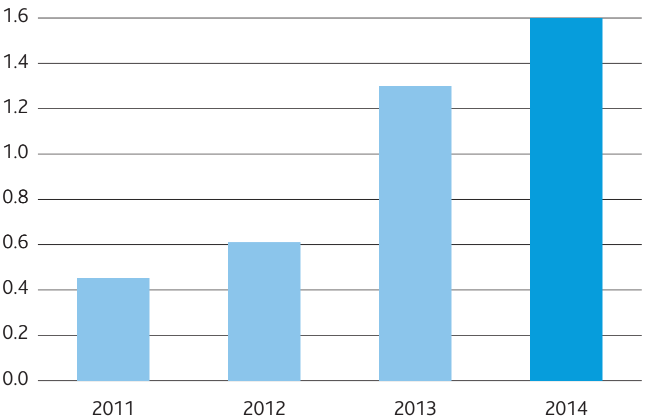
[1] This includes donations made by the Foundation (£0.9m), the Group (£0.5m) and GAYE employer contributions (£0.2m) but excludes unspent contributions made by the Group to the Foundation.

Our environmental impact

By far our greatest environmental impact is indirect, through the investments we hold. We do, however, work hard to reduce our direct impacts, recognising this is not only the right thing to do but also has business benefits which include reducing utility costs. Energy consumption and associated emissions, waste and business travel, remain our key areas of focus as reflected by our environmental targets.

This year, we achieved all the targets we set for 2014 and are on track to achieve our more long term targets. We achieved a 6% reduction in carbon emissions intensity, increased recycling rates in the UK by 16% and increased usage of our video-conferencing facilities by 30%. We also worked with external stakeholders, including key partners at our flagship sponsorship events, to reduce our indirect environmental impact and promote environmental awareness.

Charitable contributions, £m



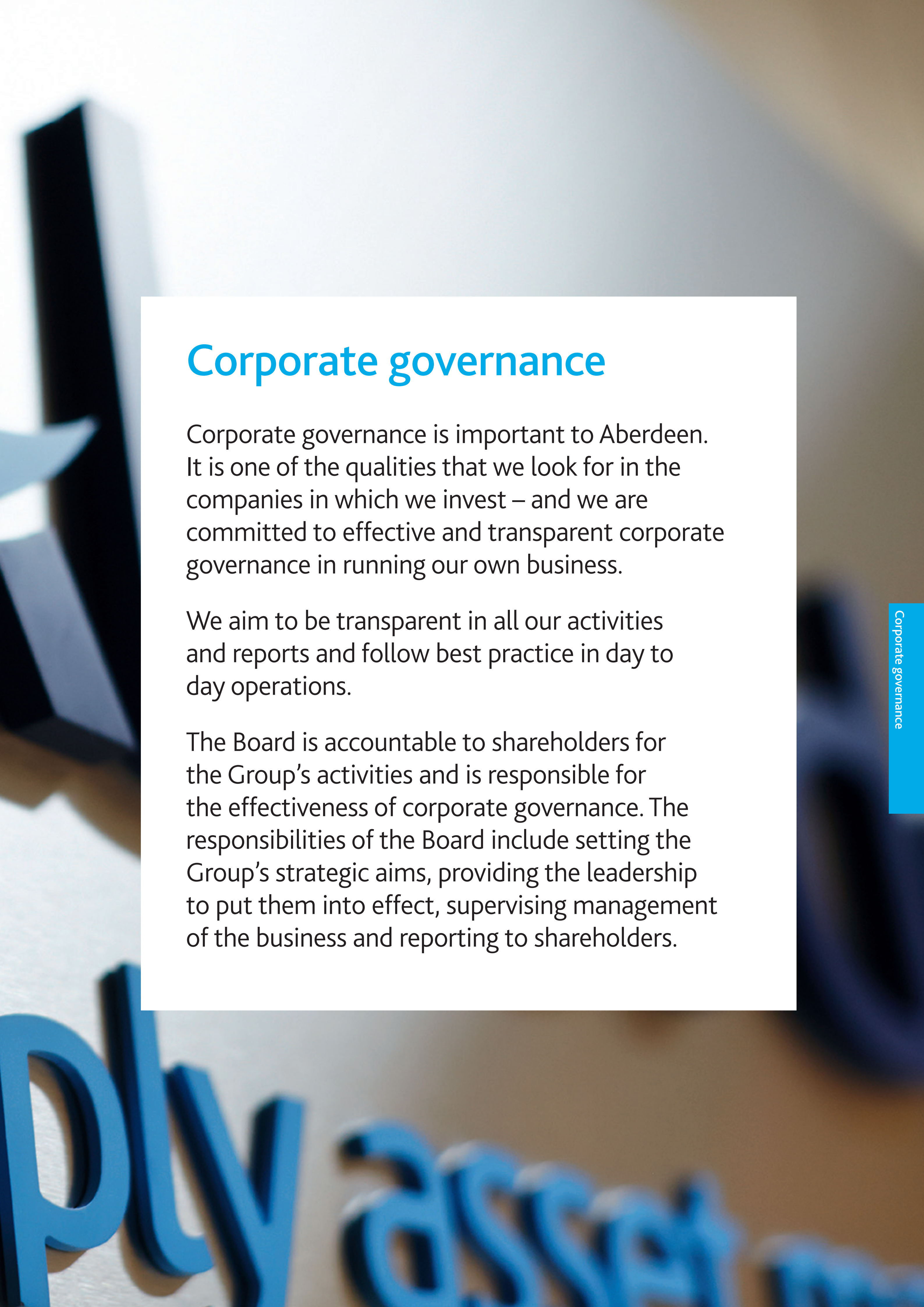
Total global emissions for carbon reporting

		CO_2e emissions (tonnes)	
Scope	**Emissions source**	**2014**	**2013**
1	Natural gas	179	390[2]
	Group owned vehicles	132	91
	Diesel	4	4
	Refrigerant gas loss	28	28
		343	**513**
2	Electricity and district heating	4,205	3,554[2]
Total		**4,548**	**4,067**
Intensity ratio: Emissions per FTE for Scope 1 and Scope 2		**1.72**	**1.84[3]**

[2] As a result of implementing our new environmental management and reporting system, we have identified minor inaccuracies in our data for 2013. The table above reflects the amended figures.

[3] Historically, we have used the year end FTE number to calculate our intensity ratio but due to the significant change in headcount which took place this year, we are now using the average FTE number. The 2013 intensity ratio has, therefore, also been amended to reflect this change.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) for our methodology and have used operational control as our boundary for reporting. We have gathered data from invoices on energy consumption, register of refrigerants and service logs of owned vehicles. The UK emissions factors Defra/DECC (2014) have been used in all instances where country specific emissions factors are unavailable.



Corporate governance

Corporate governance is important to Aberdeen. It is one of the qualities that we look for in the companies in which we invest – and we are committed to effective and transparent corporate governance in running our own business.

We aim to be transparent in all our activities and reports and follow best practice in day to day operations.

The Board is accountable to shareholders for the Group's activities and is responsible for the effectiveness of corporate governance. The responsibilities of the Board include setting the Group's strategic aims, providing the leadership to put them into effect, supervising management of the business and reporting to shareholders.

Board of directors

Roger Cornick [2]

Chairman

Background and experience

Before coming to Aberdeen, Roger was with Perpetual PLC for over 20 years where, latterly, he served as deputy chairman. Roger has over 30 years' experience of marketing and distribution in financial services and is currently a trustee of the River and Rowing Museum.

Date of appointment

Roger was appointed to the Board as an independent non-executive director on 23 January 2004 and was appointed Chairman on 22 January 2009. Roger is also chairman of the nominations committee.

Other appointments

- The River and Rowing Museum (trustee)

Martin Gilbert

Chief Executive

Background and experience

Martin trained as a chartered accountant prior to moving into investment management with an Aberdeen firm of solicitors. He is a founding director and shareholder of the Company. Martin is a director of a number of Aberdeen managed investment trusts and funds' boards. Martin is also chairman of the PRA Practitioner Panel, and member of the Scottish Government's Financial Services Advisory Board, the Financial Services Trade and Investment Board, and the Monetary Authority of Singapore's International Advisory Panel.

Date of appointment

Martin was appointed to the Board on 1 July 1983.

Other appointments

- British Sky Broadcasting Group PLC (senior non-executive director)

Simon Troughton [2, 3, 4]

Senior Independent Non-Executive Director

Background and experience

Simon was a partner at Cazenove and Company Limited before moving to Fauchier Partners in 2003 where he became chief operating officer. He qualified as a chartered surveyor having read Land Economy at Cambridge University.

Date of appointment

Simon was appointed to the Board on 29 July 2009 and is chairman of the remuneration committee.

Other appointments

- Redburn Partners Holding Company Limited (non-executive director)

Julie Chakraverty [1, 4]

Independent Non-Executive Director

Rod MacRae

Group Head of Risk

Background and experience

Julie was formerly a board member of UBS Investment Bank and a non-executive director of the insurance company Paternoster. Within UBS, she held a number of global leadership positions with a specialised background in risk management and fixed income. She started her financial career 20 years ago at JP Morgan, after graduating with first class honours in Economics from St John's College, Cambridge.

Date of appointment

Julie was appointed to the Board on 4 May 2011.

Other appointments

- Spirit Pub Company PLC (non-executive director)
- Amlin plc (non-executive director)

Background and experience

Rod is responsible for UK and global risk including regulatory compliance, legal services, business and market risk. Rod joined Aberdeen in 2003, following the acquisition of Edinburgh Fund Managers.

He graduated with an MA in Economics from the University of Edinburgh and is a member of the Institute of Chartered Accountants of Scotland. Rod is a director of a number of Group subsidiary companies.

Date of appointment

Rod was appointed to the Board on 1 October 2012.

Andrew Laing

Deputy Chief Executive

Richard Mully [1, 3, 4]

Independent Non-Executive Director

Background and experience

Andrew joined the Group in 1986 with responsibility for private equity investment. Andrew was subsequently appointed Chief Operating Officer. Prior to joining Aberdeen, Andrew practiced commercial law and was a private equity fund manager in Edinburgh.

He graduated from the University of Aberdeen with an MA in Politics and International Relations, and an LLB. Andrew serves on the board of the Investment Management Association and is also a director of a number of Group subsidiary companies.

Date of appointment

Andrew was originally appointed to the Board in 1987 and then again on 23 January 2004 and was appointed Deputy Chief Executive in 2008.

Background and experience

Richard was formerly the co-founder and managing partner of Grove International Partners LLP, a major real estate private equity firm. He spent much of his 30 year career in financial services as an investment banker. Richard graduated with first class honours in Economics from University College London and also holds an MBA in Finance.

Date of appointment

Richard was appointed to the Board on 23 April 2012 and is chairman of the risk committee.

Other appointments

- Hansteen Holdings PLC (senior non-executive director)
- ISG PLC (senior non-executive director)
- Alstria Office REIT-AG (supervisory board member)
- St. Modwen Properties PLC (senior non-executive director)

Jim Pettigrew [1, 2, 4]

Independent Non-Executive Director

Background and experience

Jim was formerly chief executive of CMC Markets Plc. Prior to joining CMC, he was chief operating officer and finance director at Ashmore Group plc, chief financial officer of ICAP Plc from 1999-2006 and group treasurer at Sedgwick Group plc. Jim is vice president of the Institute of Chartered Accountants of Scotland and is an LLB.

Date of appointment

Jim was appointed to the Board on 23 April 2010 and is chairman of the audit committee.

Other appointments

- The Edinburgh Investment Trust plc (chairman)
- Clydesdale Bank plc (chairman)
- Crest Nicholson Holdings plc (senior non-executive director and chairman of remuneration committee)
- RBC Europe Limited (deputy chairman)

Anne Richards

Chief Investment Officer

Background and experience

Anne is Chief Investment Officer and Head of the EMEA region. Prior to Aberdeen, she worked for Merrill Lynch and Edinburgh Fund Managers, where she was chief investment officer and joint managing director. Anne graduated with first class honours in Electronics and Electrical Engineering from the University of Edinburgh, and has an MBA from Insead. Anne is a member of the FCA Practitioner Panel. She was appointed a Commander of the Royal Victorian Order ("CVO") in June 2014.

Date of appointment

Anne was appointed to the Board on 22 March 2011.

Other appointments

- The Council of the Duchy of Lancaster (council member)
- The University of Edinburgh (vice convener)
- esure Group plc (non-executive director)
- CERN and Society Foundation (chair)

Bill Rattray

Finance Director

Background and experience

Bill joined the Group in 1985 as Company Secretary and subsequently became Group Financial Controller. Prior to joining the Group, Bill trained as a chartered accountant with Ernst & Whinney in Aberdeen, qualifying in 1982. Bill is a director of a number of Group subsidiary companies.

Date of appointment

Bill was appointed to the Board on 31 January 1991.

Jutta af Rosenborg [1, 3]

Independent Non-Executive Director

Background and experience

Jutta was formerly Chief Financial Officer for ALK-Abelloó A/S, a global pharmaceutical company, headquartered in Denmark and a non-executive director of Carnegie WorldWide Investment Fund. Jutta has spent most of her career in finance, having originally qualified as a chartered accountant with Deloitte before establishing her own auditing and consulting business. Jutta has a master's degree in business economics and auditing from the Copenhagen Business School.

Date of appointment

Jutta was appointed to the Board on 18 January 2013.

Other appointments

- Det Danske Klasselotteri A/S (chairman)
- Auriga Industries A/S (non-executive director and chairman of the audit committee)

Akira Suzuki

Non-Executive Director

Hugh Young

Global Head of Equities

Background and experience
Akira joined Aberdeen through the business and capital alliance with Mitsubishi UFJ Trust and Banking Corporation. Akira has a Bachelor of Law degree from Keio University. Following graduation Akira joined Mitsubishi and has undertaken a wide variety of roles, primarily in asset management and is currently Managing Executive Officer and is based in Tokyo.

Date of appointment
Akira was appointed to the Board on 29 August 2013.

Other appointments
- AMP Capital Holdings Limited

Background and experience
Hugh is Global Head of Equities and Managing Director of Aberdeen Asset Management Asia Limited. He founded Singapore based Aberdeen Asia in 1992 and has been managing the Group's Asian equities since 1985. Hugh graduated with a BA in Politics from Exeter University. Hugh is a director of a number of Group subsidiary companies and Aberdeen-managed investment trusts and funds' boards.

Date of appointment
Hugh was appointed to the Board on 22 March 2011.

[1] Member of the audit committee.
[2] Member of the nominations committee.
[3] Member of the remuneration committee.
[4] Member of the risk committee.

Group management board

The Group management board ("GMB") comprises the six executive directors, plus the following members of senior management:

John Brett

Global Head of Distribution
John joined Aberdeen on 1 November 2011 as Global Head of Distribution. He joined from Scottish Widows Investment Partnership where latterly he was head of distribution. John was previously with Aberdeen until 2003 as Head of Legal. John is a qualified lawyer, having graduated LLB from the University of Aberdeen.

Gordon Brough

General Counsel & Deputy Group Head of Risk
Gordon joined Aberdeen in February 2009 to head up the Group's legal function having previously been the partner responsible for the Group's affairs at Maclay Murray & Spens LLP. Gordon is qualified as a lawyer in both Scots and English law.

Kerry Christie

Global Head of Human Resources
Kerry is Global Head of Human Resources and was appointed to the GMB in 2010. She joined Aberdeen in March 2000 and was appointed Head of Human Resources in October 2003. Kerry graduated from Robert Gordon University with a BA in Public Administration and a postgraduate diploma in Personnel Management.

Brad Crombie

Global Head of Fixed Income
Brad re-joined Aberdeen in 2012 after starting in the Group's graduate trainee programme twelve years ago. In the interim, he worked at Bank of America Merrill Lynch as a managing director, running the bank's non-financial corporate and high yield credit research team for the EMEA region. He graduated from McGill University with BA and MA degrees and read history at the University of Cambridge.

Ken Fry

Chief Operating Officer
Ken graduated from the University of Essex with a BA in Computer Science and joined Aberdeen with the acquisition of Frederick's Place Holdings in 1989 as Group IT Manager. He was appointed to the GMB in 2006 as Chief Technology Officer and to his current role in 2008.

Bev Hendry

Co-Head of Americas and Chief Financial Officer
Bev was appointed Co-Head of Americas and Chief Financial Officer in July 2014. He first joined Aberdeen in 1987 and helped establish Aberdeen's business in the Americas. Bev re-joined Aberdeen from Hansberger Global Investors where he has worked for six years as Chief Operating Officer. Bev is a Chartered Accountant and graduated with an MA in Economics from the University of Aberdeen.

Gary Marshall

Chief Executive, SWIP
Gary was appointed Chief Executive of SWIP in July 2014. Gary joined Aberdeen in 1997 and has had experience in many aspects of Aberdeen's operations, having been based in London and Edinburgh prior to serving as Head of Americas. He graduated with a BSc (Hons) in Actuarial Mathematics and Statistics from Heriot Watt University in Edinburgh and is a qualified actuary.

Andrew McCaffery

Global Head of Alternatives
Andrew is responsible for our alternative capabilities including hedge funds, private equity, infrastructure and property multi manager. Andrew joined Aberdeen in 2011 from BlueCrest Capital Management, where he was a founder member of the Alignment Investors division. Andrew joined the investment industry in 1983.

Sean Phayre

Global Head of Quantitative Investments
Sean began his investment career at Edinburgh Fund Managers which later became Aberdeen Asset Management. He established quantitative investment teams at both companies, and latterly was co-head of quantitative equities and derivative strategies. Sean holds a PhD in Statistics and Modelling Science, an MSc in Industrial Mathematics and a BSc (Hons) in Mathematical Sciences, all from the University of Strathclyde.

Mandy Pike

Global Head of Dealing
Mandy is the Global Head of Dealing, covering all listed securities, including equities, fixed interest, cash, FX and derivatives. Previously, Mandy worked as a trader at F&C Asset Management, and before that at BNP Capital Markets. Her City career began at Grieveson Grant in the private client department.

Andrew Smith

Co-Head of Americas and Chief Operating Officer
Andrew is the Co-Head of Americas and Chief Operating Officer. He held various roles since he joined Aberdeen in December 2000 including Chief Financial Officer for Aberdeen in the Americas. Andrew graduated from Glasgow University.

Archie Struthers

Global Head of Investment Solutions
Archie joined Aberdeen to lead investment solutions in April 2014 having previously developed SWIP's equivalent business. Prior to SWIP, Archie developed the multi-asset client solutions business at BlackRock which he joined in 2006 via their acquisition of Merrill Lynch Investment Managers. He has an MA (Hons) degree in English Literature from the University of Edinburgh.

Pertti Vanhanen

Global Head of Property
Pertti has been managing director for property asset management subsidiaries for both Pension Ilmarinen and Pension Varma in Finland. Since he joined Aberdeen in 2002, Pertti has headed the Nordic and European direct property business and has later become the Head of Fund management – Property division. Pertti holds an MBA and is a Fellow of the Royal Institution of Chartered Surveyors.

Governance overview

Board governance structure

The Board has set up four committees, which are populated by non-executive directors. The responsibilities of the committees continue to grow in scope and complexity in response to increasing regulatory requirements. Only the members of each committee are entitled to attend its meetings but others, such as senior management and external advisors, may be invited to attend as appropriate. A full description of their responsibilities and terms of reference are provided on the Group's website at **aberdeen-asset.com/aam.nsf/InvestorRelations/termsofreference.**

Group management board ("GMB")

The operational management of the Group is delegated by the Board to the GMB which comprises the executive directors and other heads of department. The GMB meets three times each month, has specific terms of reference which have been approved by the Board, and has responsibility for implementing the Board's strategy.

Corporate governance framework and responsibilities

Board of directors

- Set the Group's strategy, goals and objectives.
- Set, with advice from the risk committee, the Group's risk appetite, ensuring consistency with the Group's strategy.
- Approve budgets and business plan.

See biographies on pages 52 to 55.

Group management board

- Review Group and divisional strategy plans and budgets.
- Review and consider risks within the Group.
- Take decisions on the day to day management of the Group except where matters are reserved for decision by the Board.

See biographies on page 56.

Committees

Audit committee

- Monitor the integrity of annual, interim and preliminary financial statements of the Group.
- Review and assess the annual internal audit plan and internal audit function, and monitor management's responsiveness to the findings and recommendations of the internal auditor.
- Assess annually the independence and objectivity of the external auditor and oversee quality of audit work.

See pages 61 to 63 for the audit committee report.

Nominations committee

- Regularly review the structure, size and composition required of the Board compared to its current position and in line with governance requirements.
- Consider appropriate succession planning for directors and other senior executives.
- Keep under review the executive and non-executive leadership needs of the organisation.

See page 64 for the nominations committee report.

Risk committee

- Support the Board in its consideration of the business activities that expose the business to current and future material risks.
- Advise the Board on setting risk appetite.
- Ensure that senior management has in place procedures and mechanisms to identify and control all fundamental operational, financial, reputational, and regulatory risks.
- Oversee the compliance function.

See page 65 for the risk committee report.

Remuneration committee

- Determine the remuneration strategy for the Group to ensure staff retention and incentivisation, to meet with current best practice and to align the interests of all stakeholders, in particular shareholders and employees.
- Determine the remuneration packages for the Chairman, all executive directors and the senior employees.
- Review any performance-related pay schemes and all share incentive plans for approval by the Board and shareholders.

See pages 66 to 80 for the remuneration committee report.

Corporate governance report

In this section

UK Corporate Governance Code

The FRC published a new edition of the UK Corporate Governance Code in September 2012 that applies to reporting periods beginning on or after 1 October 2012 ("the 2012 Code"). The Group continued to choose to adopt the new provisions for the year under review. At the time or writing this annual report, the Listing Rules of the London Stock Exchange had not been updated to recognise the issuance of the 2012 Code and, therefore, we remain obliged to report on our compliance with the previous version of the UK Corporate Governance Code which was issued in May 2011 ("the Code").

The Group has complied throughout the year with both the Code and the 2012 Code except where noted in the report below. This report describes Aberdeen's corporate governance arrangements, explaining how the Group has applied the principles of the Code.

Board composition

The Board currently comprises the Chairman, six non-executive directors and six executive directors; additionally, Anita Frew served as a non-executive director throughout the year to 30 September 2014 . The roles of the Chairman and Chief Executive are separate, clearly defined and have been approved by the Board. The Chairman, Roger Cornick, is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role. The Chief Executive, Martin Gilbert, is responsible for the day to day management of the Group.

Simon Troughton was appointed as the Senior Independent Director, following the retirement from the Board of Anita Frew on 30 September 2014. The role of the Senior Independent Director is to act as a sounding board for the Chairman and serving as an intermediary for the other directors, where necessary.

Further information regarding the experience of the Board is given in their biographies on pages 52 to 55. All directors are subject to annual election by shareholders.

Independence

In considering director independence, the Board has taken into consideration the guidance provided by the Code. Of the non-executive directors, Akira Suzuki has been appointed by a significant shareholder, Mitsubishi UFJ Trust and Banking Corporation, and he is therefore not considered to be independent.

The Board, having given thorough consideration to the matter, considers the other five non-executive directors to be independent. Anita Frew joined the Board in 2004 and served on the Board until 30 September 2014. Anita Frew had served on the Board for more than nine years by the date of her retirement and for part of this time she also served as a director of Lloyds Banking Group. Taking into consideration Anita's independence of character and judgement, her asset management knowledge and significant major plc board experience, the Board is of the opinion that Anita remained an independent non-executive director until the date of her retirement.

Board changes

The Board has given careful consideration to its structure and balance and is continuing to refresh Board and committee membership in an orderly manner. As mentioned, Anita Frew stepped down from the Board on 30 September 2014 and the process to identify a new independent non-executive director is nearing completion and we expect to be able to make an announcement in the near future.

We did not comply during the year, nor do we currently comply, with the Code requirements on the number of independent directors. The Board remains of the opinion that its size and composition should reflect the needs of the business and seeks to achieve this in compliance with the Code.

Board effectiveness

Summary of Board meetings

The Board met eight times during the year to review financial performance and strategy and to follow a formal schedule of matters reserved for its decision, which includes the setting of Group goals, objectives, budgets and other plans. Comprehensive board papers, comprising an agenda and formal reports and briefing papers, are sent to directors in advance of each meeting. Directors are continually updated with written and oral reports, from senior executives and external advisors. Topics include the Group's business and the competitive and regulatory environments in which it operates, as well as on legal, environmental, social, governance and other relevant matters. In addition, the Board regularly receives briefings and presentations from senior executives, local management and external advisors covering a wide range of topics relevant to the Group's business.

The Board visits the key overseas offices to meet local management and clients and to obtain an understanding of the local business environment. The Board visited the Singapore, Philadelphia and New York offices during the year and directors also visited other overseas offices on an individual basis to meet with local management and staff. Whilst in Singapore, several members of the Board took advantage of the location to visit the Sydney office.

On each of these overseas visits, the Board has received presentations from local and regional management on local and regional business conditions and 'at desk' presentations from the local business teams.

Details of the individual directors' attendance at Board meetings are shown in the table below:

	Maximum possible attendance	Meetings attended
Roger Cornick	8	8
Martin Gilbert	8	8
Anita Frew	8	8
Julie Chakraverty	8	8
Andrew Laing	8	8
Rod MacRae	8	8
Richard Mully	8	8
Jim Pettigrew	8	8
Bill Rattray	8	8
Anne Richards	8	8
Jutta af Rosenborg	8	8
Akira Suzuki	8	8
Simon Troughton	8	8
Hugh Young	8	8

Relationships with shareholders

The Group communicates regularly with institutional shareholders, analysts and the financial press throughout the year. Annual and interim reports and interim management statements are widely distributed to other parties who may have an interest in the Group's performance and these documents, together with copies of investor presentations, are also made available on the website.

The Chief Executive and Finance Director report at each Board meeting on investor relations and on specific discussions with major shareholders and the Board receives copies of all research published on the Group. Investors are encouraged to attend the Annual General Meeting at which they have an opportunity to ask questions.

The Annual General Meeting is normally attended by all directors and the chairmen of each of the Board committees are available to answer questions. The Group continues to offer major shareholders the opportunity to meet any or all of the Chairman, the Senior Independent Director, the chairman of the remuneration committee and any new directors.

The Group will continue its policy of announcing the number of proxy votes cast on resolutions at the Annual General Meeting and any other general meetings. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

Conflicts of interest

The Board confirms that it has considered and authorised any conflicts or potential conflicts of interest in accordance with the Group's existing procedures and has also implemented specific guidelines to address any potential conflicts that may arise in the future. The Board has specifically considered the other appointments held by directors, details of which are contained in their biographies on pages 52 to 55, and has confirmed that it believes that each is able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

Board evaluation

A formal process has been established, led by the Chairman, for the annual evaluation of the performance of the Board, its appointed committees and each director, to ensure that they continue to act effectively and efficiently and to fulfil their respective duties, and to identify any training requirements.

This year's evaluation has been undertaken with the assistance of an external consultant, Independent Board Evaluation. The consultant met with each Director and other senior members of the executive management. The results of the discussions were discussed by the Board and its Committees.

A number of matters for consideration arose from the exercise including reviewing board and committee agendas to ensure they continued to focus on the matters of importance and that time is made available for 'blue-sky thinking'; reviewing the relationships between the Board and the Group management board; and looking to enhance and improve the reporting from the key business divisions.

The non-executive directors also met without the Chairman present to discuss the results of the evaluation of the Chairman's performance, having taken into consideration the views of the executive directors, and the results of this meeting were subsequently discussed between the Senior Independent Director and the Chairman. Additionally, the Chairman and the non-executive directors held a meeting without the executive directors present at which the executive directors' performance was discussed. The Chairman met with each director to discuss this and performance in the year.

Training and induction

New directors appointed to the Board are provided with a formal and tailored induction to assist in gaining a detailed understanding of the Group, its activities and the regulatory and competitive environment in which it operates. The induction process includes meeting with the executive directors, the members of the Group management board, other senior executives and external advisers as well as receiving information from past meetings.

The Board, its committees and each director has access to independent professional advice, if required, at the Company's expense, as well as to the advice and services of the Company Secretary.

The Company Secretary, under the direction of the Chairman, is responsible for facilitating this induction programme, ensuring good information flow between the Board, its committees and management, and assisting with directors' continuing professional development needs. Directors are also advised, at the time of their appointment, of the legal and other duties and obligations arising from the role of a director of a listed company and are reminded of these duties and obligations on a regular basis. All directors are obliged to undertake a minimum of 35 hours of continuing professional development annually, of which at least 21 hours must comprise structured learning.

The Group maintains appropriate insurance cover in respect of legal action against its directors.

Risk management

Risk management is implemented from the top down, starting at Board and GMB level, through to the individual operational departments. The audit and risk committees support the Board in discharging its oversight duties with regard to internal control, risk management and capital adequacy. These committees also have responsibility for ensuring that the Group strategy is appropriate and aligned with the Board's risk appetite, as set out in a formal Board statement.

The attitudes to risk agreed at Board and committee discussions are fed through to the planning processes for the individual business units. The Board is also responsible for the Internal Capital Adequacy Assessment Process ("ICAAP"), a process required by the UK regulator, which summarises the risk management framework and regulatory capital requirements of the Group.

This is closely linked to the Group's strategic planning and capital management exercises.

Internal control

The risk management framework includes a sound system of internal controls that are designed to:

- identify and appraise all risks related to achieving the Group's objectives including all business, operational, reputational, financial and regulatory risks;
- manage and control risk appropriately rather than eliminate it;
- provide reasonable, but not absolute, assurance against material misstatement or loss;
- be embedded within the business processes and form part of the Group's culture, which emphasises clear management responsibility and accountabilities;
- respond quickly to emerging risks within the Group and the external business environment; and
- include procedures for reporting any control failings or weaknesses to the appropriate level of management together with the details of corrective action.

A review of the effectiveness of the Group's risk management and internal control systems has been carried out through the work and operations of the audit and risk committees.

The risk management committee oversees the system of controls within the day-to-day operations of the Group and monitors the Group's culture, and clarity of responsibility of roles over risk areas. The committee reports on and monitors critical risks, issues and high priority projects. It serves to reconcile the key risks and issues identified by the business with those raised by the Group's monitoring functions. This provides assurance to the Board that risks and issues are adequately escalated and managed.

Membership of the committee comprises executive directors and senior management from all business functions. The committee meetings are also attended by the heads of the primary control oversight functions. The roles of these functions are as follows:

- the compliance team monitors compliance with regulatory requirements in each jurisdiction in which the Group operates;
- the legal team is responsible for ensuring that the Group complies with statutory requirements globally;
- the business risk department is responsible for the management and oversight of operational risk;
- the market risk team covers the risk profiles within the various investment strategies as well as the credit risk associated with the counterparties with whom Aberdeen conducts its business; and
- the internal audit function reviews the effectiveness of all controls, either by reviewing the methods and findings of the other independent monitoring functions, or by directly auditing the controls operated by management.

The heads of business risk and market risk each report directly to the Group Head of Risk while the heads of legal and compliance report to the General Counsel. The Group Head of Risk who, while also a director of the Group, reports to the Chief Executive and also attends and reports at meetings of the risk and the audit committees.

The Head of Internal Audit reports to the Chief Executive as well as having unrestricted access to the chairman of the audit committee.

More information on the risk management framework and specific risks facing the Group can be found on pages 44 to 47.

Audit committee

Composition

The audit committee is chaired by Jim Pettigrew. He is supported by three independent non-executive directors, Julie Chakraverty, Richard Mully and Jutta af Rosenborg. All members of the committee served on the committee throughout the year except for Richard Mully who joined the Committee on 8 October following Anita Frew's retirement on 30 September 2014. Anita Frew served on the committee throughout the year.

The Board is satisfied that all of the committee's members have recent and relevant commercial and financial knowledge and experience to satisfy the provisions of the Code, by virtue of their holding or having held various executive and non-executive roles in other financial and asset management institutions. Additionally, Jim Pettigrew and Jutta af Rosenborg are qualified accountants.

Responsibilities

The committee's role is to assist the Board in discharging its duties and responsibilities for financial reporting, internal control and the appointment and remuneration of an independent external auditor. The committee is responsible for reviewing the scope and results of audit work and its cost effectiveness, and the independence and objectivity of the auditor.

The committee is also responsible for reviewing the Group's arrangements on whistle blowing, ensuring that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow up action. During the year whistle blowing arrangements were enhanced with the launch of an external whistle blowing notification service for employees. This is in line with industry developments.

Report on the committee's activities during the year

The committee has a schedule of events which, updated regularly, details the issues to be discussed at each meeting. The schedule also allows for new items to be included on the agenda of any of the meetings.

During the year, the committee discharged its responsibilities, under its terms of reference, by:

a) reviewing the Group's draft 2013 financial statements and 2014 interim results statement prior to discussion and approval by the Board, and reviewing the external auditor's reports thereon;

b) reviewing the continuing appropriateness of the Group's accounting policies;

c) reviewing the external auditor's plan for the audit of the Group's 2014 financial statements, receiving and reviewing confirmations of auditor independence and approving the terms of engagement and proposed fees for the 2014 audit;

d) reviewing the reports of the internal audit team and agreeing action plans, audit schedules and areas for future reviewing, and review the effectiveness of the internal audit function;

e) recommending the re-appointment of the auditor for 2015 and considering future audit tender requirements;

f) reviewing management's annual report on the Group's system of internal control and its effectiveness, reporting to the Board on the results of this review and receiving regular updates on key risks and controls;

g) receiving reports from the Group Head of Risk and the risk committee on relevant matters that also impact internal controls and financial reporting; and

h) carrying out an annual performance evaluation exercise and noting the satisfactory operation of the committee.

The audit committee has reviewed the contents of this year's annual report and accounts and advised the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The committee received a number of regular reports at each of its meetings during the year from internal audit, finance and risk. The Group's external auditor also provided regular reports, both written and oral, to each of the meetings. The committee continues to ensure that issues and matters presented to them are resolved in a timely manner. One other significant matter discussed during the year related to augmenting the clarity of the linkage of the Group's strategy and its culture.

In discharging its duties to review the effectiveness of the control environment, the committee also approved the 2013/14 Control Assurance Report which is prepared by the Group and has an opinion from PWC. This report is available to clients and consultants. The report describes the key roles in relation to Aberdeen's investment management services for equity, fixed income, multi asset portfolios, fund of hedge funds, property multi manager and direct property (UK). A report, also with an accompanying opinion from PWC, was also approved for all investment management services performed within SWIP. The report is unqualified, but the committee asked for follow up on areas which they believe can be enhanced.

Significant accounting matters

During the year, the audit committee considered key accounting matters and judgements in respect of the financial statements relating to:

Goodwill and other intangibles impairment tests

The Group has goodwill of £913.3 million and intangible assets of £638.9 million. The majority of these balances have arisen from acquisitions.

The goodwill balance is tested annually for impairment. The intangible assets are reviewed for impairment indicators and impairment tests are performed if there are indicators (eg client losses or an expectation that assets will be withdrawn). A small portion of intangibles (£79.3 million) have indefinite lives and are tested for impairment annually.

There is a level of judgement in assessing future cash flows and selecting appropriate comparators that form the basis for the impairment tests.

The audit committee examined these assumptions used in the impairment tests. The committee, with management's input, also monitors any areas of the business added through acquisition that may be performing behind expectations to consider the impact on impairment testing. The work on impairment is summarised in note 13.

Acquisition accounting for SWIP acquisition

Aberdeen acquired SWIP on 31 March 2014, with the acquisition of the infrastructure subsidiaries completed on 1 May 2014.

As more fully explained in note 14, there were a number of components of the consideration, including the issue of share capital to Lloyds, deferred consideration for the top-up and an earn-out linked to the future growth of the investment solutions business through the relationship with Lloyds. The earn-out is dependent on the future revenue growth of the business. The audit committee reviewed reports prepared by the finance team on the accounting for each of the elements, ensuring that it was clear and understandable as to how each element was reflected in the balance sheet.

The potential liability for the earn-out is measured at fair value. The range of payments for the earn-out is between £nil and £100 million and is dependent on the growth of revenues from the acquired investment solutions business over 5 years from 1 April 2014. This, in turn, relies on the future performance of the Lloyds' wealth business. This value is determined based on expected cash flows over 5 years, discounted to a present value. The base case estimates were supplemented by an external valuation. The audit committee received a copy of this report, as well as an explanation of the approach used by finance. The audit committee challenged the finance team on the key assumptions and was satisfied that a balanced approach had been taken, given the information available and the uncertainty of how the investment solutions may grow.

We recognised intangible assets on acquisition in respect of the management agreements with Lloyds and other clients. The value of these intangible assets was determined by the level of forecast cash flows that they are expected to generate, taking into account factors such as market growth and attrition. A valuation report was prepared by an independent accounting firm and this was reviewed by the audit committee to be satisfied that an appropriate approach was taken. The committee discussed the reasonableness of the valuation of the intangibles with the finance team in the context of the price paid for the SWIP business.

They also discussed with management the determination of useful lives over which the intangibles are amortised. Where relevant, the term period of the agreement is used as a starting point, but this can be adjusted for other relevant factors.

Finally, the audit committee considered a report from finance on the classification of acquisition-related expenses in the income statement. The committee considers that the presentation using a separate column is appropriate given the materiality of these costs. Further details on the nature of these costs are disclosed in note 4.

Oversight of external auditors

The committee carried out a review of the effectiveness of the external audit process and considered the re-appointment of KPMG Audit Plc ("KPMG"). The review covered all aspects of the global audit service including, amongst other factors, the quality of the staff, the expertise, the resources, and the independence of KPMG. The committee reviews the audit plan for the year carefully and subsequently considers how the auditor performed to the plan. They consider the quality of written and oral presentations and the strength and depth of the lead partners at key locations.

The committee took into consideration the levels of fees paid for the global services provided by the auditor. The committee monitors its policy on the use of KPMG for non-audit services to ensure complete clarity on the detail of services permitted and not permitted and those which might require the explicit prior approval of the committee.

The external auditor will only be appointed to a non-audit engagement when they are best suited to perform the work and there is no threat of a conflict of interest. Permitted non-audit services include the provision of tax compliance services and acting as reporting accountant in appropriate circumstances, provided there is no element of valuation work involved. The provision of tax advisory services, due diligence /transaction services and litigation services may be permitted with the committee's prior approval.

The provision of internal audit services, valuation work and any other activity that may give rise to any possibility of self-review are not permitted under any circumstance. The auditor cannot act in a capacity as management or design a system or process that it subsequently is required to test.

Finally, consideration was also given to the likelihood of a withdrawal of the auditor from the market and, it was noted that there were no contractual obligations which would restrict the choice of an alternative auditor.

The committee agreed that it was appropriate to recommend to the Board that KPMG be reappointed as auditor for a further year and, accordingly a resolution will be put to shareholders at the 2015 Annual General Meeting recommending their reappointment.

Audit tender

The UK Corporate Governance Code has introduced new recommendations that audits should be put out for tender every 10 years. The audit committee has also considered new regulation from the EU and the UK Completion and Market Authority on auditor rotation.

KPMG have been auditors of Aberdeen for the last 30 years. As discussed above, the audit committee has continuously reviewed the performance of the external auditors and has been satisfied on both the independence of KPMG and the rigour of their audit.

We intend to run a tender process in 2015 to select an auditor for the 2016 audit. This is in line with the transitional changes in the UK Corporate Governance Code.

Oversight of internal audit

The Head of Internal Audit provided both a written and oral report at each meeting of the audit committee during the year. The committee also approved the full operations of the internal audit team, including audit plans, budgets, staffing levels, as well receiving and approving the audit charter. Typically, the committee receives a detailed written report in advance of the meeting and this is followed by an oral presentation detailing the issues identified and the remedial action taken.

During the year, the committee requested that a number of areas be added to the audit plan as well as directing that the audit scope should assess culture in some of the key areas. Other specific areas of focus in the year for internal audit included the project planning and major migrations that are part of the SWIP integration project.

The committee has also been closely involved in ensuring the effectiveness of internal audit reporting and a number of improvements were actioned, including a refreshed format for internal audit's report to the committee and more timely audit turnaround periods. It was also agreed that there should be a greater link between audit planning and the risks identified within the ICAAP.

PWC undertook an effectiveness review of internal audit at the request of the committee to ensure that the function was providing the levels of services that should be expected. The results of the review were presented to the committee by PWC and they found that the department was complying with the required standards and was operating in line with peers.

Meetings and attendance

The committee operates under formal terms of reference which are reviewed annually and held five meetings during the year, with representatives of KPMG in attendance at each meeting. Other regular attendees at the meetings of the committee included the Chairman of the Board, the Chief Executive, the Finance Director and the other members of the Board, the Group Head of Risk, the Head of Internal Audit, the Compliance Officer, the General Counsel and the Deputy Finance Director.

There is close liaison between the audit and risk committees and this facilitates an integrated approach to risk assurance. The risk committee is scheduled to hold four meetings per annum, each of which is to be held on the same days as the meetings of the audit committee, in order to facilitate appropriate interaction between the two committees. To assist in this interaction, there is a standing agenda item for the meetings of the audit committee to receive an oral report from the chairman of the risk committee, providing an update on matters relevant to the audit committee of those issues considered by the risk committee.

There was full attendance at all meetings by members, as shown in the table below:

	Maximum possible attendance	Meetings attended
Jim Pettigrew	5	5
Julie Chakraverty	5	5
Anita Frew	5	5
Jutta af Rosenborg	5	5

The members of the committee also met, individually, with the executive throughout the year, and this provided a forum for discussion outwith the formality of the five meetings held during the year. The chairman reports back on these meetings to the committee where appropriate.

Nominations committee

Composition

The nominations committee is chaired by Roger Cornick and he is supported by two independent non-executive directors, Jim Pettigrew and Simon Troughton. Jim Pettigrew was appointed to the committee on 30 September 2014 following Anita Frew's retirement. Roger Cornick, Simon Troughton and Anita Frew served on the committee throughout the year.

Responsibilities

The committee is responsible for reviewing the structure, size and composition of the Board and for recommending new directors for appointment to the Board. The committee carries out an annual review of the membership of each of the Board's committees and makes recommendations to the Board.

The Board, as a whole, has responsibility for the appointment of new directors and for nominating them for election by shareholders at the first opportunity following their appointment.

The committee is also responsible for considering and making recommendations to the Board on succession planning for directors and other senior executives.

Report on the committee's activities during the year

During the year, the committee discharged its responsibilities, under its terms of reference, by:

a) reviewing the proposals for rotation and re-election of directors at the Annual General Meeting;

b) considering and making recommendations to the Board for the appointment of a new director and for changes to the membership of the committees;

c) reviewing the succession plans for the executive directors and the other members of the GMB;

d) reviewing senior management training and development;

e) reviewing the external appointments and time commitments of the directors;

f) discussing the results of the annual performance evaluation exercise; and

g) examining the operations of the committee and reviewing its terms of reference.

In respect of the appointment of a new independent non-executive director, the committee appointed an external search consultant, Odgers Berndtson, and provided a full specification of the skill set required from a new appointee. The process is nearing completion and we will make an appointment in due course. Odgers Berndtson has no other connection with the Group.

During the year, the committee continued to monitor the progress of the project, overseen by the Deputy Chief Executive, Andrew Laing on developing robust succession plans for the executive and other key positions within the Group. This talent management programme, led by the Global Head of Human Resources, has resulted in additional training programmes being introduced for key members of staff. The two training programmes, one for senior management and one for emerging talent, have been established in order to provide bespoke development programmes in order to allow these individuals to develop and take on senior management positions within certain timeframes.

The committee also undertook a review of the Human Resources division, its skills, responsibilities and level of resource. The committee satisfied itself as to the level of resource and expertise available to allow the Group to manage its human resources.

Board diversity

We are long-standing supporters of diversity in the boardroom and we are supportive of the Financial Reporting Council's aims to encourage diversity in the boardroom and, more generally, throughout the Group. Our current Board is made up of thirteen directors of whom three (23%) are women. We remain of the opinion that appointments to the Board should be made relative to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise. We will continue to insist that long lists and short lists of possible appointments to the Board reflect that position.

Meetings and attendance

The committee operates under formal terms of reference which are reviewed annually and held four meetings during the year. The Chief Executive was also a regular attendee at the meetings of the committee. The attendance at meetings by the members is as shown in the table below:

	Maximum possible attendance	Meetings attended
Roger Cornick	4	4
Anita Frew	4	4
Simon Troughton	4	4

Risk committee

Composition

The risk committee is chaired by Richard Mully, who is supported by three independent non-executive directors, Julie Chakraverty, Jim Pettigrew and Simon Troughton. Anita Frew stepped down from the committee on 30 September 2014 on her retirement from the Board. All members of the committee, including Anita Frew, served throughout the year.

Responsibilities

The committee has oversight of the risk management framework and, more specifically, the effectiveness of risk management and compliance activity within the Group. The committee advises the Board on considerations and processes relevant to setting the risk appetite and related tolerances. As previously reported, compliance monitoring is one of the key functions of the risk committee. Matters of a compliance nature that are relevant to the audit committee remit continue to be reported under the business of the audit committee as well as the risk committee. In addition, the committee has a responsibility to review the implementation of appropriate procedures to identify and control all fundamental operational, financial, reputational and regulatory risks within the Group.

Report on the committee's activities during the year

During the year the committee discharged its responsibilities, under its terms of reference and, in particular:

a) reviewing the effectiveness of risk management, governance and compliance activity within the Group;

b) advising the Board on considerations and processes for setting the Group's risk appetite and related tolerances;

c) seeking to ensure that senior management has in place procedures and mechanisms to identify and control all fundamental operational, financial, reputational, and regulatory risks;

d) reviewing and recommended the approval of the Internal Capital Adequacy Assessment Process ("ICAAP") to the Board;

e) seeking to ensure that all risks were being addressed by management in line with the Group's risk appetite;

f) reviewing the committee's terms of reference, carrying out an annual performance evaluation exercise and noting the satisfactory operation of the committee; and

g) reviewing the compliance department's terms of reference, their work programmes and received regular reports on their work during the year.

The committee received a number of regular reports at each of its four meetings during the year. The Group Head of Risk provided updates to the committee on each area of the risk division's functions, including business, investment and market risk, as well as reporting on legal and compliance issues.

Members of the committee have continued to meet independently with the executive and staff from different divisions throughout the year. The Heads of Market Risk, Business Risk, Compliance and the Deputy Head of Risk also attended to present on their own specific areas of responsibility.

The committee had a number of specific areas of focus in the year including further review of equity concentration risk, cyber threats and cyber security, the Group's interaction with the FCA, as well as detailed updates on a major IT upgrade and how Aberdeen oversees its key outsourcing partner relationships. The Board also requested for a standing item to be presented at these meetings namely regular updates on the project to integrate the SWIP business.

The committee also received independent data on the reputational risk to which the Group is exposed through an assessment against peers gathered from all relevant press releases, analyst reviews and social media monitoring. The scoring derived from this assessment is tracked by a key indicator with any trends identified.

As in prior year the committee has undertaken 'blue sky' risk assessment exercises. Issues arising will be taken forward to further matters for discussion at subsequent committee meetings.

Meetings and attendance

The committee operates under formal terms of reference which are reviewed annually and held four formal meetings during the year, all of which were held on the same day as the meetings of the audit committee, in order to facilitate appropriate interaction between the two committees.

In addition to the members of the committee, other regular attendees at the meetings included, the Chief Executive, the Finance Director, the Group Head of Risk, the Head of Internal Audit and the General Counsel. Other members of the Board and representatives of KPMG were specifically invited to certain meetings of the committee, dependent on the matters being discussed. There was full attendance at all meetings by members, as shown in the table:

	Maximum possible attendance	Meetings attended
Richard Mully	4	4
Anita Frew	4	4
Jim Pettigrew	4	4
Simon Troughton	4	4
Julie Chakraverty	4	4

Remuneration report

Remuneration committee Chairman's summary statement

Introduction
I am pleased to present the remuneration report for the year to 30 September 2014. There are two parts to the report:

- Directors' remuneration policy; and
- Annual report on remuneration

The directors' remuneration policy was approved by shareholders at the AGM in January 2014, and has thereafter been applied during the year to 30 September 2014. No changes to the policy are proposed and so there will be no vote at the February 2015 AGM. However, for convenience, we include the approved policy on pages 67 to 69 of this report.

The annual report on remuneration explains how the policy has been applied during the year, and will be subject to an advisory shareholder vote at the AGM in February 2015.

Pay principles
Our remuneration philosophy is focused on pay for performance, tempered by an emphasis on ensuring that performance is achieved within the Board's risk appetite. The remuneration committee works closely with the risk committee to ensure that remuneration takes account of the need to manage risk exposure.

The principles supporting our remuneration policy are:

- simple and clear executive pay;
- linked to the delivery of superior financial results for our shareholders;
- subject to a cap on aggregate variable remuneration; and
- significant proportion of variable pay awarded in Company shares, with deferred vesting and subject to clawback provisions, so that executives retain a substantial personal stake in the on-going success of the Group.

These principles are also applied in considering the remuneration of all employees. In particular, the teams who joined on completion of the acquisition of Scottish Widows Investment Partnership ("SWIP") during the year have been integrated and their remuneration is now governed by these principles.

The policy includes a significant level of deferral, both in the length of vesting period and quantum, with clawback arrangements which enable the committee to reduce or cancel the vesting of accumulated deferred awards. Executive directors are thus rewarded in line with sustained performance, and in a manner which encourages control of risk.

Deferred awards represent remuneration for prior performance. Once the vesting and clawback limitations expire, the committee believes that the individual should be free to benefit from the awards they have earned without further restriction. The committee recognises that, vested shares represent previous years' compensation and that directors may choose to sell shares from time to time following the expiry of vesting and clawback restrictions. Such sales should not be interpreted as conveying a view on the Group's performance or its outlook. Any such sales are permitted only in accordance with regulatory requirements, and directors will, of course, continue to be bound by the Group's requirement that they build and maintain a meaningful shareholding of at least 300% of base salary.

Shareholder engagement and further extension of the bonus deferral period
During the year I have continued to engage proactively with shareholders and representative groups and the committee has considered the comments and feedback generated from these meetings. The committee has also taken account of written guidelines from shareholder groups, including the guidance on Directors' remuneration reporting from the GC100 and Investors' Group.

In 2012, the committee decided that the period of deferral for equity bonus awards should be extended to four years from the award date. Following further discussion, and taking account of emerging practice, the committee has now decided that the deferral period should be extended by a further year, to five years from the award date, starting with bonus awards made in respect of the financial year to 30 September 2014. This change is consistent with the policy approved by shareholders, which permits an increase in the deferral period.

Base salaries
The committee has decided to increase the base salaries of executive directors by approximately 1.5% with effect from 1 January 2015, which is below the average increase awarded to other staff.

Cap on the variable pay pool
The committee continues to monitor the debate in the financial services sector over the capping of variable compensation, and is aware of the desire expressed by some shareholders to apply a cap on the maximum variable pay that any individual can earn. The committee's continuing policy is to set a maximum level of bonus pool for any year, rather than set a limit on individual awards. We believe that this policy ensures that Aberdeen is not placed at a market disadvantage when competing for talent, when the majority of our competitors do not have individual caps on variable pay. The committee is also conscious that individual bonus caps could place upward pressure on fixed remuneration, which it believes would not be in the best interests of shareholders.

The committee's view is that the policy of long term deferral of 75% of annual bonus into Aberdeen shares ensures that, when a large annual bonus is earned, the vesting of this to the individual is aligned with longer-term sustained performance expressed through Aberdeen's share price and dividends.

Variable remuneration for 2014
As described in more detail in other sections of the annual report, 2014 has been a transformational year, with the challenge of weaker investor sentiment towards some of the Group's key markets being mitigated by the progress made on integrating the SWIP business. Aberdeen has delivered solid financial results, has achieved greater diversification in its AuM and new business opportunities and increased dividend payments to shareholders, and the remuneration of the executive directors reflects this performance.

The Group's financial achievements are the result of strong operational disciplines, and profit performance is a significant factor in setting the appropriate level of bonus pool each year. We believe that the primary imperative is to look after our clients and provide superior long term investment performance.

Annual bonus awards for executive directors have been determined by the committee based on a rounded assessment of Group and personal performance. A range of key indicators has been considered including: investment performance delivered for clients; client retention, service and conduct; growth in underlying EPS; operating margin; cash conversion; ROCE; corporate governance and risk management; operational objectives and progress towards strategic goals. The committee considers what has been achieved for each KPI, relative to both the annual business plan and the longer term strategy. Levels of bonus award therefore reflect actual performance relative to both annual and longer term expectations. The financial results achieved in any one year are a reflection of the delivery of our long term strategy.

The committee believes that the aggregate bonus pool in any year should normally be no higher than 25% of pre-bonus operating profit; for 2014 awards, the aggregate pool has been set at approximately 22%. As a consequence, we have been able to maintain the overall staff cost, incorporating both fixed and variable remuneration, at approximately 35% of the Group's revenue over a number of years. For 2014 this ratio is 34.8%.

As ever, I welcome any comments from investors and will be available to answer any questions you may have at the AGM.

Simon Troughton

Simon Troughton
Chairman of the Remuneration Committee

Directors' remuneration policy

This part of the Directors' Remuneration Report sets out the remuneration policy for directors of the Company, which was approved by shareholders at the AGM in January 2014.

Policy overview

The remuneration committee determines, on behalf of the Board, the Group's policy on the remuneration of the chairman, executive directors and other senior executives. The committee's terms of reference are available on the Group's website.

In setting the remuneration policy for the executive directors, the committee takes into account the following:

- the need to attract, retain and motivate talented executive directors and senior management;
- internal pay and benefits practice and employment conditions both within the Group as a whole and within the particular geographic regions in which the Group operates;
- external comparisons to examine current market trends and practices and equivalent roles in similar companies taking into account their size, business complexity, international scope and relative performance; and
- alignment of remuneration policy with the interests of shareholders.

How the views of shareholders are taken into account

The remuneration committee chairman engages pro-actively and regularly with major shareholders and shareholder representatives. The committee considers shareholder feedback received, as part of its annual review of remuneration policy.

If any material changes to the remuneration policy are contemplated, the remuneration committee chairman consults with major shareholders about these in advance.

Details of votes cast for and against the resolution to approve last year's remuneration report are provided in the annual report on remuneration section of this report.

Considerations elsewhere in the Group

The Group applies a consistent remuneration philosophy for staff at all levels. Base salaries are targeted around the median of the relevant markets in which the Group competes for talent. All employees are eligible to be considered for performance-related annual bonus, and the principle of bonus deferral applies to all annual bonuses above a minimum threshold. Rates of pension contribution and fringe benefit provisions are consistent between executives and other employees within each country where the Group operates. The committee considers the base salary percentage increases for the Group's broader UK and international employee populations when determining any the annual salary increases for the executive directors.

The committee has not conducted a specific employee consultation exercise on the directors' remuneration policy. However, the Group consults with its employees on general employment policies in a range of ways, including formal consultation forums in some countries where it operates. Members of staff are encouraged to provide feedback directly to their line managers or to the human resources team. The remuneration committee monitors the effectiveness of the Group's remuneration policy in recruiting, retaining, engaging and motivating colleagues, and receives regular feedback from the Global Head of Human Resources on how the Group's remuneration policies are perceived by colleagues and whether they are meeting business needs.

The committee does not seek to apply fixed ratios between pay levels of different roles in the Group, as this would restrict flexibility in aligning reward and achievement, and potentially create barriers to recruiting and retaining the necessary talent in a highly competitive employment market.

Policy table

The table summarises the key aspects of the Company's remuneration policy for executive directors.

Key aspects of the remuneration policy for executive directors

Element, purpose and link to strategy	Operation, performance measures, deferral and clawback
Base salary (Fixed pay) To pay a fair salary, commensurate with the individual's role, responsibilities and experience, and having regard to the market rates for similar roles in the asset management sector and other comparable companies.	Reviewed annually, taking account of market salary levels, Group performance, individual performance, changes in responsibility and levels of increase for the broader employee population. Reference is made to mid-market levels within relevant FTSE and industry comparators. The committee considers the impact of any base salary increase on the total remuneration package.
Benefits (Fixed pay) To provide cost-effective fringe benefits, to support the wellbeing of employees.	The Group currently provides a range of fringe benefits such as: medical insurance; disability insurance; life insurance; paid holiday; and international benefits assistance where appropriate. Specific benefits provision may be subject to minor change from time to time, within this policy.
Pension (Fixed pay) To provide market competitive defined contributions, to assist with recruitment and retention.	Employee contributions are made to appropriate defined contribution pension arrangements, or equivalent cash allowances are paid, subject to normal practice in the relevant country. Where there are legacy defined benefit plans from corporate acquisitions, these are closed to all future accrual at the earliest reasonable opportunity.
Annual bonus (Variable pay) To reward performance and align executives' interests to those of shareholders.	Bonus awards to executive directors are made from the Group's aggregate bonus pool in which all staff participate and which is approved by the remuneration committee each year. The aggregate pool is normally capped at no more than 25% of the pre-bonus operating profit, unless exceptional circumstances justify a higher cap. Executive bonus awards paid from this pool take account of the Group's key financial performance indicators for the relevant financial year such as underlying profit before tax, underlying earnings per share, operating margin, cash conversion, ROCE, corporate governance and risk management. Details of the performance indicators for the most recent financial year and performance against them are provided in the annual report on remuneration. Similar indicators have been applied for the forthcoming year and we will report on the outcomes against these measures in the 2015 report. 75% of any bonus earned is paid in Company shares which are released to executive directors in equal tranches over not less than four years. An amount equivalent to the dividends due on the shares is paid to participants only after the earliest vesting date has passed.
Clawback To ensure that bonus awards do not encourage excessive risk.	A clawback principle applies to the bonus plan. This enables the committee to seek to recoup annual bonus in the exceptional event of: misstatement or misleading representation of performance; a significant failure of risk management and control; or serious misconduct of an individual.
Share ownership	Executive directors are required to build up a substantial interest in Company shares. The current requirements are set out in the annual report on remuneration.
Employment contracts, and loss of office To facilitate recruitment and retention, and support pay for performance, by providing fair but not excessive contract features.	Notice periods from the company are normally limited to 12 months, unless there are exceptional reasons for a longer period of notice during a temporary transition period. Deferred bonus awards normally lapse on cessation of employment unless 'good leaver' status applies under the relevant plan rules.
New executive director appointments To facilitate recruitment of necessary talent.	Remuneration for new appointments will be set in accordance with the policy detailed in this table. Where necessary, the committee may offer additional remuneration, such as shares or cash-based awards, to replace remuneration the individual has foregone in order to be able to join the Group.

Maximum opportunity
There is no prescribed maximum salary or maximum rate of increase. The committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, development in role, change in responsibility, specific retention issues, market practice or changes in regulatory requirements. Details of the outcome of the most recent salary review are provided in the annual report on remuneration.
Fringe benefits are not subject to a specific cap, but represent only a small percentage of total remuneration. The costs associated with benefits provision are closely monitored and controlled.
Company contribution of up to 20% of base salary, or equivalent cash allowance in lieu.
The aggregate bonus pool for all employees including executives is capped. The policy is not to cap individual bonus awards (other than indirectly through the impact of the aggregate pool cap) as this is not market practice for most of the Group's peers and would risk placing the Group at a competitive disadvantage. The high proportion of bonus deferral (75%), clawback arrangements, and risk controls incorporated in the Group's team-based investment process, ensure that the uncapped individual incentive opportunity encourages both excellent performance and prudent management of risk. The committee will consider, where appropriate, the use of tax-approved share plans, to be applied to all employees on similar terms, where these are consistent with the Group's overall remuneration policy.
The committee has discretion to determine the amount of any award which it seeks to clawback.
Any severance payment in lieu of notice is capped at an amount equivalent to the remuneration the executive director would otherwise have been eligible to receive had they been permitted to work the notice period. (See further detail after this table regarding any new executive director contracts.)

Choice of performance measures and how performance expectations are set

The annual bonus is based on a range of key performance indicators ("KPIs") linked directly to the Group's strategy, which provides a rounded assessment of the Group's performance. The remuneration committee reviews the KPIs each year, and varies them, if appropriate, to ensure that they continue to reflect the priorities for the business.

The main emphasis is on financial metrics such as underlying profit before tax, underlying earnings per share, operating margin, cash conversion, and ROCE. These KPIs are used because: they support value creation for shareholders; are a good indication of the strong operational disciplines in place; and, most importantly, reflect the Group's imperative to look after our clients.

The committee considers what has been achieved for each KPI, relative to both the annual business plan and the longer-term strategy. Levels of bonus award therefore reflect actual performance relative to both annual and longer-term expectations. The financial results achieved in any one year are a reflection of the delivery of our long term strategy.

Differences in remuneration policy for executive directors compared to other employees

The remuneration approach for the executive directors is broadly consistent with that for employees across the Group as a whole. However, there are some differences which the committee believes are necessary to reflect the different responsibilities of employees across the Group:

- Below executive director level, whilst the same 75% bonus deferral policy applies, some individuals are permitted to elect to receive up to half the deferred amount in the form of an investment in funds managed by Aberdeen; the balance of the deferred amount is delivered in Aberdeen shares.

For executive directors and the other members of the Group management board the 75% deferred portion of annual bonus vests over not less than four years in equal tranches on the 1st, 2nd, 3rd and 4th anniversaries of the award. For employees below this level, the 75% deferred portion currently vests in equal tranches over three years on the 1st, 2nd, and 3rd anniversaries of the award.

External non-executive director positions

Executive directors are permitted to accept a limited number of directorships outside the Group, recognising that this can assist in their personal development. All such appointments are subject to approval in advance by the Board. Where the appointment is accepted in furtherance of the Group's business, any fees received are remitted to the Group. If the appointment is not connected to the Group's business, the director is permitted to retain any fees received. Details of outside directorships held by the executive directors and any fees that they received are provided in the annual report on remuneration.

Approach to remuneration for new executive director appointments

The remuneration package for a newly appointed executive director is set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors, and would be subject to the maximum limit on aggregate variable pay referred to in the policy table above.

The committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of the Group and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. Any such payments would take account of the details of the remuneration foregone and would take account of the nature, vesting dates and any performance requirements attached to that remuneration.

For external and internal appointments, the Group may meet certain relocation expenses as appropriate.

Service contracts and loss of office payment policy

The remuneration committee periodically reviews the contractual terms for new executive directors to ensure that these reflect best practice.

Service contracts normally continue until the director's agreed retirement date or such other date as the parties agree. The service contracts contain provision for early termination. Notice periods are limited to 12 months.

Executive directors appointed up to 31 December 2013

For existing executive directors, if the employing company terminates the employment without giving the period of notice required under the contract, then the executive director is entitled to receive up to 1 year's remuneration in recompense. Compensation is limited to: base salary due for any unexpired notice period; any amount assessed by the committee as representing the value of contractual benefits and pension which would have been received during the notice period; and any annual bonus which the director might otherwise have been eligible to receive had they been permitted to serve their notice, subject to the committee's assessment of Group and personal performance.

Any executive directors who are appointed after 31 December 2013

In the case of any new executive director appointment since January 2014, if the individual's contract were terminated by the employing company and payment in lieu of notice were to be made, the committee would normally seek to limit this to base salary, pension and benefits for up to 12 months. An amount in respect of loss of annual bonus for the period of notice would only be included in exceptional circumstances such as ill health, and would not apply in circumstances of poor performance. For the avoidance of doubt, note that the individual would be eligible to be considered in the normal way for an annual bonus for any period they have served as an executive director, subject to the normal assessment of Group and personal performance.

The directors' contracts also provide for termination on three months' notice if, in the opinion of the Board and having given the director adequate opportunity to improve, the director has failed to perform at a satisfactory standard. In such a case, the directors' contracts do not provide for any liquidated damages to be paid.

In summary, the contractual provisions are as follows:

Provision	Detailed terms for existing executive directors	Detailed terms any new executive director appointments post 31 December 2013
Notice period	12 months	12 months
Termination payment in the event of termination by the Company without due notice.	Base salary plus value of benefits including pension. Also eligible for annual bonus which the director would otherwise have received.	Normally limited to base salary, plus value of benefits including pension.

Any share-based entitlements an executive director holds under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards will lapse. However, in certain prescribed circumstances, such as death, disability, redundancy, retirement or other circumstances at the discretion of the committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied.

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Legacy arrangements

For the avoidance of doubt, in approving this directors' remuneration policy, authority is given to the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or the unwind of legacy share schemes) that have been disclosed to shareholders in previous remuneration reports. Details of any payments to directors will be set out in the annual report on remuneration as they arise.

Reward scenarios

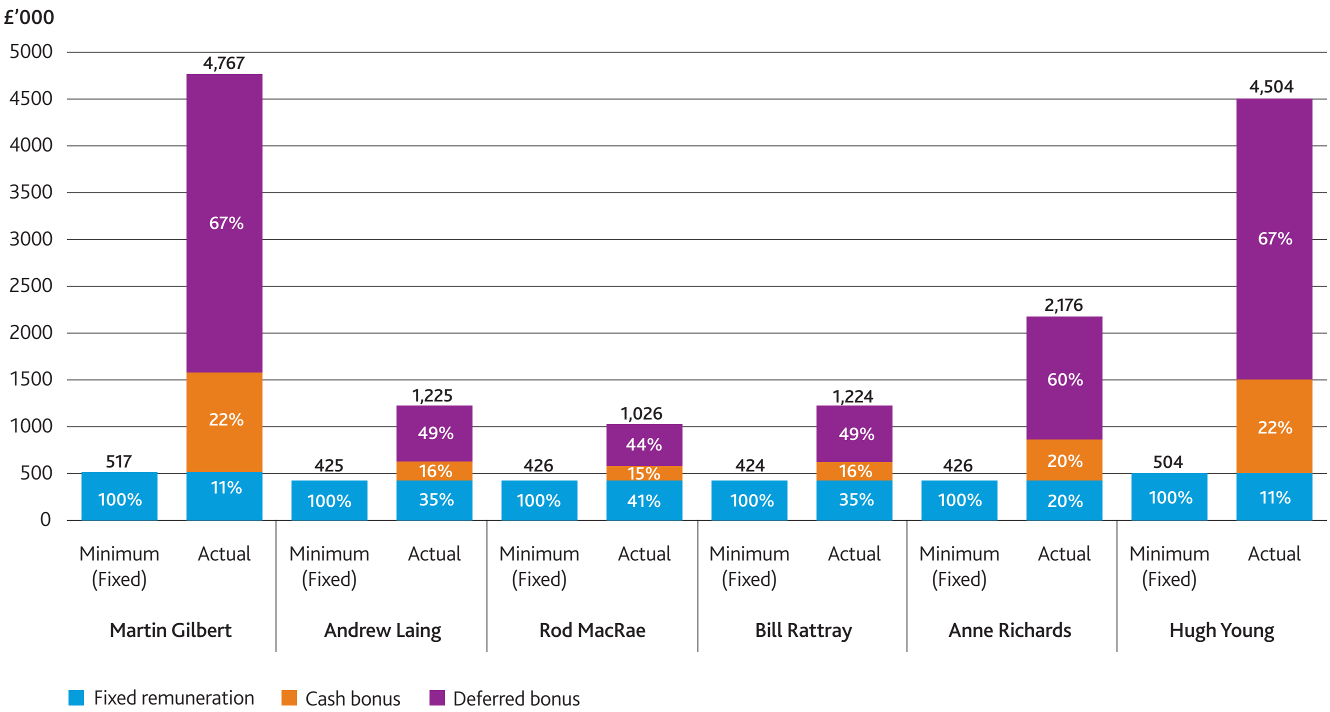
The Group's policy results in the majority of the remuneration received by executive directors being dependent on Group performance.

The chart below illustrates the minimum (fixed) remuneration, and provides an indication of the total remuneration for a year of good performance using the annual bonus figures for the year ending September 2014 and the base salary effective 1 January 2015. As the Group's policy is not to cap individual variable pay, a maximum total remuneration figure is not shown in the chart.

It also shows the weighting of the main remuneration components for executive directors. As the chart indicates, performance-related remuneration represents between 59% and 89% of the total, and three-quarters of the performance-related remuneration is delivered in Aberdeen shares.

Corporate governance

Relative sizes of remuneration components



Fees policy for the Board Chairman and other non-executive directors

Element	Purpose and link to strategy	Operation	Maximum
Board Chairman fee	To attract and retain a high-calibre Board Chairman by offering a market competitive fee level.	The Chairman is paid a single fee for all his responsibilities. The level of the fee is reviewed periodically by the remuneration committee, with reference to market levels in comparably sized FTSE companies, and a recommendation is then made to the Board (without the Chairman being present).	From 1 October 2014 the fee for the Chairman is £325,000. The Directors' Remuneration Policy allows the fee to be changed periodically by the committee.
Non-executive director fees	To attract and retain high-calibre non-executive directors by offering a market competitive fee level.	The non-executives are paid a basic fee. Fee supplements may be paid for additional responsibilities and activities, such as for the committee chairmen and other members of the main Board committees (eg. audit, remuneration, risk, and nominations) and the Senior Independent Director, to reflect the additional responsibilities. The fee levels are reviewed periodically by the Chairman and executive directors, with reference to market levels in comparably sized FTSE companies and a recommendation is then made to the Board.	From 1 October 2014, the basic fee is £65,000 with a supplement of £30,000 for each of the Chairmen of the audit, remuneration and risk committees and a supplement of £20,000 for the Senior Independent Director. From 1 October 2014, the supplement is £13,000 for other members of the audit, remuneration and risk committees, and £5,000 for members of the nominations committee. The fee levels are subject to change periodically under this policy. There is no maximum fee level.

Non-executive directors are engaged under letters of appointment and they do not have contracts of service. The appointment will normally terminate on:

i) a director choosing to resign voluntarily; or

ii) a director being prohibited from serving by law, bankruptcy or illness; or

iii) annually, if the nominations committee does not approve the extension of the appointment; or

iv) a director being found guilty of misconduct; or

v) a director not being re-elected by the shareholders following retirement by rotation at an Annual General Meeting.

No fee is paid to non-executive directors appointed to represent a major shareholder.

Compliance with FCA Remuneration Codes

The committee regularly reviews its remuneration policy to ensure compliance with the principles of the Remuneration Code of the UK financial services regulator, as applicable to Aberdeen. The remuneration policy is designed to be consistent with the prudent management of risk, and the sustained, long term performance of the Group. The Group Head of Risk is involved in reviewing the remuneration policy and practice to ensure that it is aligned with sound risk management, and keeps the committee informed of Aberdeen's risk profile so that this can be taken into account in remuneration decisions.

Annual report on remuneration

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and relevant sections of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2015 AGM. Where indicated, information has been audited as required under the regulations.

Directors' remuneration as a single figure (audited information)

The remuneration of the directors for 2013 and 2014 was as follows:

Year to 30 September 2014	Salary & fees £'000	Taxable benefits £'000	Annual bonus £'000	Pension £'000	Total £'000
Executive Directors					
Martin Gilbert	505	2	4,250	–	4,757
Andrew Laing	354	2	800	63	1,219
Rod MacRae	354	2	600	64	1,020
Bill Rattray	354	2	800	62	1,218
Anne Richards	354	2	1,750	64	2,170
Hugh Young	337	157	4,000	–	4,494
	2,258	167	12,200	253	14,878
Non-Executive Directors					
Roger Cornick	300	–	–	–	300
Julie Chakraverty	84	–	–	–	84
Anita Frew	121	–	–	–	121
Richard Mully	102	–	–	–	102
Jim Pettigrew	102	–	–	–	102
Jutta af Rosenborg	72	–	–	–	72
Simon Troughton	107	–	–	–	107
	888	–	–	–	888
	3,146	167	12,200	253	15,766

Year to 30 September 2013					
Executive Directors					
Martin Gilbert	500	2	4,600	–	5,102
Andrew Laing	350	2	850	62	1,264
Rod MacRae	325	2	650	65	1,042
Bill Rattray	350	2	825	62	1,239
Anne Richards	350	2	1,900	68	2,320
Hugh Young	352	145	4,600	–	5,097
	2,227	155	13,425	257	16,064
Non-Executive Directors					
Roger Cornick	285	–	–	–	285
Julie Chakraverty	81	–	–	–	81
Anita Frew	115	–	–	–	115
Richard Mully	96	–	–	–	96
Jim Pettigrew	97	–	–	–	97
Jutta af Rosenborg	51	–	–	–	51
Simon Troughton	101	–	–	–	101
Giles Weaver	28	–	–	–	28
	854	–	–	–	854
	3,081	155	13,425	257	16,918

Annual bonus for the year to 30 September 2014

Annual bonus awards for the year under review were based on performance against a range of objectives. The relevant performance indicators and the committee's assessment of performance are shown in the table.

Key	
Above target	✓✓✓
Around target	✓✓
Between threshold and target	✓
Below threshold	↓

Key performance indicators	Key points in 2013-14 financial year	Remuneration Committee's assessment
Key financial:		
Growth in underlying diluted EPS	-4.1%	✓
Operating margin	43.9%	✓✓✓
ROCE	21.3%	✓✓
Cash conversion	111%	✓✓✓
Qualitative:		
Client retention, service and investment performance	Delivering consistently high standards of client service and investment performance	✓✓
Distribution	Expanding and deepening our global distribution	✓
Risk management, compliance and conduct	Ensuring a Group wide focus on all aspects of risk, compliance and conduct	✓✓

For additional information, the history of performance against financial metrics for the last five years is as follows:

KPI (% change v prior year)	2014	2013	2012	2011	2010
Change in underlying PBT	**+1.6%**	+38.8%	+15.2%	+43.8%	+146.8%
Change in underlying EPS (diluted)	**-4.1%**	+43.6%	+20.9%	+40.6%	+111.1%
Operating margin	**43.9%**	45.4%	40.6%	39.5%	34.8%
Conversion of operating profit to cash flow	**111%**	108%	119%	129%	115%
Net new business	**-£20.4bn**	-£2.5bn	£0.0bn	-£1.7bn	+£2.6bn

The resulting bonuses for year ending 30 September 2014 were as follows:

Individual	Cash £'000	Deferred £'000[1]	Total
Martin Gilbert	1,062	3,188	4,250
Hugh Young	1,000	3,000	4,000
Anne Richards	437	1,313	1,750
Andrew Laing	200	600	800
Bill Rattray	200	600	800
Rod MacRae	150	450	600

[1] The deferred component vests in five equal tranches in December 2015, 2016, 2017, 2018 and 2019.

The bonus is paid 25% in cash and 75% in shares. The shares vest to executives over five years in equal instalments, subject to continued employment with the Company. Both the cash and share elements of the bonus are subject to the clawback policy.

Consideration of clawback in 2013-14

A clawback principle applies to the bonus plan. This enables the committee to seek to recoup annual bonus in the exceptional event of: misstatement or misleading representation of performance; a significant failure of risk management and control; or serious misconduct of an individual. It allows both the equity and cash portions of bonus awards to be clawed back via the reduction or cancellation of any outstanding unvested deferred bonuses regardless of the bonus year to which they relate. As 75% of each year's bonus award is deferred, there is an ongoing substantial amount of accumulated, unvested deferred remuneration that can be recouped.

The committee considered there were no any events or circumstances that would have made it appropriate to claw back remuneration during 2013-14.

Outstanding share awards

The table below sets out details of executive Directors outstanding share awards (which will vest in future years subject to continued service).

	Interest at 1 October 2013	Awarded during year	Exercised in year	Issue price	Interest at 30 September 2014	Earliest vesting dates[1]
Martin Gilbert	799,331	–	(799,331)	164.2p	–	Vested
	1,207,444	–	(603,722)	84.2p	**603,722**	Vested
	817,668	–	(272,556)	139.9p	**545,112**	Vested
	1,382,682	–	–	179.0p	**1,382,682**	Vested
	1,004,522	–	–	199.1p	**1,004,522**	Vested
	502,261	–	–	199.1p	**502,261**	Dec 2014
	224,956	–	–	333.4p	**224,956**	Vested
	674,868	–	–	333.4p	**674,868**	Dec 2014, 2015 & 2016
	–	707,636	–	487.5p	**707,636**	Dec 2014, 2015, 2016 & 2017
Andrew Laing	83,740	–	(83,740)	164.2p	–	Vested
	158,354	–	(158,354)	84.2p	–	Vested
	114,384	–	(76,256)	139.9p	**38,128**	Vested
	282,822	–	(188,548)	179.0p	**94,274**	Vested
	194,626	–	(97,313)	199.1p	**97,313**	Vested
	97,313	–	–	199.1p	**97,313**	Dec 2014
	43,586	–	–	333.4p	**43,586**	Vested
	130,758	–	–	333.4p	**130,758**	Dec 2014, 2015 & 2016
	–	130,760	–	487.5p	**130,760**	Dec 2014, 2015, 2016 & 2017
Bill Rattray	83,740	–	–	164.2p	**83,740**	Vested
	158,354	–	–	84.2p	**158,354**	Vested
	107,235	–	–	139.9p	**107,235**	Vested
	272,347	–	–	179.0p	**272,347**	Vested
	188,348	–	–	199.1p	**188,348**	Vested
	94,174	–	–	199.1p	**94,174**	Dec 2014
	42,180	–	–	333.4p	**42,180**	Vested
	126,540	–	–	333.4p	**126,540**	Dec 2014, 2015 & 2016
	–	126,916	–	487.5p	**126,916**	Dec 2014, 2015, 2016 & 2017
Anne Richards	167,598	–	(167,598)	179.0p	–	Vested
	213,461	–	(213,461)	199.1p	–	Vested
	213,461	–	–	199.1p	**213,461**	Dec 2014
	95,606	–	(95,606)	333.4p	–	Vested
	286,818	–	–	333.4p	**286,818**	Dec 2014, 2015 & 2016
	–	292,284	–	487.5p	**292,284**	Dec 2014, 2015, 2016 & 2017

	Interest at 1 October 2013	Awarded during year	Exercised in year	Issue price	Interest at 30 September 2014	Earliest vesting dates[1]
Hugh Young	421,457	–	(421,457)	179.0p	–	Vested
	502,261	–	(502,261)	199.1p	–	Vested
	502,261	–	–	199.1p	**502,261**	Dec 2014
	224,956	–	(224,956)	333.4p	–	Vested
	674,868	–	–	333.4p	**674,868**	Dec 2014, 2015 & 2016
	–	707,636	–	487.5p	**707,636**	Dec 2014, 2015, 2016 & 2017
Rod MacRae	69,833	–	–	179.0p	**69,833**	Vested
	56,923	–	–	199.1p	**56,923**	Vested
	56,923	–	–	199.1p	**56,923**	Dec 2014
	33,744	–	–	333.4p	**33,744**	Vested
	101,232	–	–	333.4p	**101,232**	Dec 2014, 2015 & 2016
	–	99,992	–	487.5p	**99,992**	Dec 2014, 2015, 2016 & 2017

[1] Awards stated as having vested have reached the earliest vesting dates set at the date of award; as such, the participant can exercise his or her right to require formal vesting at any time without restriction.

These interests represent ordinary shares which will vest on the dates stated.

Directors' interests in share options (audited information)

	Date of grant	2013	Exercised in year	Market price exercise	2014	Exercise	Earliest	Latest	Status of price
Martin Gilbert	23.1.04	413,000	(413,000)	425.8p	–	59p	Jan 2007	Jan 2014	Achieved
Rod MacRae	17.6.08	116,666	–	–	**116,666**	130.25p	Jun 2013	Jun 2018	Achieved

The market price of the Company's ordinary shares at 30 September 2014 was 400.5p and the range during the year was 363.3p to 500.0p.

Directors' share interests (audited information)

Details of the directors' interests in shares are shown in the table below. As set out in the policy report, the executive directors are required to build up a shareholding equivalent to 300% of salary, including vested deferred bonus shares. The Board Chairman and non-executive directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline.

2014

Director	Held on main register	Deferred awards - vested	Total unrestricted	Deferred awards – unvested	Share options	Total	Unrestricted as percentage of base salary
Martin Gilbert	183,865	3,760,994	3,944,859	1,884,765	–	5,829,624	3,122%
Andrew Laing	42,680	273,301	315,981	358,831	–	674,812	356%
Rod MacRae	32,028	160,500	192,528	258,147	116,666	567,341	217%
Bill Rattray	2,298,792	852,204	3,150,996	347,630	–	3,498,626	3,555%
Anne Richards	554,095	–	554,095	792,563	–	1,346,658	625%
Hugh Young	450,000	–	450,000	1,884,765	–	2,334,765	529%
Roger Cornick	111,000	–	111,000	–	–	111,000	–
Julie Chakraverty	–	–	–	–	–	–	–
Anita Frew	37,500	–	37,500	–	–	37,500	–
Richard Mully	15,000	–	15,000	–	–	15,000	–
Jim Pettigrew	25,000	–	25,000	–	–	25,000	–
Jutta af Rosenborg	–	–	–	–	–	–	–
Akira Suzuki	–	–	–	–	–	–	–
Simon Troughton	40,000	–	40,000	–	–	40,000	–

2013

Director	Held on main register	Deferred awards - vested	Total unrestricted	Deferred awards – unvested	Share options	Total	Unrestricted as percentage of base salary
Martin Gilbert	122,233	4,248,492	4,370,725	2,365,240	413,000	7,148,965	3,310%
Andrew Laing	612,430	642,339	1,254,769	463,244	–	1,718,013	1,357%
Rod MacRae	32,028	–	32,028	318,655	116,666	467,349	37%
Bill Rattray	2,298,792	625,067	2,923,859	447,850	–	3,371,709	3,163%
Anne Richards	554,095	–	554,095	976,944	–	1,531,039	599%
Hugh Young	450,000	–	450,000	2,325,803	–	2,775,803	484%
Roger Cornick	111,000	–	111,000	–	–	111,000	–
Simon Troughton	40,000	–	40,000	–	–	40,000	–
Anita Frew	37,500	–	37,500	–	–	37,500	–
Jim Pettigrew	25,000	–	25,000	–	–	25,000	–
Julie Chakraverty	–	–	–	–	–	–	–
Richard Mully	–	–	–	–	–	–	–
Jutta af Rosenborg	–	–	–	–	–	–	–
Akira Suzuki	–	–	–	–	–	–	–

During the year Roger Cornick acquired 460 units of US$1,000 nominal value each of the 7% perpetual cumulative capital notes. Mr Cornick held these Notes at the year end and continued to hold these Notes at the date of this Report.

The directors are not permitted to hold their shares in hedging arrangements or as collateral for loans without the express permission of the Board. No director currently holds their shares in such an arrangement.

There have been no other changes to the directors' holdings between 30 September 2014 and 28 November 2014.

Percentage increase in the remuneration of the Chief Executive Officer

The following table shows the percentage change in the base salary, benefits and annual bonus of the Chief Executive between the current and previous financial year compared to average for all employees of the Group.

	Chief Executive	Average for all employees
Base salary	+1.8%	+4.3%
Benefits	No change	No change
Total annual bonus	-7.6%	-6.0%

Review of base salaries

The executive directors' salaries were reviewed by the committee and a salary increase from 1.4% to 1.8% will take effect from 1 January 2015. The average rate of salary increase awarded to all staff, other than directors, is 4.3%.

Base salary changes for the executive directors

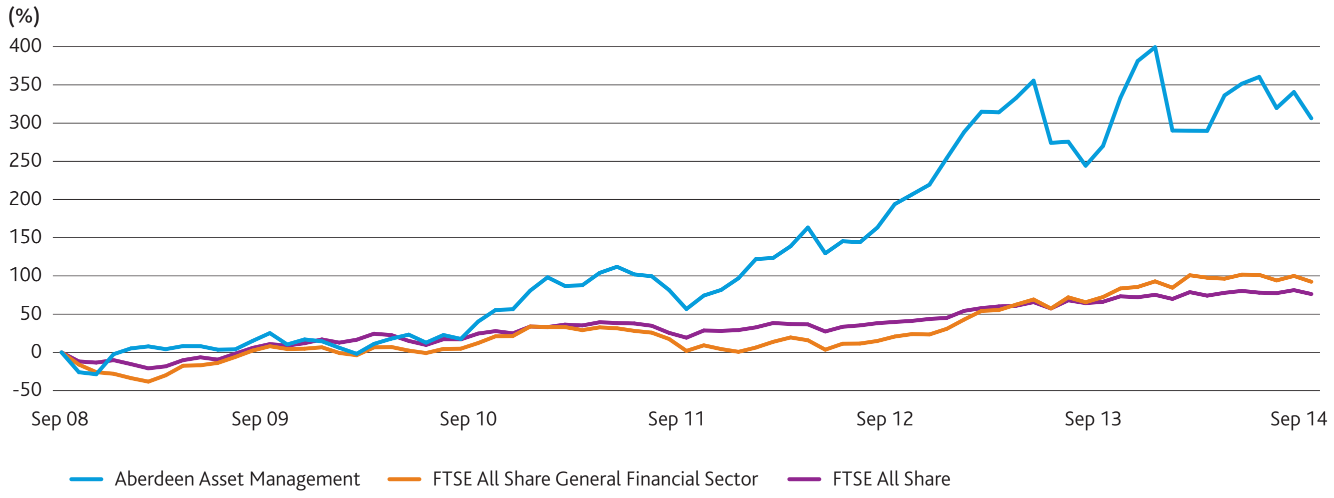
	Salary as at 1 January 2014	Salary as at 1 January 2015	% change
Martin Gilbert	£506,000	£515,000	+1.8
Andrew Laing	£355,000	£360,000	+1.4
Rod MacRae	£355,000	£360,000	+1.4
Bill Rattray	£355,000	£360,000	+1.4
Anne Richards	£355,000	£360,000	+1.4
Hugh Young	S$705,000	S$718,000	+1.8

Fee levels for non-executive director were reviewed with effect from 1 October 2014, and the following changes were agreed, to take account of the market level of fees for financial sector companies, and other companies of similar size to Aberdeen.

	Fee rate as at 1 October 2013	Fee rate as at 1 October 2014	% change
Board Chairman	£300,000	£325,000	+8.3
NED Base fee	£60,000	£65,000	+8.3
Senior Independent Director	£20,000	£20,000	No change
Committee Chairman supplement (Audit, Remuneration, Risk)	£30,000	£30,000	No change
Committee membership supplement (Audit, Remuneration, Risk)	£12,000	£13,000	+8.3
Committee membership supplement (Nominations)	£5,000	£5,000	No change

Total shareholder return

The graph below shows the Company's TSR performance (with dividends re-invested) against the performance of the FTSE All Share and the FTSE All Share General Financial Sector indices for the last 6 years. As the chart indicates, Aberdeen's TSR of 306% was substantially above the two comparator indices.



Source: Thomson Reuters

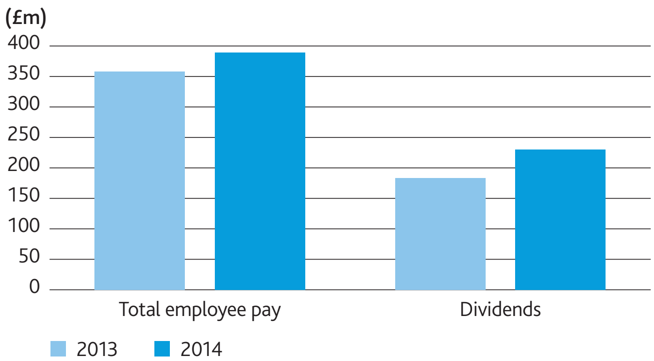
Total remuneration for Chief Executive

The total remuneration of the Chief Executive for each of the financial years shown in the TSR graph is shown in the following table. The total remuneration figure includes the annual bonus awarded, and LTIP awards which vested, based on performance in each year. The LTIP percentages show the payout for each year as a percentage of the maximum. As there is no cap on the maximum individual bonus award, a percentage of maximum annual bonus is not shown.

	2009	2010	2011	2012	2013	**2014**
Total remuneration (£'000)	1,925	3,751	4,501	4,728	5,102	**4,757**
LTIP vesting (%)	0%	85%	100%	100%	N/A	**N/A**

Relative importance of the spend on pay

The chart below shows the year-on-year movement in total remuneration of all employees, compared to the change in dividends paid and declared on ordinary shares.



Implementation of remuneration policy in the year commencing 1 October 2014

The committee intends to continue to apply broadly the same performance metrics and weightings to variable remuneration as in the previous year and to take account of strategic and annual expectations for the Company.

Meetings and attendance

The remuneration committee is chaired by Simon Troughton and, during the year, he was supported by two independent non-executive directors, Anita Frew and Richard Mully. Anita Frew retired as a director on 30 September 2014 and her replacement on the committee is Jutta af Rosenborg. All members served on the committee throughout the year.

The committee operates under formal terms of reference, which are reviewed annually and held four meetings during the year. There was full attendance at all meetings by members, as shown in the table:

The members of the committee during the year and their attendance at the meetings of the committee were:

	Maximum possible attendance	Meetings attended
Simon Troughton	4	4
Anita Frew	4	4
Richard Mully	4	4

The Chief Executive attends the meeting by invitation and assists the committee in its deliberations, except when his personal remuneration is discussed. No directors are involved in deciding their own remuneration. The committee also received advice from the Global Head of Human Resources. The Company Secretary acts as Secretary to the committee.

External advisors

The remuneration committee receives independent advice from New Bridge Street ("NBS") consultants. NBS abides by to the Remuneration Consultants' Code of Conduct, which requires it to provide objective and impartial advice. NBS was appointed by the committee and does not provide other services to the Group. Total fees charged by NBS for the year were £66,000.

External Directorships

The Group earned fees of £23,000 for Martin Gilbert's services as a non-executive director of one Aberdeen managed company and £67,000 for Hugh Young's services as a non-executive director of three Aberdeen managed companies.

The table below sets out details of the external directorships held by the executive directors and any fees that they received in respect of their services during the year.

	Position	**2014**	2013
Martin Gilbert	Non-executive chairman, FirstGroup plc	**£48,000**	£191,000
	Non-executive director, British Sky Broadcasting plc	**£104,000**	£93,000
Anne Richards	Non-executive director, esure Group plc	**£60,000**	£49,000
	Member of the Council of the Duchy of Lancaster	**£17,000**	£17,000

Statement of shareholder voting

At the 2014 AGM, shareholder voting on remuneration was as follows:

Approve the Directors' Remuneration Policy	**January 2014 AGM**	**%**
Votes cast in favour	700.2m	86.3
Votes cast against	110.7m	13.7
Total votes cast	810.9m	100.0
Abstentions	9.4m	–

Approve the Directors' Remuneration Report	**January 2014 AGM**	**%**
Votes cast in favour	720.5m	88.8
Votes cast against	90.8m	11.2
Total votes cast	811.3m	100.0
Abstentions	9.1m	–

Approval

This Directors' Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Simon Troughton

Simon Troughton
Chairman of the Remuneration Committee

28 November 2014

Directors' report

The directors have pleasure in submitting their annual report and financial statements for the year to 30 September 2014.

Principal activity and business review

The principal activity of the Group is the provision of asset management services. Further information on the Group's business, which is required by section 417a-d of the Companies Act 2006, can be found in the following sections of the annual report, which are incorporated by reference into this report:

- Chairman's statement on pages 6 to 8
- Strategic report on pages 16 to 49

Financial

The results for the year are shown in the Group income statement on page 93.

An interim ordinary dividend of 6.75p per share was paid on 19 June 2014. The directors recommend a final ordinary dividend of 11.25p per share, making a total of 18.0p per share for the year to 30 September 2014.

The proposed final dividend, if approved, will be paid on 6 February 2015 to shareholders on the register at the close of business on 12 December 2014. Coupon payments of £16.2 million in total have been paid on the 7.0% perpetual cumulative capital notes.

Directors

The names and biographical details of the present directors of the Company are given on pages 52 to 55. Anita Frew stepped down from the Board on 30 September 2014. All other directors, who served throughout the year, will retire and, being eligible, offer themselves for re-election. Directors' interests in the share capital and equity of the Company at the year end are contained in the remuneration report on page 76.

Substantial interests

At 28 November 2014, the Company has been notified of the following interests, other than the directors', of 3% or more in the ordinary shares:

	Number	% of class
Mitsubishi UFJ Trust & Banking Corporation	226,032,919	17.20
Lloyds Banking Group plc	114,489,009	8.70
Capital Research & Management	74,877,777	5.70
M&G Investment Management	65,267,283	4.78
BlackRock	53,983,760	4.10
Appleby Trust Jersey Limited	42,302,847	3.22

Share capital

Details of changes in share capital are set out in note 22 of the financial statements. The authority for the Company to purchase, in the market, up to 119,919,315 of its ordinary shares, representing approximately 10% of its issued ordinary share capital, expires at the forthcoming Annual General Meeting. This authority was not required during the year; however, at the forthcoming Annual General Meeting, shareholders will be asked to renew such authority for a further year.

Corporate governance

A report on corporate governance and compliance with the provisions of the UK Corporate Governance Code, which forms part of this Directors' report, is set out on pages 58 to 60.

Report on Greenhouse gas emissions

Details of the Group's emissions are contained in the corporate responsibility report contained on pages 48 to 49.

Going concern
The strategic review discusses the Group's business activities, together with the factors likely to affect its future development, performance and position and sets out the financial position of the Group, its cash flows and liquidity. Note 30 of the financial statements sets out the Group's objectives, policies and processes for managing capital and its financial risk management objectives, together with details of financial instruments and exposure to credit risk and liquidity risk.

The Group has considerable financial resources and a strong cash position. The Board has prepared forecasts, including rigorous sensitivity analysis, which demonstrate that the Group will continue to operate within its available resources.

After making these enquiries, the Board considers that the Group has adequate resources to meet its business needs and it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

Acquisition of shares by the employee benefit trust
During the year, the Employee Benefit Trust, funded by the Company, purchased a net 13,680,367 ordinary shares in the Company, which have an aggregate nominal value of 10p each, for a net consideration of £64.3 million. The shares were purchased in order to hedge the Group's future commitment in relation to the vesting of awards under the Group's deferred share award scheme.

At the date of this report, the Employee Benefit Trust holds 42,302,847 shares in the Company. The shares held by the Employee Benefit Trust are registered in the nominee name, Wealth Nominees Limited and a dividend waiver has been signed by Wealth Nominees Limited to cover all of the shares held by the Trust.

Directors' indemnities
The Company maintains directors and officers' liability insurance which provides appropriate cover for any legal action brought against its directors.

Audit information
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.

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

2014 Annual General Meeting
A separate document, the Notice of Annual General Meeting 2014, covering the Annual General Meeting of the Company to be held on 3 February 2015 at noon, will be sent or made available to all shareholders and will contain an explanation of the business before that meeting.

Electronic proxy voting
Registered shareholders have the opportunity to submit their votes (or abstain) on all resolutions proposed at the Annual General Meeting by means of an electronic voting facility operated by the Company's registrar, Equiniti Limited. This facility can be accessed by visiting www.sharevote.co.uk. CREST members may appoint a proxy or proxies by using the CREST electronic appointment service.

Electronic copies of the annual report and financial statements and other publications
Copies of the 2014 annual report and financial statements, the notice of Annual General Meeting, other corporate publications, press releases and announcements are available on the Group's website at aberdeen-asset.com. Shareholders are encouraged to take advantage of the provisions allowing the Group to deliver notices of meetings and associated documentation electronically by email, or via the Group's investor relations webpages at **aberdeen-asset.com/investorrelations**.

Company Information
The Company is registered in Scotland (No. 82015) and its Registered Office is located at 10 Queen's Terrace, Aberdeen, AB10 1YG.

By order of the Board

S E Massie

Scott E Massie
Secretary
10 Queen's Terrace
Aberdeen AB10 1YG

28 November 2014

Directors' responsibilities

The directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis.

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 Group and Company and of their profit and loss for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

R C Cornick
Chairman

28 November 2014

Financial statements

2014 saw robust financial performance in the face of challenging market conditions. Net revenue for the year of £1,117.6 million was 3.6% higher than in 2013. The SWIP acquisition added £119.8 million, offsetting the impact of outflow due to negative sentiment to emerging markets.

Underlying profit after tax increased by 2.0% to £411.7 million and statutory profit after tax decreased by 6.6% to £307.1 million.

Total equity at 30 September was £2,075.9 million (2013: £1,504.0 million) and closing net cash was £653.9 million (2013: £426.6 million).

12.5%

Dividend per share increased by 12.5% to 18.0p. We aim to grow our revenues while maintaining an efficient capital structure for the benefit of our shareholders.


Aberdeen

Accounting policies

Basis of preparation

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards endorsed by the EU.

The financial statements have been prepared on the historical cost basis, except that certain of the Group's financial instruments are stated at their fair values and the measurement of long term employee benefits at present value of the obligation less fair value of any assets held to settle the obligation. The principal accounting policies, which have been consistently applied unless otherwise stated, are set out below.

In publishing these financial statements, the Company is taking advantage of the exemption provided by section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the approved financial statements.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' report on page 82.

Accounting estimates and judgements

Preparation of the financial statements necessitates the use of estimates, assumptions and judgements, which affect the reported values of assets, liabilities and contingent liabilities 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 knowledge and judgement of information and financial data, the actual outcome may differ from these estimates. The key assumptions which affect the results for the year and the balances as at the year end are specifically identified, where appropriate, in the following notes to the Group financial statements:

a) impairment testing of goodwill and intangible assets – note 13;

b) assessment of estimated useful lives of intangible assets – notes 13;

c) business combinations and measurement of assets and liabilities at time of acquisition – notes 14 and 29;

d) provisions - note 27.

Standards not affecting the reported results nor the financial position

The following new and amended standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on amounts reported in these financial statements.

		Effective date
IFRS 13 (May 2011)	*Fair Value Measurement*	1 January 2013
IAS 19 (June 2011)	*Employee Benefits (amended)*	1 January 2013
Annual Improvements 2011 (May 2012)	*Improvements to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34*	1 January 2013
Amendments to IFRS 7 (December 2011)	*Offsetting financial assets and financial liabilities*	1 January 2013

IFRS 13 had no impact on the Group's results, but resulted in additional disclosures for financial instruments. IAS 19 (Amended) had no material impact on the Group's results but resulted in some additional and amended disclosures.

The Group has also adopted any revisions to the standards that are effective for the first time in the current year. This has no material impact on the Group's results.

New standards and interpretations not applied

Endorsed by the EU and available for early adoption:

		Effective date (periods commencing on or after 1 January 2014)
IFRS 10 (May 2011)	*Consolidated financial statements*	1 January 2014
IFRS 11 (May 2011)	*Joint arrangements*	1 January 2014
IFRS 12 (May 2011)	*Disclosure of Interest in Other Entities*	1 January 2014
Amendments to IFRS 10, 11 and 12 (December 2011)	*Transition guidance*	1 January 2014
Amendments to IAS 32 (December 2011)	*Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IAS 36	*Impairment of assets*	1 January 2014

IFRS 10 may require the consolidation of more funds which are managed by the Group. This will require the grossing up of the Group's assets and liabilities, however, it is not expected to have a material impact on operating profit, profit before tax or net assets.

IFRS 12 will not impact the Group results, but will require increased disclosure where the Group has an interest in the funds it manages.

No other standards and interpretations issued and not yet effective are expected to have a material impact on the Group's results.

Standards and interpretations not endorsed:

		Effective date (periods commencing on or after 1 January 2014)
Annual improvements 2012 (December 2013)	*Improvements to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IFRS 9, IAS 37, IAS 39*	1 July 2014
Annual improvements 2013 (December 2013)	*IFRS 1, IFRS 3, IFRS 13*	1 July 2014
IFRS 9 (October 2010)	*Financial Instruments: Classification and Measurement*	1 January 2015
Amendment to IFRS 11 (May 2014)	*Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendment to IAS 16 and IAS 38 (May 2014)	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendment to IFRS 10 and IAS 28 (September 2014)	*'Consolidated financial statements' and 'Investments in associates and joint ventures'*	1 January 2016
IFRS 15 (May 2014)	*Revenue from contracts with customers*	1 January 2017
IFRS 9 (July 2014)	*Financial Instruments*	1 January 2018

The Group is assessing the impact of the above standards on the Group's future financial statements.

Basis of consolidation

The consolidated financial information contained within these financial statements incorporates the results, cash flows and financial position of the Company and its subsidiaries for the period to 30 September 2014. Subsidiaries are entities controlled by the Company and are included from the date that control commences until the date that control ceases. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on a case by case basis.

Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a negative balance.

All intercompany transactions, balances, income and expenses between Group entities are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

Purchases of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values at the acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Costs relating to acquisitions are recognised in the income statement as incurred, and, where sufficiently material are disclosed separately in the income statement.

Where applicable, consideration for an acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). Subsequent changes in the fair value of contingent consideration classified as an asset or liability are reflected in the income statement and, when sufficiently material, are disclosed separately. Changes in the fair value of contingent consideration classified as equity are not remeasured and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Revised 2008) are recognised at their fair values at the acquisition date, except that: deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed at the acquisition date, and is subject to a maximum of one year.

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and such revenue can be reliably measured. Revenue is recognised as services are provided and includes management fees, transaction fees and performance fees.

Commissions and similar expenses payable to intermediaries are recognised when services are provided.

The Group is entitled to earn performance fees from a number of clients where the actual performance of the clients' assets exceeds defined benchmarks by an agreed level of outperformance over a set time period. Performance fees are recognised when the quantum of the fee can be reliably estimated and it is probable that the fee will be received.

Finance revenue

Finance revenue comprises interest and dividends. Interest income is recognised using the effective interest rate method as it accrues. Dividend income is recognised when the Group's right to receive payment is established which, in the case of listed securities, is the ex-dividend date.

Finance costs

Finance costs comprise interest payable on borrowings recognised using the effective interest rate method. They also include non-utilisation fees charged on the undrawn portion of the revolving credit facility.

The unwind of the discount on deferred consideration is classified as finance costs.

Acquisition-related items

Where the Group incurs significant expenditure or earns significant income arising from an acquisition and which are sufficiently material to warrant separate disclosure then the expenditure incurred is separately recognised on the face of the income statement in order to provide more helpful information to investors.

These costs are disclosed in a separate column of the income statement. Finance costs such as interest on borrowings to execute an acquisition and including the unwind of discount on deferred consideration in respect of acquisitions are considered acquisition-related items where they are necessarily incurred in the course of an acquisition.

Leases

All Group leases are operating leases, being leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset.

Rental payments made under operating leases are charged to the income statement on a straight line basis over the term of the lease. Lease incentives received by the Group are recognised as a reduction in the rental expense, recognised on a straight line basis over the period to the first rent review.

Rental income from sub-leases is recognised on a straight-line basis over the term of the relevant sub-lease.

Pension costs

The principal pension scheme operated by the Group is a group personal pension scheme. In addition, overseas subsidiaries make contributions to various trade and state defined contribution schemes. Contributions to these defined contribution pension schemes are recognised as an expense in the income statement as they become payable under the rules of the schemes.

The Group also operates a number of legacy defined benefit pension schemes which arose on acquisitions. All schemes are closed to new membership and to future service accruals. The Group's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of future benefit that members have earned in return for their service in prior periods; that benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The benefits are discounted at a rate equal to the yield on high credit rated corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The surplus or deficit in respect of defined benefit schemes is expressed as the excess or shortfall of the fair value of the assets of the scheme compared to the present value of the scheme liabilities and is recognised as an asset or liability of the Group or Company.

Net interest on the liability/asset and the costs of curtailments, settlements and administration are recognised in the income statement.

Remeasurements are recognised directly in other comprehensive income in the period in which they occur. When the calculation results in a benefit to the Group or Company, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Other employee benefits

Share-based payments and deferred fund awards
The Group grants equity-settled share-based awards and cash-settled awards (for awards in Aberdeen funds) to certain employees.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the service period to vesting, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding basis used for tax purposes.

Deferred tax is provided using the balance sheet liability method and is calculated at the tax rates enacted or substantively enacted that are expected to apply when the asset is realised or the liability settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, except:

- in respect of taxable or deductible temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that they will not reverse in the foreseeable future;
- where the deferred tax asset or liability arises from the initial recognition of goodwill; and
- where the deferred tax asset or liability arises from the initial recognition of an asset or liability in a transaction that:
    - is not a business combination; and
    - at the time of the transaction, affects neither accounting profit nor loss.

Property, plant & equipment

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

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

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

- Heritable property: 50 years;
- Leasehold property: over the period of the lease;
- Property improvements: shorter of five years or the period of the lease; and
- Computers, fixtures and fittings: three to ten years.

Depreciation is recognised as an expense in the income statement.

The carrying value of these assets is reviewed at each reporting date to consider whether there is any indication that the value of any asset may be impaired; if any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount, being the greater of fair value less costs to sell and value in use. Any impairment losses are recognised in the income statement.

Intangible assets

Goodwill
Goodwill, representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised in the balance sheet. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses.

Management contracts and distribution agreements
Intangible assets, such as management contracts and distribution agreements acquired as part of a business combination, are capitalised where it is probable that future economic benefits attributable to the assets will flow to the Group and the fair value of the assets can be measured reliably.

They are recorded initially at fair value and then amortised, if appropriate, over their useful lives. The fair value at the date of acquisition is calculated using discounted cash flow methodology and represents the valuation of the net residual income stream arising from the management contracts or distribution agreements in place at the date of acquisition. The contracts are included in the balance sheet as an intangible asset.

The useful lives of management contracts in respect of certain open end funds, which have no limit of time or termination provisions, are considered to be indefinite and are therefore not subject to amortisation. The indefinite nature of these contracts is reassessed on an annual basis to ensure that the policy remains appropriate.

Management contracts in respect of segregated mandates and certain open end funds are considered to have a definite life and are therefore amortised, generally, on a straight line basis over the lower of their estimated useful lives or average contract term of between two and ten years, with amortisation charged to the income statement reflecting the pattern of consumption of economic benefits. In limited situations, where a higher value of outflows is expected in earlier years we may apply a reducing balance basis, under which the amortisation charge is higher in early periods. The useful lives of distribution agreements are determined by reference to the expiry date of the agreement.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Software
Purchased software assets have a finite life and are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the useful economic life of the asset which, for software, is estimated at between three and five years. Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Impairment

The Group performs annual impairment reviews in respect of goodwill and intangible fixed assets with indefinite lives. The Group carries out impairment reviews in respect of intangible fixed assets with definite lives, property, plant & equipment and other assets, including fixed asset investments, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs to sell.

Impairment losses in respect of goodwill are not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Financial instruments are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. They are categorised as described below.

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

Financial investments held for trading include investments acquired principally for the purpose of selling in the short term or if so designated by management. They are carried at fair value in the balance sheet and gains or losses are taken to the income statement in the period in which they arise. The following assets and liabilities are classified as financial instruments held for trading:

- **Current assets**
  - Assets backing investment contract liabilities
  - Stock of units and shares
  - Seed capital
  - Other investments
- **Current liabilities**
  - Investment contract liabilities

Available for sale financial assets are also carried at fair value in the balance sheet. Movements in fair value are taken to the fair value reserve until derecognition of the asset, at which time the cumulative amount dealt with through this reserve is recognised in the income statement.

Where there is objective evidence that an available for sale financial asset is impaired, the cumulative impairment loss is reclassified from equity to profit and loss with subsequent movements recognised in profit and loss.

- **Non-current assets includes**
  - Other investments available for sale
  - Other investments held at amortised cost

Loans and receivables and other financial liabilities are recognised at amortised cost using the effective interest rate method.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and investments in money market instruments with an original maturity of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Investment contracts

The Group sells unit linked life and pension contracts through its insurance subsidiary, Aberdeen Asset Management Life and Pensions Limited ("L&P"). Management fees earned from these contracts are accounted for as described in the accounting policy for revenue.

L&P is consolidated in the Group financial statements on a line-by-line basis. Unit linked policyholder assets (described as assets backing investment contract liabilities) held by L&P and related policyholder liabilities are carried at fair value, with changes in fair value taken to profit or loss.

Amounts received from and paid to investors under these contracts are treated as deposits received or paid and therefore not recorded in the income statement. Charges to investors due under these contracts are recognised in the income statement. At the balance sheet date the value of these contracts is stated at an amount equal to the fair value of the net assets held to match the contractual obligations.

Investments in subsidiaries

In the Company balance sheet, investments in subsidiaries are carried at cost less any provision for impairment.

Equity instruments

Perpetual subordinated capital securities
The 7.0% perpetual cumulative capital notes are classified as an element of equity as the securities are irredeemable, except at the Company's option, and coupon payments are discretionary. Coupon payments, net of attributable tax, are recognised as distributions within equity.

Dividends
Dividends on ordinary shares are recognised on the date of payment or, if subject to approval, the date approved by shareholders.

Provisions

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

Foreign currencies

The consolidated financial statements are presented in sterling, the Company's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured in that functional currency.

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 income statement. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction and so no exchange differences arise. Non-monetary assets and liabilities stated at fair value in a foreign currency are translated at the exchange rate ruling at the balance sheet date.

Where fair value movements in assets and liabilities are reflected in the income statement, the corresponding exchange movements are also recognised in the income statement. Where fair value movements in assets and liabilities are reflected directly in other comprehensive income, the corresponding exchange movements are also recognised directly in other comprehensive income.

The assets and liabilities of foreign operations are translated to sterling at the exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Exchange differences arising are recognised in other comprehensive income and accumulated in equity. On disposal of a foreign operation, all of the accumulated foreign exchange differences in respect of that operation are recycled to the profit and loss account.

Group income statement

For the year to 30 September 2014

	Notes	2014 Before amortisation and acquisition-related items £m	2014 Amortisation and acquisition-related items £m	2014 Total £m	2013 Before amortisation and acquisition-related items £m	2013 Amortisation and acquisition-related items £m	2013 Total £m
Gross revenue		1,288.7	–	1,288.7	1,314.8	–	1,314.8
Commissions payable		(171.1)	–	(171.1)	(236.3)	–	(236.3)
Net revenue	2	1,117.6	–	1,117.6	1,078.5	–	1,078.5
Operating costs		(627.2)	–	(627.2)	(589.3)	–	(589.3)
Amortisation of intangible assets	13	–	(99.4)	(99.4)	–	(73.2)	(73.2)
Acquisition costs	4	–	(33.1)	(33.1)	–	(19.2)	(19.2)
Operating expenses		(627.2)	(132.5)	(759.7)	(589.3)	(92.4)	(681.7)
Operating profit		490.4	(132.5)	357.9	489.2	(92.4)	396.8
Net finance (costs) income	7	0.5	(3.2)	(2.7)	(3.5)	–	(3.5)
Losses on investments	8	(0.6)	–	(0.6)	(3.0)	–	(3.0)
Profit before taxation		490.3	(135.7)	354.6	482.7	(92.4)	390.3
Tax expense	9	(78.6)	31.1	(47.5)	(79.1)	17.6	(61.5)
Profit for the year		411.7	(104.6)	307.1	403.6	(74.8)	328.8
Attributable to:							
Equity shareholders of the Company				285.5			307.7
Other equity holders				16.2			20.5
Non-controlling interests				5.4			0.6
				307.1			328.8
Earnings per share							
Basic	12			23.54p			27.16p
Diluted	12			22.79p			26.22p

Statements of comprehensive income

For the year to 30 September 2014

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Profit for the year	**307.1**	328.8	**415.5**	315.8
Items that will not be reclassified subsequently to profit or loss				
Remeasurement loss on defined benefit pension schemes	**(6.9)**	(9.6)	**–**	–
Tax on net remeasurement on defined benefit pension schemes	**1.7**	2.1	**–**	–
	(5.2)	(7.5)	**–**	–
Items that may be reclassified subsequently to profit or loss				
Translation of foreign currency net investments	**(15.8)**	(11.3)	**–**	–
Available for sale assets:				
– losses during the period	**(0.1)**	–	**–**	–
– losses recycled from equity to the income statement	**–**	3.3	**–**	1.9
Tax on items that may be recycled to profit or loss	**0.2**	0.3	**–**	(0.4)
	(15.7)	(7.7)	**–**	1.5
Other comprehensive (expense) income, net of tax	**(20.9)**	(15.2)	**–**	1.5
Total comprehensive income for the year	**286.2**	313.6	**415.5**	317.3
Attributable to:				
Equity shareholders of the Company	**264.4**	291.6	**399.3**	296.8
Other equity holders	**16.2**	20.5	**16.2**	20.5
Non-controlling interests	**5.6**	1.5	**–**	–

Balance sheets

30 September 2014

	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Assets					
Non-current assets					
Intangible assets	13	**1,552.2**	1,029.1	**55.1**	59.7
Property, plant & equipment	15	**21.1**	19.7	**11.9**	10.4
Investments	16	**54.6**	54.5	**2,485.9**	1,897.9
Deferred tax assets	17	**28.4**	23.4	**8.5**	3.7
Pension surplus	32	**16.6**	9.7	**–**	–
Trade and other receivables	18	**3.2**	2.8	**62.9**	37.5
Total non-current assets		**1,676.1**	1,139.2	**2,624.3**	2,009.2
Current assets					
Assets backing investment contract liabilities	19	**2,472.9**	2,516.6	**–**	–
Trade and other receivables	18	**490.2**	297.4	**101.8**	97.6
Investments	20	**85.8**	107.8	**53.5**	75.5
Cash and cash equivalents	21	**653.9**	426.6	**334.1**	202.0
Total current assets		**3,702.8**	3,348.4	**489.4**	375.1
Total assets		**5,378.9**	4,487.6	**3,113.7**	2,384.3
Equity					
Called up share capital	22	**131.4**	119.9	**131.4**	119.9
Share premium account	24	**898.7**	898.5	**898.7**	898.5
Other reserves	24	**656.1**	165.8	**714.8**	208.6
Retained profit (loss)	24	**28.0**	(49.1)	**362.0**	173.4
Total equity attributable to shareholders of the parent		**1,714.2**	1,135.1	**2,106.9**	1,400.4
Non-controlling interest		**40.1**	47.3	**–**	–
7.0% Perpetual cumulative capital notes	25	**321.6**	321.6	**321.6**	321.6
Total equity		**2,075.9**	1,504.0	**2,428.5**	1,722.0
Liabilities					
Non-current liabilities					
Deferred contingent consideration	14	**53.9**	–	**53.9**	–
Pension deficit	32	**20.2**	14.1	**–**	–
Provisions	27	**5.0**	5.4	**–**	0.4
Deferred tax liabilities	17	**109.7**	45.0	**0.5**	0.5
Total non-current liabilities		**188.8**	64.5	**54.4**	0.9
Current liabilities					
Investment contract liabilities	19	**2,472.9**	2,516.6	**–**	–
Interest bearing loans and borrowings	21	**–**	–	**364.0**	442.1
Trade and other payables	26	**526.7**	321.9	**197.5**	176.5
Deferred consideration	14	**38.3**	–	**38.3**	–
Other liabilities	14	**30.5**	27.5	**30.5**	27.5
Current tax payable		**45.8**	53.1	**0.5**	15.3
Total current liabilities		**3,114.2**	2,919.1	**630.8**	661.4
Total liabilities		**3,303.0**	2,983.6	**685.2**	662.3
Total equity and liabilities		**5,378.9**	4,487.6	**3,113.7**	2,384.3

The financial statements were approved by the Board of Directors on 28 November 2014, and signed on its behalf by:

R C Cornick
Chairman

W J Rattray
Finance Director

Financial statements

Statements of changes in equity

For the year to 30 September 2014

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m
Group				
Balance at 30 September 2012	115.1	815.9	31.1	172.7
Profit for the period	–	–	–	–
Other comprehensive (expense) income	–	–	–	–
Total comprehensive (expense) income	–	–	–	–
Arising on the issue of shares	0.1	0.3	–	–
Conversion of convertible bonds	4.7	82.3	–	–
Net issuance of perpetual capital notes	–	–	–	–
Share-based payments	–	–	–	–
Purchase of own shares	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Acquisition of non-controlling interest	–	–	–	–
Non-controlling interest in consolidated funds	–	–	–	–
Balance at 30 September 2013	119.9	898.5	31.1	172.7
Profit for the period	–	–	–	–
Other comprehensive (expense) income	–	–	–	–
Total comprehensive (expense) income	–	–	–	–
Arising on the issue of shares	11.5	0.2	–	438.6
Deferred share issue on acquisition (note 14)	–	–	–	–
Share-based payments	–	–	–	–
Purchase of own shares	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Non-controlling interest	–	–	–	–
Unwinding of put option	–	–	–	–
Balance at 30 September 2014	**131.4**	**898.7**	**31.1**	**611.3**
Company				
Balance at 30 September 2012	115.1	815.9	31.1	172.7
Profit for the period	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	–
Arising on the issue of shares	0.1	0.3	–	–
Conversion of convertible bonds	4.7	82.3	–	–
Net issuance of perpetual capital notes	–	–	–	–
Share-based payments	–	–	–	–
Purchase of own shares	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Balance at 30 September 2013	119.9	898.5	31.1	172.7
Profit for the period	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	–
Arising on the issue of shares	11.5	0.2	–	438.6
Deferred share issue on acquisition (note 14)	–	–	–	–
Share-based payments	–	–	–	–
Purchase of own shares	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Unwinding of put option	–	–	–	–
Balance at 30 September 2014	**131.4**	**898.7**	**31.1**	**611.3**

Foreign currency translation reserve £m	Fair value reserve £m	Other non-distributable reserves £m	Retained earnings £m	Non controlling interest £m	Perpetual capital securities £m	Total equity £m
1.5	(5.5)	9.2	(51.6)	14.0	198.1	1,300.5
–	–	–	307.7	0.6	20.5	328.8
(11.3)	1.8	–	(6.6)	0.9	–	(15.2)
(11.3)	1.8	–	301.1	1.5	20.5	313.6
–	–	–	–	–	–	0.4
–	–	(6.2)	6.2	–	–	87.0
–	–	–	(66.0)	–	123.5	57.5
–	–	–	50.9	–	–	50.9
–	–	–	(138.9)	–	–	(138.9)
–	–	–	(150.8)	–	(20.5)	(171.3)
–	–	(27.5)	–	27.5	–	–
–	–	–	–	4.3	–	4.3
(9.8)	(3.7)	(24.5)	(49.1)	47.3	321.6	1,504.0
–	–	–	285.5	5.4	16.2	307.1
(15.8)	(0.1)	–	(5.2)	0.2	–	(20.9)
(15.8)	(0.1)	–	280.3	5.6	16.2	286.2
–	–	–	–	–	–	450.3
–	–	67.6	–	–	–	67.6
–	–	–	65.0	–	–	65.0
–	–	–	(64.3)	–	–	(64.3)
–	–	–	(200.9)	(1.4)	(16.2)	(218.5)
–	–	–	–	(11.4)	–	(11.4)
–	–	–	(3.0)	–	–	(3.0)
(25.6)	**(3.8)**	**43.1**	**28.0**	**40.1**	**321.6**	**2,075.9**
1.0	(0.7)	9.2	181.4	–	198.1	1,523.8
–	–	–	295.3	–	20.5	315.8
–	1.5	–	–	–	–	1.5
–	1.5	–	295.3	–	20.5	317.3
–	–	–	–	–	–	0.4
–	–	(6.2)	6.2	–	–	87.0
–	–	–	(66.0)	–	123.5	57.5
–	–	–	46.2	–	–	46.2
–	–	–	(138.9)	–	–	(138.9)
–	–	–	(150.8)	–	(20.5)	(171.3)
1.0	0.8	3.0	173.4	–	321.6	1,722.0
–	–	–	399.3	–	16.2	415.5
–	–	–	–	–	–	–
–	–	–	399.3	–	16.2	415.5
–	–	–	–	–	–	450.3
–	–	67.6	–	–	–	67.6
–	–	–	57.5	–	–	57.5
–	–	–	(64.3)	–	–	(64.3)
–	–	–	(200.9)	–	(16.2)	(217.1)
–	–	–	(3.0)	–	–	(3.0)
1.0	**0.8**	**70.6**	**362.0**	**–**	**321.6**	**2,428.5**

Statements of cash flows

For the year to 30 September 2014

		Group		Company	
	Notes	2014 £m	2013 £m	2014 £m	2013 £m
Core cash generated from operating activities		**543.8**	529.1	**522.1**	422.7
Short-term timing differences on open end fund settlements		**(3.9)**	1.5	**–**	–
Cash generated from operations		**539.9**	530.6	**522.1**	422.7
Net interest received (paid)		**0.5**	1.3	**(0.3)**	(0.9)
Tax paid		**(58.5)**	(47.3)	**(21.6)**	(18.4)
Net cash generated from operations		**481.9**	484.6	**500.2**	403.4
Acquisition costs paid		**(26.7)**	(11.7)	**(15.7)**	–
Net cash generated from operating activities	5	**455.2**	472.9	**484.5**	403.4
Cash flows from investing activities					
Proceeds from sale of investments		**51.1**	37.6	**41.2**	18.3
Purchase of investments		**(39.6)**	(68.4)	**(21.5)**	(49.1)
Acquisition of businesses, net of cash acquired		**71.1**	(83.9)	**–**	(17.5)
Investment in existing subsidiary undertakings		**–**	–	**(8.5)**	(135.1)
Liquidation of subsidiary undertakings		**–**	–	**8.8**	–
Purchase of intangible assets		**(3.2)**	(8.2)	**(2.8)**	(8.2)
Purchase of property, plant & equipment		**(9.8)**	(7.0)	**(5.5)**	(3.8)
Net cash generated from (used in) investing activities		**69.6**	(129.9)	**11.7**	(195.4)
Cash flows from financing activities					
Issue of ordinary shares		**0.2**	0.5	**0.2**	0.5
Purchase of own shares		**(64.3)**	(138.9)	**(64.3)**	(138.9)
Issue of 7.0% perpetual cumulative capital notes		**–**	321.6	**–**	321.6
Repayment of 7.9% perpetual capital securities		**–**	(264.1)	**–**	(264.1)
Dividends paid and coupon payments		**(221.9)**	(177.3)	**(221.9)**	(177.3)
Net cash used in financing activities		**(286.0)**	(258.2)	**(286.0)**	(258.2)
Net increase (decrease) in cash and cash equivalents		**238.8**	84.8	**210.2**	(50.2)
Cash and cash equivalents at 1 October		**426.6**	347.9	**(240.1)**	(189.9)
Exchange rate fluctuations on cash and cash equivalents		**(11.5)**	(6.1)	**–**	–
Cash and cash equivalents at 30 September		**653.9**	426.6	**(29.9)**	(240.1)

Notes to the financial statements

For the year to 30 September 2014

1 Segmental disclosures

The Group operates a single business segment of asset management for reporting and control purposes.

IFRS 8 *Operating Segments* requires disclosures to reflect the information which the Group management board ("GMB"), being the body that is the Group's chief operating decision maker, uses for evaluating performance and the allocation of resources. The Group is managed as a single asset management business, with multiple investment strategies of equities, fixed income and property, complemented by a solutions business which provides multi asset, alternatives and quantitative investment capabilities. These strategies are managed across a range of products, distribution channels and geographic regions. Reporting provided to the GMB is on an aggregated basis.

Under IFRS 8, the Group is required to disclose by geographical location revenue and amounts of non-current assets other than financial instruments, deferred tax assets and retirement benefit assets. Revenue below is allocated by geographical location based on where the assets are managed and the location of client service teams.

Year to 30 September 2014	UK £m	Europe £m	Singapore £m	Rest of Asia £m	US £m	Total £m
Net revenue	514.3	139.4	245.1	115.2	103.6	1,117.6
Non-current assets	1,302.9	47.2	6.2	140.5	79.7	1,576.5

Year to 30 September 2013	UK £m	Europe £m	Singapore £m	Rest of Asia £m	US £m	Total £m
Net revenue	429.9	160.4	285.4	107.4	95.4	1,078.5
Non-current assets	747.2	58.5	7.3	152.4	86.2	1,051.6

2 Revenue

	2014 £m	2013 £m
Revenue comprises:		
Gross management fees	1,256.8	1,250.4
Commissions payable to intermediaries	(171.1)	(236.3)
Net management fees	1,085.7	1,014.1
Performance fees	21.7	50.8
Transaction fees	10.2	13.6
Net revenue	1,117.6	1,078.5

3 Operating expenses

	2014 £m	2013 £m
Operating profit is stated after charging (crediting):		
Fees payable to the Company's auditor for the audit of the Company's accounts	0.2	0.2
Fees payable to the Company's auditor and its associates for other services		
– audit of the Company's subsidiaries pursuant to legislation	1.1	1.0
– audit-related assurance services	0.2	0.1
Total audit fees	1.5	1.3
– tax compliance services	0.2	0.3
– other non audit services	0.4	0.2
Total non audit fees	0.6	0.5
Operating lease payments	18.5	19.2
Depreciation	8.2	6.6
Amortisation of intangible assets	99.4	73.2
Exchange loss (gain)	1.1	(2.0)

Details of directors' remuneration are given in the remuneration report on pages 66 to 80.

4 Acquisition-related items

Acquisition costs
Costs in 2014 mainly relate to the acquisition of SWIP and the migration and integration of these businesses into the Group (see note 14). Transaction costs include advisors' fees and stamp duty. Integration costs include charges in respect of a transitional services agreement with the vendor to ensure transfer in a controlled manner; set up costs in respect of migration of the back office; and costs of retaining duplicate staffing for the transitional period. Additionally, non-recurring rationalisation and redundancy costs have been incurred in implementing a cost reduction programme.

Costs in 2013 relate to non-recurring acquisition costs related to the purchase of Artio Global Investors Inc., a US listed asset manager, and the acquisition of 50.1% of SVG Managers, a fund of private equity specialist described in note 14.

A credit has been recognised in 2014 in respect of the release of a surplus provision relating to the Artio acquisition. This provision was included in the opening balance sheet on acquisition.

	2014 £m	2013 £m
Arising on SWIP acquisition:		
Redundancy and other severance costs	11.6	–
Costs of separation, migration & integration	10.5	–
Transitional service costs	3.4	–
Migration & integration costs	25.5	–
Transaction & deal costs	12.2	–
	37.7	–

	2014 £m	2013 £m
Arising on Artio & SVG acquisitions:		
Redundancy and other severance costs	–	10.8
Transaction & deal costs	–	3.5
Lease termination costs	–	3.9
Release of surplus provision	(4.6)	–
Other costs	–	1.0
	(4.6)	19.2
Total acquisition costs	33.1	19.2

£5.6 million has been recognised as a tax credit in the income statement in respect of acquisition costs that are deductible for tax purposes (2013: £1.6 million).

5 Analysis of cash flows

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Reconciliation of profit after tax to operating cash flow				
Profit after tax	307.1	328.8	415.5	315.8
Depreciation	8.2	6.6	4.0	2.5
Amortisation of intangible assets	99.4	73.2	7.4	7.8
Unrealised foreign currency losses	1.0	–	–	–
Loss on disposal of property, plant & equipment	–	3.5	–	1.1
Losses (gains) on investments	0.6	3.0	(1.7)	1.0
Equity settled share-based element of remuneration	51.4	45.9	8.3	6.9
Net finance costs	2.7	3.5	4.4	5.0
Income tax expense	47.5	61.5	(1.5)	(0.5)
	517.9	526.0	436.4	339.6
Decrease (increase) in trade and other receivables	40.1	(37.1)	(29.7)	79.2
(Increase) decrease in open end fund receivables	(89.7)	12.5	–	–
(Decrease) increase in trade and other payables	(40.5)	27.7	99.7	3.9
Increase (decrease) in open end fund payables	85.8	(11.0)	–	–
(Decrease) increase in provisions	(0.4)	0.8	–	–
Net cash inflow from operating activities	513.2	518.9	506.4	422.7
Interest received	3.8	3.5	2.4	1.5
Interest paid	(3.3)	(2.2)	(2.7)	(2.4)
Income tax paid	(58.5)	(47.3)	(21.6)	(18.4)
Net cash generated from operating activities	455.2	472.9	484.5	403.4

6 Employees

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Aggregate employee costs, including directors:				
Salaries and cash bonuses	**249.3**	219.3	**40.8**	35.0
Share-based payments and deferred fund awards (note 23)	**65.3**	63.5	**9.4**	8.5
Other benefits	**9.5**	9.0	**1.5**	1.2
Social security costs	**35.9**	41.2	**8.3**	10.8
Pension costs	**28.9**	25.1	**5.2**	4.5
	388.9	358.1	**65.2**	60.0
Severance costs on acquisitions (note 4)	**11.6**	10.8	**1.7**	–
	400.5	368.9	**66.9**	60.0

	2014 Number	2013 Number	2014 Number	2013 Number
Average number of employees during the year	**2,485**	2,062	**452**	384

7 Net finance costs (income)

	2014 £m	2013 £m
Interest on overdrafts, revolving credit facilities and other interest bearing accounts	**3.9**	3.6
Interest on 3.5% convertible bonds 2014	**–**	(0.9)
	3.9	2.7
Release of discount on liability component of convertible bonds	**–**	4.0
Amortisation of issue costs on convertible bonds	**–**	1.1
Unwinding of discount on deferred consideration	**3.2**	–
Total finance costs	**7.1**	7.8
Finance revenue – interest income	**(4.4)**	(4.3)
Net finance costs	**2.7**	3.5

8 Gains and losses on investments

	2014 £m	2013 £m
Gains on held for trading investments	**1.5**	3.2
Losses on available for sale investments	**(2.1)**	(2.9)
Recycling of losses on available for sale assets to income statement	**–**	(3.3)
	(0.6)	(3.0)

9 Tax expense

	2014 £m	2013 £m
Current tax expense		
UK corporation tax on profit for the year	**29.4**	37.9
Adjustments in respect of prior periods	**(0.5)**	0.4
	28.9	38.3
Foreign tax on profit in the year	**28.3**	39.2
Adjustments in respect of prior periods	**(0.5)**	(2.6)
Total current tax	**56.7**	74.9
Deferred tax credit		
Origination and reversal of temporary differences	**(11.7)**	(13.4)
Adjustments in respect of prior periods	**2.5**	–
Total tax expense in income statement	**47.5**	61.5

The deferred tax credit is analysed in note 17.

	2014 £m	2013 £m
Reconciliation of effective tax rate		
Profit before tax	**354.6**	390.3
Income tax calculated at the UK corporation tax rate 22% (2013: 23.5%)	**78.0**	91.7
Effect of lower tax rates applicable in foreign jurisdictions	**(26.9)**	(31.9)
Effect of capital gains deductions and exempt capital losses	**–**	0.6
Movement in unrecognised deferred tax asset	**(0.7)**	4.8
Change in UK tax rates on deferred tax balances	**(0.3)**	(1.5)
Expenses not deductible / (non-taxable income)	**(2.4)**	4.7
Timing difference on deferred shares	**0.6**	(2.9)
Other differences	**(2.3)**	(1.8)
Adjustments in respect of prior years	**1.5**	(2.2)
Total tax expense in income statement	**47.5**	61.5

Domestic tax rate
The UK tax rate for the year is 22% (2013: 23.5%). The tax rate was reduced from 23% to 21% (effective from 1 April 2014) and a further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013.

The effective tax charge borne by the Company and its UK subsidiaries will reduce accordingly in future years.

All UK deferred tax assets and liabilities that will unwind in the future have been recognised at an average rate of 20%, which has been calculated based on the future rates which will apply at the estimated dates of unwinding.

9 Tax expense (continued)

Factors affecting future tax charge

The Group's overseas profits are subject to the tax rates which apply in relevant jurisdictions, some of which are lower than the standard rate of UK corporation tax.

Non-UK deferred tax assets and liabilities at 30 September 2014 have also been calculated based on the rates that are expected to apply when the asset is realised or the liability settled.

10 Profit for the financial year

The profit dealt with in the accounts of the Company was £415.5 million (2013: £315.8 million).

11 Dividends and coupons payable

	2014 £m	2013 £m
Coupon payments on perpetual capital securities		
7.9% Perpetual capital securities	–	15.1
7.0% Perpetual cumulative capital notes	21.0	11.4
	21.0	26.5
Dividends on ordinary shares		
Declared and paid during the year:		
Final dividend for 2013 – 10.0p (2012: 7.1p)	114.6	82.2
Interim dividend for 2014 – 6.75p (2013: 6.0p)	85.1	68.6
	199.7	150.8
Total dividends and coupon payments paid during the year	220.7	177.3
Proposed for approval at the Annual General Meeting (not recognised as a liability at 30 September)		
Dividends on ordinary shares:		
Final dividend for 2014 – 11.25p (2013: 10.0p)	145.0	114.8

The total ordinary dividend for the year is 18.0p per share including the proposed final dividend for 2014 of 11.25p per share.

The coupon payments on perpetual capital securities are tax deductible. The deduction for 2014 is £4.8 million (2013: £6.0 million), resulting in a net cost of £16.2 million (2013: £20.5 million).

In addition, a dividend equivalent of £1.2 million was paid in respect of the deferred share issue to Lloyds Banking Group plc in respect of the SWIP transaction (see note 14).

12 Earnings per share

Basic earnings per share figures are calculated by dividing profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share figures are calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive shares into ordinary shares.

Underlying earnings per share figures are calculated by adjusting the profit to exclude amortisation of intangible assets and acquisition-related items. The purpose of providing the underlying earnings per share is to allow readers of the accounts to clearly consider trends without the impact of these non-cash or one-off items.

	IAS 33		Underlying	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Basic earnings per share				
Profit for the financial year attributable to equity shareholders of the Company	**285.5**	310.0	**285.5**	310.0
Amortisation of intangible assets, net of attributable taxation			**73.9**	57.2
Acquisition costs, net of attributable taxation			**30.7**	17.6
Underlying profit for the financial year			**390.1**	384.8
Weighted average number of shares (millions)	**1,212.8**	1,141.5	**1,212.8**	1,141.5
Basic earnings per share	**23.54p**	27.16p	**32.17p**	33.71p
Diluted earnings per share				
Profit for calculation of basic earnings per share, as above	**285.5**	310.0	**390.1**	384.8
Add: interest on convertible bonds, net of attributable taxation	**–**	3.2	**–**	3.2
Profit for calculation of diluted earnings per share	**285.5**	313.2	**390.1**	388.0
Weighted average number of shares (millions)				
For basic earnings per share	**1,212.8**	1,141.5	**1,212.8**	1,141.5
Dilutive effect of convertible bonds	**–**	6.2	**–**	6.2
Dilutive effect of LTIP awards	**–**	0.1	**–**	0.1
Dilutive effect of exercisable share options and deferred shares	**35.2**	46.7	**35.2**	46.7
Dilutive effect of potential ordinary shares for deferred top-up payment	**4.8**	–	**4.8**	–
	1,252.8	1,194.5	**1,252.8**	1,194.5
Diluted earnings per share	**22.79p**	26.22p	**31.14p**	32.48p

Profit for the financial year used in calculating earnings per share is based on profit after tax after deducting non-controlling interests of £5.4 million (2013: £0.6 million) and coupon payments in respect of perpetual capital securities (net of tax) of £16.2 million (2013: £18.8 million).

13 Intangible assets

Group	Goodwill £m	Management contracts £m	Distribution contracts £m	Software £m	Total £m
Cost					
At 30 September 2012	652.9	562.3	45.2	25.6	1,286.0
Additions	0.8	–	–	8.3	9.1
Arising on acquisitions	40.2	64.0	–	1.7	105.9
Disposals	–	–	–	(6.0)	(6.0)
Exchange movement	(3.7)	(2.0)	–	–	(5.7)
At 30 September 2013	690.2	624.3	45.2	29.6	1,389.3
Additions	–	–	–	3.4	3.4
Arising on acquisitions	228.6	389.2	–	7.0	624.8
Exchange movement	(5.5)	(0.2)	–	–	(5.7)
At 30 September 2014	**913.3**	**1,013.3**	**45.2**	**40.0**	**2,011.8**
Amortisation and impairment					
At 30 September 2012	–	251.7	24.0	16.2	291.9
Amortisation for year	–	60.5	9.0	3.7	73.2
On disposals	–	–	–	(4.9)	(4.9)
At 30 September 2013	–	312.2	33.0	15.0	360.2
Amortisation for year	–	84.6	9.2	5.6	99.4
At 30 September 2014	**–**	**396.8**	**42.2**	**20.6**	**459.6**
Net book value					
At 30 September 2014	**913.3**	**616.5**	**3.0**	**19.4**	**1,552.2**
At 30 September 2013	690.2	312.1	12.2	14.6	1,029.1

Company	Goodwill £m	Management contracts £m	Software £m	Total £m
Cost				
At 30 September 2012	34.8	25.7	22.8	83.3
Additions	–	–	8.2	8.2
Disposals	–	–	(5.8)	(5.8)
At 30 September 2013	34.8	25.7	25.2	85.7
Additions	–	–	2.8	2.8
At 30 September 2014	**34.8**	**25.7**	**28.0**	**88.5**
Amortisation and impairment				
At 30 September 2012	3.7	5.6	13.9	23.2
Amortisation for year	–	4.3	3.4	7.7
On disposals	–	–	(4.9)	(4.9)
At 30 September 2013	3.7	9.9	12.4	26.0
Amortisation for year	–	4.2	3.2	7.4
At 30 September 2014	**3.7**	**14.1**	**15.6**	**33.4**
Net book value				
At 30 September 2014	**31.1**	**11.6**	**12.4**	**55.1**
At 30 September 2013	31.1	15.8	12.8	59.7

Impairment testing of goodwill and intangibles

Goodwill and intangibles

The Group has one cash generating unit ("CGU") for the purpose of assessing the carrying value of goodwill and intangible assets reflecting the fact that the Group is managed as a single asset management business.

Goodwill and indefinite life intangibles are reviewed for impairment annually or more frequently if there are indicators that the carrying value may be impaired. Definite life intangibles are reviewed annually for indicators of impairment. If any indication exists, further assessment is made of whether the carrying value may be impaired.

Impairment testing is an area involving management judgement requiring assessment as to whether (i) there is an impairment indicator and, if so, (ii) the carrying amount exceeds the estimated recoverable amount. There are a number of assumptions to determine the estimated recoverable amount. These include the selection of market growth rates, discount rates, assets under management flow assumptions, expected revenue growth and operating costs. Further detail on these assumptions is shown below.

13 Intangible assets (continued)

The recoverable amount of the CGU is determined by value-in-use calculations which use five year cash flow projections based on the Group's approved budget for the year to 30 September 2015.

A long term growth rate is used to extrapolate the cash flows within the value-in-use calculations beyond the initial five year projections. The long term growth rate assumption of 2% is in line with the long term nature of the Group's business and in line with the Board's view that the Group will operate as a going concern in the long term.

The other principal assumptions in the forecasts are:

	2014 %	2013 %
Annual increase in assets under management	**5.0**	6.0
Annual increase in operating costs	**4.0**	5.5

The assumed annual increases in operating costs include provision for inflation of salaries and other operating costs, as well as provision for the additional costs associated with the assumed increased levels of business.

The following discount rates have been used in the impairment analysis. They are based on the Group's weighted average cost of capital using a risk free interest rate to estimate a market rate relevant to the sector and associated risks.

	2014 Post tax %	**2014 Pre tax %**	2013 Post tax %	2013 Pre tax %
Discount rate	**9.94**	**11.53**	9.75	11.40

The impairment review included a sensitivity analysis of the key assumptions underpinning the cash flow projections and the rate at which the projections were discounted to arrive at the final value-in-use. The assumptions are derived from past experience and consideration of current market inputs.

The absolute levels, on a standalone basis and without the effect of that change on other variables, of the key assumptions which most closely resulted in a match in the value-in-use to the carrying value of goodwill were as follows:

	2014 %	2013 %
Discount rate – pre tax	**26.5**	30.8
Revenue growth rate	**(5.9)**	(5.7)
Operating cost growth rate	**25.5**	28.0

The value-in-use, calculated in accordance with the process described above, was compared with the carrying values of goodwill, intangible assets and property, plant & equipment. The comparison resulted in a surplus of value-in-use of £4,307 million (2013: £4,242 million) over the carrying value of these assets and therefore no impairment of goodwill has been recognised in the year.

Management contracts and distribution agreements

The Group reviewed the management contracts and distribution agreements held at 30 September 2014 including £79.3 million (2013: £79.3 million) of management contracts which are considered to have an indefinite life. These indefinite life assets comprise contracts for the management of open end funds which have no limit of time or termination provisions. The Group also reviewed definite life assets for impairment indicators and performed impairment tests where required.

Impairment tests were performed using either value-in-use calculations (using methods and assumptions described above in relation to goodwill) or estimates of fair value less costs to sell, as considered appropriate, and the measures of value compared with the carrying value of the contracts.

The categories of management contracts and distribution agreements, their carrying amounts at the year end, remaining amortisation periods and estimated useful lives are as follows:

	30 September 2014			30 September 2013		
	Net book values £m	Remaining amortisation period (years)	Estimated useful life (years)	Net book values £m	Remaining amortisation period (years)	Estimated useful life (years)
Definite life – management contracts	**537.1**	**1-8**	**4-10**	232.9	1-7	2-10
Definite life – distribution contracts	**3.0**	**1**	**5**	12.1	1-3	5
Indefinite life – open end fund contracts	**79.3**	**N/A**	**Indefinite**	79.3	N/A	Indefinite
	619.4			324.3		

The definite life management contracts include those acquired in the current year as part of the SWIP acquisition, which have a net book value of £355.2 million at 30 September 2014, together with the contracts acquired from Credit Suisse in 2009 which have a net book value of £100.1 million (2013: £121.3 million).

Intangibles are amortised over their useful economic lives. This shall not exceed the period of the contractual rights but may be shorter depending on the period over which the entity expects to use the asset.

There is a judgement in assessing these lives including assessment of client retention. We have typically assessed these to be between 5 and 10 years - looking at each acquisition on a case by case basis. Factors considered include size of book of business, market and growth prospects and nature of investments managed under the contracts.

Company impairment review

A review of goodwill and management contracts held by the Company was carried out on the same basis as the Group review described above. There were no indicators of impairment in respect of the management contracts held by the Company. No impairment of goodwill or management contracts has been recognised in the year.

At 30 September 2014, the Company held indefinite life open end fund contracts with a value of £3.4 million (2013: £3.4 million).

14 Acquisitions

Acquisitions 2014

a. The Group completed the purchase from Lloyds Banking Group ("Lloyds") of Scottish Widows Investment Partnership Group Limited ("SWIP") and its related private equity businesses on 31 March 2014 and the purchase of SWIP's infrastructure fund management business was completed on 1 May 2014. Total consideration for the transaction was £606.6 million, comprising three elements: (i) 131.8 million new ordinary Aberdeen shares issued at an average price of 392.7p; (ii) a deferred top-up payment of £38.3 million payable on 31 March 2015; and (iii) contingent deferred consideration of up to £100 million under an earn-out agreement with Lloyds. The fair value attributed to the earn-out payment at completion was £50.7 million.

108.5 million new shares were issued on 31 March 2014 at a share price of 390.3p and a further 5.95 million shares were issued on 1 May 2014 at a price of 443.4p. The remaining 17.3 million shares will be issued on 3 December 2014, Lloyds having now received its necessary regulatory consents. This element of consideration has been recognised in equity as a deferred share issue (£67.6 million). Total equity consideration recognised was £517.6 million.

The deferred top-up payment of £38.3 million was determined as the difference between the weighted average share price for the 5 days before the acquisition date and a floor price of 420p, the difference multiplied by the number of consideration shares. The Group is entitled, at its sole option, to settle this item in cash or by the issue of further shares and, accordingly this payment has been recognised as a current liability.

The contingent deferred consideration of up to £100 million is payable in cash and the actual amount payable will be determined according to the growth over the five year period to 31 March 2019 of recurring revenue generated from the strategic relationship with Lloyds.

The fair value at completion of £50.7 million was determined based on a probability weighted expected return analysis of cash flow assumptions and calculated by reference to the expected performance and growth over 5 years, discounted to a present value. The undiscounted fair values identified in this analysis range from £39.1 million to £100 million. After unwinding discount of £3.2 million, the deferred liability is £53.9 million at 30 September 2014.

The acquisition of the SWIP businesses adds scale to the business across a range of asset classes, strengthens investment capabilities and adds new distribution channels in addition to the strategic relationship with Lloyds. The acquired business added approximately £60 million of net tangible assets to the combined business, intangible assets of £394.5 million and goodwill of £227.6 million arose on completion of an independent valuation (see below).

In the six month period to 30 September 2014, SWIP contributed revenue of £119.8 million and profit before tax of £59.8 million. However, if the acquisitions had occurred on 1 October 2013, we estimate that consolidated revenues would have been increased by a further £120.0 million, and consolidated profit before taxation for the period would have been increased by a further £60.0 million. In determining these amounts, we have assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 October 2013. Acquisition and integration related costs of £37.7 million were incurred and have been included in acquisition costs.

b. Independent valuation specialists were engaged to carry out a valuation of the acquired goodwill and intangible assets acquired in both transactions. The fair value adjustments from this allocation process are reflected in the table on the following page. Goodwill is mainly attributable to the skills of the workforce acquired and the synergies expected to be achieved from the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

Finalisation of the independent valuation following the SWIP acquisition did not result in any material adjustments to the provisional fair value disclosed for the 6 months to 31 March 2014.

> The valuation of intangibles and the determination of useful economic lives determined at the point of acquisitions are significant accounting estimates. Intangible assets are valued based on forecast income streams from the management contracts. This includes assumptions on client attrition and markets.
>
> Valuation of the earn out and recognition over the 5 year term are also significant accounting estimates. This is discussed further in note 29.

The determination of useful economic lives is discussed in note 13.

The fair value of the intangible assets has been based on the present value of expected cash flows of the underlying management contracts, with the exception of £7 million internally developed software which is based on management's best estimate of replacement cost. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

Group	Businesses acquired from Lloyds Banking Group plc At date of acquisition £m	Fair value adjustments £m	Fair value £m
Intangible assets	–	394.5	394.5
Deferred tax assets	3.8	(1.2)	2.6
Trade and other receivables	147.0	–	147.0
Other investments	0.5	–	0.5
Cash	72.0	–	72.0
Trade and other payables	(156.0)	3.2	(152.8)
Current tax payable	(7.3)	–	(7.3)
Deferred tax liabilities	–	(77.5)	(77.5)
Total identifiable net assets acquired	**60.0**	**319.0**	**379.0**
Goodwill			227.6
			606.6
Discharged by:			
Equity			517.6
Deferred top-up payment (current liabilities)			38.3
Fair value of the earn-out payment (non current liabilities)			50.7
Total consideration			**606.6**

If information obtained within one year of the acquisition dates about facts and circumstances that existed at acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at acquisition date, then the accounting for the acquisition will be revised.

14 Acquisitions (continued)

Acquisitions 2013

a. On 21 May 2013, the Group completed the purchase of Artio Global Investors Inc. ("Artio"), a US listed asset manager, for a purchase consideration of £109.8 million ($166.5 million).

The acquisition of Artio added scale to our existing US fixed income business and has complemented our organic efforts to expand distribution in the US. In the four months to 30 September 2013, Artio contributed revenue of £8.5 million and profit before taxation of £4.1 million; if the acquisition had occurred on 1 October 2012, we estimate that consolidated revenues would have been increased by £24.2 million, and consolidated profit before taxation for the year to 30 September 2013 would have been increased by £11.0 million. (This takes into account the post acquisition results).

b. On 31 May 2013, the Group acquired 50.1% of the issued share capital of SVG Managers ("SVG"), a fund of private equity specialist, for a cash consideration of £17.5 million plus the contribution of the Group's existing fund of private equity business. This business was combined with Aberdeen's existing private equity capability to create a substantial private equity fund of funds business with around £5 billion of assets under management.

The Group has a call option to acquire, and SVG Capital plc a put option to sell, the remaining 49.9% stake at any time from the third anniversary of completion, at a price based on a valuation of the business at the time the option is exercised, subject to a minimum of £20 million and a maximum of £35 million. As the exercise of the put option is outside the control of the Group, the option has been recognised as an other liability measured at fair value and the remaining 49.9% has been recorded as a non controlling interest.

The fair value of the written put option has been recognised at £30.5 million (2013: £27.5 million). This value is determined based on the expected payment of £35 million and calculated by discounting the expected future liability at a market related discount rate, expected future performance and assuming the option will be exercised after the remaining two years. Unwinding of the discount of £3.0 million is recognised in equity.

SVG contributed £9.0 million revenue and £0.7 million to the Group's profit before taxation for the period between the date of acquisition and 30 September 2013. If the acquisition of SVG had occurred on 1 October 2012, we estimate that consolidated revenues for the period would have been increased by £25.0 million and consolidated profit before taxation would have been £8.9 million for the year to 30 September 2013. (This takes into account the post acquisition results).

c. Independent valuation specialists were engaged to carry out a valuation of the acquired goodwill and intangible assets. The fair value adjustments from this allocation process are reflected in the table below. Goodwill is mainly attributable to the skills of the workforce acquired and the synergies expected to be achieved from the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

Fair value of the intangible assets has been valued based on the present value of expected cash flows of the underlying management contracts.

The amounts recognised In respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Business acquired from Artio			Business acquired from SVG		
Group	**At date of acquisition £m**	**Fair value adjustments £m**	**Fair value £m**	**At date of acquisition £m**	**Fair value adjustments £m**	**Fair value £m**
Intangible assets	–	36.6	36.6	–	29.1	29.1
Property, plant & equipment	1.7	–	1.7	1.1	–	1.1
Seed capital investment	15.3	–	15.3	–	–	–
Trade and other receivables	28.0	(1.1)	26.9	5.2	–	5.2
Deferred tax assets	–	–	–	3.3	–	3.3
Cash	36.0	–	36.0	7.4	–	7.4
Trade and other payables	(13.5)	(4.3)	(17.8)	(12.0)	1.0	(11.0)
Derivatives at fair value through profit and loss	–	–	–	(0.3)	–	(0.3)
Deferred tax liabilities	(1.1)	(12.0)	(13.1)	–	(5.8)	(5.8)
Total identifiable net assets acquired	**66.4**	**19.2**	**85.6**	**4.7**	**24.3**	**29.0**
Goodwill			24.2			16.0
			109.8			45.0
Discharged by:						
Cash			109.8			17.5
Fair value of the written put option			–			27.5
Total consideration			**109.8**			**45.0**

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15 Property, plant & equipment

Group	Heritable property £m	Short leasehold property £m	Computers, fixtures and fittings £m	Motor vehicles £m	Total £m
Cost					
At 1 October 2012	2.4	15.4	21.4	0.5	39.7
Additions	–	4.0	3.2	0.1	7.3
On acquisitions of subsidiaries	–	2.0	0.7	–	2.7
Disposals	–	(8.5)	(8.1)	–	(16.6)
Exchange movement	–	(0.3)	(0.1)	–	(0.4)
At 30 September 2013	2.4	12.6	17.1	0.6	32.7
Additions	–	2.2	7.6	0.4	10.2
Disposals	–	–	(0.6)	–	(0.6)
Exchange movement	–	(0.2)	(0.5)	–	(0.7)
At 30 September 2014	**2.4**	**14.6**	**23.6**	**1.0**	**41.6**
Depreciation					
At 1 October 2012	0.5	9.5	10.3	0.3	20.6
Charge for year	–	3.1	3.4	0.1	6.6
On disposals	–	(6.8)	(7.4)	–	(14.2)
At 30 September 2013	0.5	5.8	6.3	0.4	13.0
Charge for year	0.2	3.2	4.7	0.1	8.2
On disposals	–	–	(0.4)	–	(0.4)
Exchange movement	–	–	(0.4)	0.1	(0.3)
At 30 September 2014	**0.7**	**9.0**	**10.2**	**0.6**	**20.5**
Net book value					
At 30 September 2014	**1.7**	**5.6**	**13.4**	**0.4**	**21.1**
At 30 September 2013	1.9	6.8	10.8	0.2	19.7

Company	Heritable property £m	Short leasehold property £m	Computers, fixtures and fittings £m	Total £m
Cost				
At 1 October 2012	2.4	7.8	10.1	20.3
Additions	–	1.1	2.6	3.7
Disposals	–	–	(1.6)	(1.6)
At 30 September 2013	2.4	8.9	11.1	22.4
Additions	–	0.9	4.6	5.5
At 30 September 2014	**2.4**	**9.8**	**15.7**	**27.9**
Depreciation				
At 1 October 2012	0.5	5.5	4.9	10.9
Charge for year	–	1.1	1.4	2.5
On disposals	–	–	(1.4)	(1.4)
At 30 September 2013	0.5	6.6	4.9	12.0
Charge for year	0.2	1.3	2.5	4.0
At 30 September 2014	**0.7**	**7.9**	**7.4**	**16.0**
Net book value				
At 30 September 2014	**1.7**	**1.9**	**8.3**	**11.9**
At 30 September 2013	1.9	2.3	6.2	10.4

16 Investments – non-current

Group	£m
At 1 October 2012	53.1
Additions	3.7
Fair value losses on impaired assets – income statement	(1.9)
Disposals	(1.3)
Exchange movement	0.9
At 30 September 2013	54.5
Additions	10.7
Fair value losses on impaired assets – income statement	(1.5)
Disposals	(7.2)
Exchange movement	(1.9)
At 30 September 2014	**54.6**

Company	Subsidiary undertakings £m	Other investments £m	Total £m
At 1 October 2012	1,691.4	21.5	1,712.9
Additions: increase in existing subsidiary undertakings	135.1	–	135.1
other investments	–	1.1	1.1
acquisitions	49.9	–	49.9
Fair value adjustment	–	(1.1)	(1.1)
At 30 September 2013	1,876.4	21.5	1,897.9
Additions: increase in existing subsidiary undertakings	8.5	–	8.5
other investments	–	5.1	5.1
acquisitions	584.4	–	584.4
Disposals: decrease in other investments	–	(1.2)	(1.2)
Liquidation of subsidiary undertaking	(8.8)	–	(8.8)
At 30 September 2014	**2,460.5**	**25.4**	**2,485.9**

The Company's investments in subsidiary undertakings are measured at cost less provision for impairment.

Other investments are designated in the following categories.

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Available for sale	**36.6**	38.6	**9.5**	5.6
Amortised cost	**18.0**	15.9	**15.9**	15.9
	54.6	54.5	**25.4**	21.5

The principal subsidiaries at 30 September 2014 were as follows:

Subsidiary undertakings	Principal activity	% of ordinary shares owned	Country of registration	Country of operation
Aberdeen Asset Management Asia Limited	Fund management	100	Singapore	Singapore
Aberdeen Asset Managers Limited	Fund management	100	Scotland	UK
Aberdeen Asset Management Inc	Fund management	100	USA	USA
Aberdeen Global Services SA	Fund management	100	Luxembourg	Luxembourg
Aberdeen International Fund Managers Limited	Fund distribution	100	Hong Kong	Hong Kong
Aberdeen Asset Management Life and Pensions Limited	Life and Pensions	100	England	UK
Aberdeen Fund Managers Limited	Administration of UK open end funds	100	England	UK
Aberdeen SVG Private Equity Managers Limited	Fund management	50.1	England	UK
Aberdeen Asset Investments Limited (formerly SWIP Limited)	Fund management	100	Scotland	UK

The Group has taken advantage of the exemption under Section 410 (2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the financial statements. A full list of subsidiary undertakings will be appended to the Company's Annual Return.

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities recognised are as follows:

Group	Balance at 1 Oct 2012 £m	Acquired £m	Recognised in profit and loss £m	Recognised in equity £m	Balance at 30 Sep 2013 £m	Acquired £m	Recognised in profit and loss £m	Recognised in equity £m	Balance at 30 Sep 2014 £m
Available for sale financial assets	1.3	–	–	(1.3)	–	–	–	–	**–**
Defined benefit pension schemes	2.8	–	(1.0)	2.1	3.9	–	(0.3)	(0.8)	**2.8**
Share-based payments	11.7	3.3	2.7	1.8	19.5	2.6	(4.0)	7.5	**25.6**
Other items	0.1	–	(0.1)	–	–	–	–	–	**–**
Deferred tax assets	15.9	3.3	1.6	2.6	23.4	2.6	(4.3)	6.7	**28.4**
Available for sale financial assets	–	–	–	(0.2)	(0.2)	–	–	–	**(0.2)**
Other items	–	–	(1.9)	–	(1.9)	–	(0.8)	–	**(2.7)**
Intangible assets	(35.4)	(17.8)	10.3	–	(42.9)	(77.5)	14.3	(0.7)	**(106.8)**
Convertible bonds	(1.0)	–	1.0	–	–	–	–	–	**–**
Deferred tax liabilities	(36.4)	(17.8)	9.4	(0.2)	(45.0)	(77.5)	13.5	(0.7)	**(109.7)**
	(20.5)	(14.5)	11.0	2.4	(21.6)	(74.9)	9.2	6.0	**(81.3)**

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17 Deferred tax assets and liabilities (continued)

The Group has tax losses which arose in the UK of £76.6 million (2013: £77.7 million) and overseas of £126.6 million (2013: £107.9 million). Deferred tax assets of £nil (2013: £nil) have been recognised in respect of these losses, reflecting the inability to use these losses to offset taxable profits forecast in future years.

Company	Balance at 1 Oct 2012 £m	Recognised in profit and loss £m	Recognised in equity £m	Balance at 30 Sep 2013 £m	Recognised in profit and loss £m	Recognised in equity £m	Balance at 30 Sep 2014 £m
Available for sale financial assets	0.3	–	(0.3)	–	–	–	**–**
Share-based payments	2.2	0.2	–	2.4	1.1	3.5	**7.0**
Other items	1.3	–	–	1.3	0.2	–	**1.5**
Deferred tax assets	3.8	0.2	(0.3)	3.7	1.3	3.5	**8.5**
Available for sale financial assets	–	–	(0.5)	(0.5)	–	–	**(0.5)**
Convertible bonds	(1.0)	1.0	–	–	–	–	**–**
Deferred tax liabilities	(1.0)	1.0	(0.5)	(0.5)	–	–	**(0.5)**
	2.8	1.2	(0.8)	3.2	1.3	3.5	**8.0**

18 Trade and other receivables

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Current assets				
Due from trustees for open end fund redemptions	**155.7**	17.5	**–**	–
Due from investors for open end fund sales	**51.8**	26.0	**–**	–
	207.5	43.5	**–**	–
Other trade receivables	**55.5**	49.1	**0.1**	0.4
Amounts due by subsidiary undertakings	**–**	–	**88.4**	83.8
Other receivables	**16.8**	17.0	**4.6**	6.2
Accrued income	**185.8**	156.5	**–**	–
Prepayments	**24.6**	31.3	**8.7**	7.2
	490.2	297.4	**101.8**	97.6
Non-current assets				
Other receivables and prepayments	**3.2**	2.8	**–**	–
Amounts due by subsidiary undertakings	**–**	–	**62.9**	37.5
	3.2	2.8	**62.9**	37.5

19 Assets backing investment contract liabilities

The following assets are held by the Group's life and pensions subsidiary to meet its contracted liabilities:

Group	2014 £m	2013 £m
Listed investments	**2,180.2**	2,158.0
Unit trusts and OEICs	**211.7**	281.8
Cash, deposits and liquidity funds	**80.4**	50.8
Other net assets	**0.6**	26.0
	2,472.9	2,516.6

The risks and rewards of these assets fall to the benefit of, or are borne by, the underlying policyholders. Therefore, the investment contract liabilities shown in the Group's balance sheet are equal and opposite in value to the assets held on behalf of the policyholders. The Group 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 Group's exposure to these assets is limited to the revenue earned, which varies according to movements in the value of the assets.

20 Other investments – current

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Seed capital investments	**58.1**	69.6	**26.6**	49.8
Investments in funds to hedge deferred bonus liabilities	**26.9**	25.7	**26.9**	25.7
Investments of life and pensions subsidiary	**–**	12.2	**–**	–
Other investments	**0.8**	0.3	**–**	–
	85.8	107.8	**53.5**	75.5

Seed capital investments consist of amounts invested to enable the launch or development of funds where the intention is to withdraw the investment once the fund has achieved a sustainable scale of third party investment.

Investments in certain Aberdeen-managed funds are held to hedge against liabilities from bonus awards that are deferred and settled in cash by reference to the share price of those funds.

21 Cash and cash equivalents

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Cash at bank and in hand	**627.3**	408.5	**334.1**	202.0
Short-term money market funds	**26.6**	18.1	**–**	–
Bank overdraft	**–**	–	**(364.0)**	(442.1)
Cash and cash equivalents in the statements of cash flows	**653.9**	426.6	**(29.9)**	(240.1)

The Company's bank overdraft is part of a Group working capital facility in support of which cross guarantees are provided by certain subsidiary undertakings. At 30 September 2014 the net amount guaranteed under this arrangement was £nil (2013: £nil).

Cash and cash equivalents are subject to floating rates of interest. Bank deposits earn interest at floating rates based on daily bank deposit rates. Short-term money market funds generate income based on underlying investments, principally in cash deposits and money market instruments with a weighted average maturity of less than 60 days.

The denomination and carrying amounts of the Group's cash and cash equivalents are disclosed in note 30.

22 Share capital

	2014 £m	2013 £m
Allotted, called up and fully paid:		
1,314,303,666 (2013: 1,199,193,157) ordinary shares of 10p	**131.4**	119.9

	2014 No. of ordinary shares millions	2013 No. of ordinary shares millions
At 1 October	**1,199.2**	1,150.9
Shares issued in respect of options exercised	**0.6**	1.3
Shares issued in respect of acquisition	**114.5**	–
Shares issued on conversion of 3.5% convertible bonds	**–**	47.0
At 30 September	**1,314.3**	1,199.2

621,500 ordinary shares of 10p each were issued at an average price of 57.3p pursuant to the exercise of options granted to employees under the 1994 Executive Share Option Scheme.

114,489,009 ordinary shares of 10p each were issued in respect of the acquisition of the SWIP business from Lloyds. A further 17,310,991 shares will be issued on 3 December 2014, Lloyds having now received its necessary regulating consents (see note 14). These shares have been recognised as a deferred share issue within equity and cash payments equivalent to the dividends that would have accrued on the shares are made to Lloyds until the shares are issued (see note 11). The dilutive effect of the outstanding share issue is reflected as an additional share dilution in the computation of diluted EPS.

23 Share-based payments and deferred fund awards

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Employee expense				
Deferred fund awards - cash settled	**16.3**	13.9	**1.1**	1.6
Deferred share awards - equity settled	**49.0**	49.3	**8.3**	7.2
Expense arising from the award of shares and options under the LTIP	**–**	0.3	**–**	(0.3)
Total expense recognised as employee costs	**65.3**	63.5	**9.4**	8.5

Deferred fund awards - cash settled

An element of bonus awards will be settled in cash by reference to the share prices of certain Aberdeen managed funds. These are accounted for as cash settled awards and are revalued to market price at the end of each reporting period. At 30 September 2014, the value of liabilities arising from cash settled deferred awards was £36.3 million (2013: £24.8 million). The fair value movement of the awards from grant date to 30 September 2014 was a charge of £2.2 million (2013: £1.3 million).

Deferred share awards - equity settled

The Group has made the following deferred share awards, which are equity settled, do not have ongoing performance conditions, but have a time vesting condition:

		Number				
Date of award	Share price on date of grant	Original award total	Leavers/ forfeited awards	Exercised awards	Balance at 30 Sept 2014	Earliest vesting dates
1 December 2007	167.5p	8,879,284	(41,180)	(8,748,578)	**89,526**	Dec 2010
17 June 2008	135.2p	245,358	(15,000)	(222,858)	**7,500**	Jun 2011 - Jun 2013
1 December 2008	88.0p	40,171,397	(54,103)	(39,133,315)	**983,979**	Dec 2009 - Dec 2011
1 July 2009	127.0p	2,565,167	(75,410)	(2,489,757)	**–**	Jul 2012
1 December 2009	138.6p	24,410,288	(1,929,777)	(21,186,686)	**1,293,825**	Dec 2010 - Dec 2012
1 December 2010	184.9p	27,354,664	(1,657,495)	(22,707,968)	**2,989,201**	Dec 2011 - Dec 2013
25 March 2011	208.4p	893,199	–	(830,169)	**63,030**	Dec 2011 - Dec 2013
1 April 2011	212.0p	254,220	–	(254,220)	**–**	Dec 2011 - Dec 2013
31 December 2011	199.1p	24,454,611	(891,424)	(13,745,864)	**9,817,323**	Dec 2012 - Dec 2014
24 April 2012	191.1p	450,400	–	(269,184)	**181,216**	Dec 2012 - Dec 2014
31 December 2012	333.4p	12,603,474	(297,765)	(3,254,962)	**9,050,747**	Dec 2013 - Dec 2016
2 May 2013	448.1p	89,006	–	(16,747)	**72,259**	May 2013 - May 2016
1 June 2013	475.9p	291,249	(12,609)	(55,493)	**223,147**	Dec 2013 - Dec 2015
25 July 2013	482.3p	4,106	(2,054)	–	**2,052**	May 2013 - May 2014
30 August 2013	475.9p	27,126	–	(9,044)	**18,082**	Dec 2013 - Dec 2015
2 December 2013	487.5p	10,861,916	(144,369)	–	**10,717,547**	Dec 2014 - Dec 2017
1 March 2014	445.7p	7,452	–	–	**7,452**	Mar 2015 - Mar 2017
1 April 2014	388.6p	1,120,164	(13,392)	–	**1,106,772**	Dec 2014 - Dec 2016
2 May 2014	438.4p	93,747	–	–	**93,747**	Dec 2014 - Dec 2016
Total		154,776,828	(5,134,578)	(112,924,845)	**36,717,405**	

Awards made in 2009 to 2013 reach their earliest vesting dates in equal tranches over a three or four year period, subject to the continued employment of the participant. On reaching the earliest vesting date, participants may require immediate exercise or may choose to defer exercise until a later date; if deferred, participants may thereafter require exercise, without condition, at any time until the end of the exercise period.

	Weighted average share price 2014	2014 Number	Weighted average share price 2013	2013 Number
Outstanding 1 October		**46,688,663**		55,381,411
Granted during the year	**477.96p**	**12,083,279**	337.01p	13,014,961
Exercised during the year	**477.61p**	**(21,502,401)**	352.39p	(20,942,423)
Forfeited during the year		**(552,136)**		(765,286)
Outstanding 30 September		**36,717,405**		46,688,663
Exercisable at 30 September		**8,286,020**		8,937,822

The awards outstanding at 30 September 2014 had a weighted average remaining contractual life of 8 years.

24 Reserves

Nature and purpose of reserves

Share premium account
The share premium account is used to record the issue of share capital at a premium to nominal value. This reserve is not distributable and can only be reduced with court approval.

Capital redemption reserve
The capital redemption reserve is created on the cancellation of share capital and the balance reflects the value of preference share capital redeemed by the Company. This reserve is not distributable.

Merger reserve
The merger reserve is used to record share premium on shares issued by way of consideration for acquisitions. The realised element of the merger reserve can be used to offset amortisation and impairment of intangible assets charged to the income statement. This reserve is not distributable.

Other non-distributable reserves
These comprise:

- put option reserve created on the initial recognition of the SVG put option liability (note 14);
- deferred share issue on acquisition of SWIP (note 14);
- the equity element of the convertible bond, net of deferred tax, was shown within other reserves. This element of reserves was transferred to retained earnings on conversion of the bonds in the year to 30 September 2013.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Fair value reserve
This reserve records fair value changes on available for sale investments until the investments are derecognised or impaired, when fair value movement is transferred to retained profit.

Retained profit
Retained earnings comprise:

- all realised gains and losses through the income statement less dividend distributions;
- actuarial gains and losses recognised in the pension liability, and related deferred tax;
- gains and losses on available for sale assets and deferred tax on these movements;
- transactions relating to equity-settled share-based payments, and related deferred tax movements;
- the purchase and sale of own shares in respect of share-based payments;
- unwinding of the discount on the SVG put option liability (note 14); and

The Company reserve is distributable. Dividends to shareholders of the Company are paid from retained profit.

Employee Benefits Trust

The Group has an Employee Benefits Trust ("EBT") which owns shares in the Company for the purposes of administering the Group's deferred share scheme. The EBT is consolidated into the Group and Company's financial statements, with any shares held by the EBT deducted from equity. Any consideration received for such shares is recognised within retained earnings. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

The shares held by the Group's EBT for the purpose of satisfying deferred share bonus awards that will vest in future periods are as follows:

	2014				2013			
Group and Company	Number of shares	% of issued shares	Cost £m	Market value £m	Number of shares	% of issued shares	Cost £m	Market value £m
Own shares	42,350,842	3.2	123.7	169.6	50,751,059	4.2	165.4	192.1

The maximum number of shares held by the EBT during the year was 53,912,583 (4.5% of issued shares); (2013: 56,960,890, 4.7%).

Movements during the year were as follows:

	2014 millions	2013 millions
At 1 October	50.8	42.0
Own shares purchased	23.7	36.7
Own shares sold and disposed through exercising	(32.1)	(27.9)
At 30 September	42.4	50.8

The Company is authorised pursuant to section 701 of the Companies Act 2006 to make market purchases of ordinary shares.

25 Perpetual capital securities

	2014 £m	2013 £m
US $500 million 7.0% Perpetual cumulative capital notes	321.6	321.6

On 1 March 2013 the Group issued US$500 million perpetual cumulative capital notes. The securities bear interest on their principal amount at 7.0% per annum, payable quarterly in arrears on 1 March, 1 June, 1 September and 1 December in each year. Net proceeds after deduction of issue expenses were £321.6 million.

26 Trade and other payables

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Current liabilities				
Due to trustees for open end fund creations	**145.8**	33.5	**–**	–
Due to investors for open end fund redemptions	**63.3**	10.7	**–**	–
	209.1	44.2	**–**	–
Other trade creditors	**7.7**	11.3	**4.2**	5.9
Accruals	**239.1**	212.6	**24.3**	24.1
Other taxes and social security	**31.1**	29.5	**12.5**	10.7
Amounts due to subsidiary undertakings	**–**	–	**143.9**	134.4
Deferred income	**2.3**	2.9	**–**	–
Other creditors	**37.4**	21.4	**12.6**	1.4
	526.7	321.9	**197.5**	176.5

27 Provisions and contingent liabilities

	Group			Company
Group and Company	**Legal £m**	**Onerous lease £m**	**Total £m**	**Onerous lease £m**
At 1 October 2013	5.0	0.4	5.4	0.4
Utilised in the year	–	(0.4)	(0.4)	(0.4)
At 30 September 2014	**5.0**	**–**	**5.0**	**–**

The Group is, from time to time and in the normal course of business, subject to a variety of legal claims, actions or proceedings. When such circumstances arise, the Board considers the likelihood of a material outflow of economic resources and provides for its best estimate of costs where an outflow of economic resources is considered probable.

By their nature, provisions often reflect significant levels of judgement or estimate. While there can be no assurances, the directors believe, based on information currently available to them, that the likelihood of other material outflows is remote.

28 Operating leases

The Group and Company have obligations under non-cancellable operating lease rentals which are payable as follows:

	Group				Company	
	Land and buildings		Motor vehicles, and plant and equipment		Land and buildings	
	2014 £m	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Within one year	**19.0**	18.4	**0.6**	0.7	**7.3**	5.4
Between two and five years	**60.6**	55.2	**0.4**	0.7	**30.1**	23.2
After five years	**34.9**	42.0	**–**	–	**28.4**	32.1
	114.5	115.6	**1.0**	1.4	**65.8**	60.7

During the year ended 30 September 2014, £18.5 million was recognised as an expense in the income statement in respect of operating leases (2013: £19.2 million).

Sub-lease receivables

At the year end, future minimum rentals receivable under non-cancellable operating leases were as follows:

	Group		Company	
	Land and buildings		Land and buildings	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Within one year	**1.3**	1.2	**0.4**	0.1
Between two and five years	**3.8**	5.0	**1.0**	2.3
After five years	**0.8**	1.4	**0.7**	1.3
	5.9	7.6	**2.1**	3.7

29 Fair value of financial instruments

Set out below are the carrying amounts of all the Group and Company's financial instruments that are carried in the financial statements. There were no differences between any of the carrying amounts and their respective fair values.

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Financial assets				
Held for trading carried at fair value:				
Assets backing investment contract liabilities	2,472.9	2,516.6	–	–
Seed capital investments	58.1	69.6	26.6	49.8
Other investments	27.7	26.0	26.9	25.7
Investments of life and pensions subsidiary	–	12.2	–	–
Available for sale carried at fair value:				
Other investments	36.6	38.6	9.5	5.6
Other financial assets:				
Investments in subsidiaries	–	–	2,460.5	1,876.4
Other investment held at amortised cost	18.0	15.9	15.9	15.9
Cash and cash equivalents	653.9	426.6	334.1	202.0
Trade and other receivables	490.2	297.4	101.8	97.6
Financial liabilities				
Designated at fair value through profit or loss:				
Deferred consideration	92.2	–	92.2	–
Other financial liabilities:				
Bank overdraft	–	–	364.0	442.1
Insurance contract liabilities	2,472.9	2,516.6	–	–
Trade and other payables	526.7	321.9	197.5	176.5
Fair value of the written put option	30.5	27.5	30.5	–

The principal methods and assumptions used in estimating the fair values of financial instruments reflected in the above table are:

Investments

The fair value of listed investments is based on market bid prices at the balance sheet date without any deduction for transaction costs.

Where investments are not listed, fair value is determined in accordance with independent professional valuers or International Private Equity and Venture Capital Valuation Guidelines where relevant.

The fair value of unlisted investments in infrastructure funds is based on the phase of individual projects forming the overall investment and discounted cash flow techniques based on project earnings.

Trade receivables and payables
Trade receivables and payables are typically settled in a short time frame and are carried at the amount due to be settled. As a result, the fair value of these balances is considered to be materially equal to the carrying value, after taking into account potential impairment losses.

Fair value of the written put option
As described in note 14, the Group has the option to acquire, and SVG Capital plc the option to sell, the remaining 49.9% stake in Aberdeen SVG Private Equity Managers Ltd ("Aberdeen SVG"). The option is exercisable by either party at any time after the third anniversary of the transaction, except where shareholders are unable to resolve a significant disagreement known as a 'deadlock'. In the event of a deadlock, either party can exercise the option at any time. The fair value of the written put option has been calculated by discounting the expected future liability based on management's best estimate of the cost of the option being exercised after three years and at a discount rate based on the Group's cost of capital. Recognised within other liabilities, this represents the fair value of the consideration payable for the remaining 49.9% stake in Aberdeen SVG.

Changes in fair value and the unwind of the discount is recorded in equity (see note 24).

Fair value of deferred consideration
As described in note 14, the Group has recognised a fixed liability for a deferred top up payment of £38.3 million in connection with the SWIP acquisition to be settled in cash or issue of ordinary shares (at the discretion of the Group) up to one year from the date of acquisition. Due to the short term nature of the liability, the fair value is considered to be materially equal to the carrying value.

In addition, there is a performance related earn-out payment of up to £100 million in cash dependent on the growth delivered by the investment solutions business acquired from Lloyds over the 5 years following completion of the acquisition. The fair value of the earn-out agreement is determined on a probability weighted expected return analysis of expected cash flows under a number of scenarios, including both internal and external forecasts of the performance of the investment solutions business over the 5 year term, discounted to present value.

The assessment of fair value of deferred consideration involves significant judgement and assumptions relating to potential future revenue and the appropriate discount rate.

Changes in fair value and the unwind of the discount is recognised in the income statement. There has been no change in fair value since recognition.

Financial instruments relating to unit linked contracts
The Group's life and pensions subsidiary provides unit linked wrappers which allow clients to benefit from investing in pooled funds. As explained in note 19, the risks and rewards of managing these assets are the same as other assets under management as the financial risks and rewards attributable to these assets also fall to be borne by, or to the benefit of, clients. Hence, while a number of significant financial instruments are recognised in the balance sheet in respect of the subsidiary, the key risk to the Group is the impact of the level of the fees which are earned from this entity which are directly impacted by the underlying value of the policyholder assets. The Company bears no insurance risk. Investment and credit risk in respect of assets and liabilities held within unit linked funds is borne by the policyholders. Accordingly, these assets are not included in fair value measurements disclosure on page 128.

29 Fair value of financial instruments (continued)

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 measurements are derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 measurements are derived from 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); and
- Level 3 measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2014				2013			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Held for trading								
Seed capital investments	58.1	–	–	58.1	69.6	–	–	69.6
Other investments	27.7	–	–	27.7	25.7	–	0.3	26.0
Investments in life and pensions subsidiary	–	–	–	–	12.2	–	–	12.2
Available for sale financial assets								
Other investments	1.0	–	35.6	36.6	1.4	–	37.2	38.6
Financial liabilities								
Written put option	–	–	(30.5)	(30.5)	–	–	(27.5)	(27.5)
Deferred consideration	–	–	(53.9)	(53.9)	–	–	–	–
	86.8	–	(48.8)	38.0	108.9	–	10.0	118.9

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

	Available for sale financial assets £m	Held for trading £m	Deferred consideration £m	Written put option £m	Total £m
Balance at 1 October 2013	37.2	0.3	–	(27.5)	10.0
Assumed on acquisition of SWIP	–	–	(50.7)	–	(50.7)
Total gains or losses:					
– in income statement	(1.8)	–	(3.2)	–	(5.0)
– in other comprehensive income	(1.2)	–	–	–	(1.2)
Unwinding of discount in equity	–	–	–	(3.0)	(3.0)
Purchases	9.6	–	–	–	9.6
Disposals	(8.2)	(0.3)	–	–	(8.5)
Balance at 30 September 2014	**35.6**	**–**	**(53.9)**	**(30.5)**	**(48.8)**

Where applicable, transfer between levels are assumed to take place at the beginning of the year. There were no transfers between Level 1, Level 2 or Level 3 investments during the year.

Investments classified as level 3 principally comprise investments in property and infrastructure funds. While the Group is not aware of significant differences between valuations received and reasonable possible alternatives for the property funds, the value of these investments would be directly impacted by changes in the European and Asian property markets. The fair value of the infrastructure funds would be impacted by a number of factors described above.

The Group estimates that a 10% increase/decrease in the fair value of the investments will have a favourable/unfavourable impact on equity of £3.6 million, of which £0.5 million relates to investments in infrastructure funds.

The key assumption in the fair value of the written put option is the relative valuation of the Group and SVG at the time the option is exercised. The year end valuation is sufficiently above the limit of the £35 million maximum payment such that any change in the assumptions would have limited effect. Any change in fair value will have a favourable effect on equity.

As discussed above, the fair value of the earn-out agreement included in Level 3 is determined based on a number of unobservable inputs. A change in one or more of these inputs could result in a significant increase or decrease in the fair value. On a standalone basis, without the impact of those changes on other variables, changes in the discount rate by +/- 1% would have an impact of approximately £1 million and a change in revenue growth of +/- 10% would have an impact of approximately £3 million on the fair value of the earn out respectively.

30 Financial risk management

Overview

This note describes the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

i) Risk management

The Group 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.

The Board has overall responsibility for the establishment and ongoing management of the Group's risk management framework and the implementation and operation of the Board's policies are handled by the risk management committee.

The Board risk committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board has approved the risk appetite statement, which sets out the quantum and types of risk that the Group is prepared to accept in pursuing its objectives. The risk appetite statement is a top-down framework against which policies, systems and limits can be set. The risk committee monitors compliance with the risk appetite statement through a series of key performance indicators.

The audit committee is responsible for overseeing financial reports and internal control. Internal audit assist the Group audit committee in its oversight role by undertaking both regular and ad hoc reviews of risk management controls and procedures and report the results of these reviews directly to the audit committee.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees are involved and understand their roles and obligations.

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument is unable to pay in full amounts when due, and arises principally from the Group's cash and cash equivalents and trade receivables and accrued income.

As detailed in note 29, the carrying value of financial instruments approximate their fair value. The Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets.

A breakdown of the Group's relevant financial assets by credit rating is set out below.

	As at 30 September 2014						As at 30 September 2013					
Group	AAA £m	AA £m	A £m	BBB £m	Not rated £m	Total £m	AAA £m	AA £m	A £m	BBB £m	Not rated £m	Total £m
Cash and cash equivalents	26.6	303.3	318.6	4.6	0.8	653.9	18.1	237.4	163.5	–	7.6	426.6
Company												
Cash and cash equivalents	–	154.0	180.1	–	–	334.1	–	100.6	101.4	–	–	202.0

No other relevant financial assets are rated.

The Group adopts a low risk strategy in respect of its treasury management, at all times ensuring, as far as possible, that its capital is preserved and financial risks are managed in line with the Group's treasury policy as approved by the audit committee. The treasury function manages the cash resources on a daily basis in accordance with the treasury policy, which includes continuously monitoring the credit ratings of all institutions with whom we place deposits.

Trade receivables and accrued income represent amounts recognised in revenue in the Group income statement which have not been settled by clients. Outstanding balances are monitored locally by senior management and historically the level of default has not been significant and in the majority of cases there is an ongoing relationship with the client. As such, no significant level of default is expected.

An analysis of ageing of financial assets is shown below:

	As at 30 September 2014				As at 30 September 2013			
		Past due and not impaired				Past due and not impaired		
Group	Neither past due nor impaired £m	Between 30 and 90 days £m	Between 90 days and 1 year £m	Total £m	Neither past due nor impaired £m	Between 30 and 90 days £m	Between 90 days and 1 year £m	Total £m
Trade receivables	**34.4**	**18.0**	**3.3**	**55.7**	32.2	14.1	2.8	49.1
Company								
Trade receivables	**0.1**	**–**	**–**	**0.1**	0.2	0.2	–	0.4

All other financial assets are neither past due nor impaired.

Details of provisions against trade receivables at 30 September are as follows:

Group	2014 £m	2013 £m
Trade receivables provision:		
Balance at 1 October	**0.7**	0.5
Bad debt charge (release) in the year	**(0.5)**	0.2
Balance at 30 September	**0.2**	0.7

This is a 100% provision held against specific gross trade receivable balances of £0.2 million at 30 September 2014 (2013: £0.7 million). There are no provisions against trade receivables in the Company.

Fees are billed to clients as soon as values are available and settlement is due within agreed contractual terms. The average level of debtors and accrued income outstanding, at any point in time, represents approximately 2.5 months' revenue.

At 30 September 2014 the Group had four (2013: three) individual clients with greater than £1 million outstanding. The total outstanding was £24.1 million (2013: £5.3 million).

The Group, in some situations, may be exposed to a concentration of credit risk, particularly from some of its larger clients or groups of connected clients. This may arise during the period from recognition of management fees in the income statement and settlement of fees by clients. Very few clients have external credit ratings.

The Group operates and manages a number of open end funds and in doing so it seeks to match client redemptions with liquidations. Where these positions are not matched the Group may be required to fund any shortfall, although due to the short settlement period for these transactions the risk relating to unsettled transactions is considered to be small. In addition should any investor default on any payment due the Group would be entitled to recover any costs from the investor.

30 Financial risk management (continued)

iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or can only do so at a significantly increased cost.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Further details on liquidity risks are set out in the discussion of principal risks on pages 44 to 47.

The Group has cash balances of £653.9 million at 30 September 2014. These cash balances provide the Group with adequate liquidity.

The Group and Company financial liabilities, including the Company's overdraft of £364.0 million (2013: £442.1 million), are repayable within one year or on demand, with the exception of the earn-out agreement with Lloyds (note 14). The maximum earn-out payment is £100 million based on the growth delivered by the investment solutions business through its strategic relationship with Lloyds over the next 5 years. If targets are achieved, the earn-out is payable between two and five years after completion. A deferred liability of £53.9 million has been recognised at 30 September 2014 in respect of the earn-out.

The Group has made a commitment to invest up to £31.2 million in infrastructure funds, denominated in several currencies. £26.7 million of this amount remains committed but not yet drawn. Investment calls can be made on demand primarily over the investment periods of the partnerships. These periods are due to expire in two to five years time. Once drawn, committed capital remains invested for the life of the funds.

The Group also has undrawn commitments of £5.0 million in respect of investments in property funds, which can be called on demand.

iv) 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. These financial instruments include the Group's investments in seed capital which are invested to support the launch of new funds. Seed capital is typically invested in quoted funds for less than one year. These investments have been measured at fair value through profit or loss.

Investments in property and infrastructure funds are usually for longer term and are measured as available for sale. This can range from five to seven years for property and over ten years for infrastructure.

Investments are managed on an individual basis and all material buy and sell decisions are approved by the GMB. The objective of market price risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Board sets the limits for investing seed capital and longer term investments and regularly monitors the exposure.

The following financial assets are exposed to market risk:

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Held for trading				
Seed capital	**58.1**	69.6	**26.6**	49.8
Financial investments	**27.7**	26.0	**26.9**	25.7
Available for sale financial assets				
Financial investments	**36.6**	38.6	**9.5**	5.6
	122.4	134.2	**63.0**	81.1

The Group's defined benefit pension schemes hold assets which are exposed to market price risk. Details of these assets are shown in note 32.

Sensitivity analysis is disclosed below in section vii.

v) Foreign currency risk

The Group is exposed to foreign currency risk at a transactional and translational level. Transaction risk is the risk that the domestic value of a foreign currency denominated cash flow will vary adversely. Translation risk arises from translating the balances of overseas subsidiaries which report their results in a currency other than sterling and therefore the sterling value of those balances could vary adversely.

Foreign currency transaction risk

The Group 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.

Revenues are earned principally from fees which are calculated on the basis of the value of AuM managed for clients and many mandates include investments valued in currencies other than sterling. The fact that we operate on a global basis, with offices in a number of countries worldwide, means that a proportion of operating costs is also incurred in foreign currencies. Further, coupons on the 7.0% perpetual cumulative capital notes are paid in US dollars. Variations in the sterling value of these operating costs and dividends will, to an extent, offset any similar impact of fluctuating exchange rates on revenues. The Board has therefore decided that it is not appropriate to undertake any specific hedging of the Group's revenues or costs, except under limited circumstances.

The Group's financial assets and liabilities are denominated in the following currencies:

Group

As at 30 September 2014	Total £m	Sterling £m	US$ £m	Euro £m	Nordic currencies £m	Singapore dollar £m	Other currencies £m
Financial assets							
Non-current asset investments	54.6	24.4	6.1	21.9	2.1	0.1	–
Trade and other receivables	490.2	317.4	103.2	26.4	9.1	5.1	29.0
Cash and cash equivalents	653.9	326.6	110.1	49.8	24.1	96.4	46.9
Current asset investments	27.7	24.4	0.9	2.4	–	–	–
Seed capital	58.1	4.5	37.2	9.8	–	–	6.6
	1,284.5	697.3	257.5	110.3	35.3	101.6	82.5
Financial liabilities							
Trade and other payables	526.7	402.0	66.3	20.3	12.7	12.7	12.7

As at 30 September 2013	Total £m	Sterling £m	US$ £m	Euro £m	Nordic currencies £m	Singapore dollar £m	Other currencies £m
Financial assets							
Non-current asset investments	54.5	25.7	5.2	20.8	2.7	0.1	–
Trade and other receivables	297.4	86.4	129.1	41.6	12.0	5.3	23.0
Cash and cash equivalents	426.6	28.3	76.7	40.5	22.9	219.2	39.0
Current asset investments	38.2	35.0	0.9	2.3	–	–	–
Seed capital	69.6	16.5	32.2	15.7	–	1.6	3.6
	886.3	191.9	244.1	120.9	37.6	226.2	65.6
Financial liabilities							
Trade and other payables	321.9	171.0	86.1	29.1	10.1	12.5	13.1

30 Financial risk management (continued)

Company

As at 30 September 2014	Total £m	Sterling £m	US$ £m	Euro £m	Other currencies £m
Financial assets					
Non-current asset investments	25.4	20.6	0.6	4.2	–
Trade and other receivables	101.8	101.8	–	–	–
Cash and cash equivalents	334.1	334.1	–	–	–
Current asset investments	26.9	23.6	0.9	2.4	–
Seed capital	26.6	4.5	12.4	9.0	0.7
	514.8	484.6	13.9	15.6	0.7
Financial liabilities					
Trade and other payables	197.5	189.5	0.2	7.4	0.4

As at 30 September 2013					
Financial assets					
Non-current asset investments	21.5	21.5	–	–	–
Trade and other receivables	97.6	97.6	–	–	–
Cash and cash equivalents	202.0	195.6	6.3	0.1	–
Current asset investments	25.7	22.5	0.9	2.3	–
Seed capital	49.8	16.6	16.2	15.3	1.7
	396.6	353.8	23.4	17.7	1.7
Financial liabilities					
Trade and other payables	176.5	176.1	0.1	0.2	0.1

Foreign currency translation risk
The foreign currency net financial assets and liabilities of subsidiaries which adopt a different reporting currency are as follows:

	2014 £m	2013 £m
US dollar	155.9	121.3
Euro	43.0	40.6
Nordic currencies	19.2	23.9
Singapore dollar	96.7	224.8
Other	41.5	38.7

vi) Interest rate risk

The Group has no debt and therefore is not materially exposed to interest rate risk. The Group receives variable rate interest on cash deposits.

The Company has a variable rate overdraft, which is part of the Group's working capital facility.

The interest rate profiles of the Group's and Company's financial assets excluding the assets backing the liabilities relating to the life and pensions subsidiary at 30 September were as follows:

	2014				2013		
Group	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Floating rate £m	No interest £m	Total £m
Non-current asset investments	2.1	15.9	36.6	54.6	17.0	37.5	54.5
Trade and other receivables	–	–	490.2	490.2	–	297.4	297.4
Cash and cash equivalents	–	653.9	–	653.9	426.6	–	426.6
Current asset investments	–	–	27.7	27.7	–	38.2	38.2
Seed capital	–	–	58.1	58.1	0.2	69.4	69.6
Total	2.1	669.8	612.6	1,284.5	443.8	442.5	886.3
Company							
Non-current asset investments		15.9	9.5	25.4	15.9	5.6	21.5
Trade and other receivables		–	101.8	101.8	–	97.6	97.6
Cash and cash equivalents		334.1	–	334.1	202.0	–	202.0
Current asset investments		–	26.9	26.9	–	25.7	25.7
Seed capital		–	26.6	26.6	0.2	49.6	49.8
Total		350.0	164.8	514.8	218.1	178.5	396.6

The 'non interest' bearing financial assets do not have maturity dates. They principally comprise available for sale investments, seed capital investments and other debtors.

The 'floating rate' financial assets principally comprise cash and deposit balances which earn interest at rates which fluctuate according to money market rates.

30 Financial risk management (continued)

The carrying value and maturity profile of the Group's and Company's financial instruments that are exposed to interest rate risk are shown in the following table:

	As at 30 September 2014				As at 30 September 2013			
Group	Within 1 year £m	Within 1 - 5 years £m	More than 5 years £m	Total £m	Within 1 year £m	Within 1 - 5 years £m	More than 5 years £m	Total £m
Floating rates								
Cash and cash equivalents	653.9	–	–	653.9	426.6	–	–	426.6
Other investments held at amortised cost	–	3.5	12.4	15.9	–	3.5	12.4	15.9
Fixed rate								
Other investments held at amortised cost	–	–	2.1	2.1	–	–	–	–
	653.9	3.5	14.5	671.9	426.6	3.5	12.4	442.5
Company								
Floating rates								
Cash and cash equivalents	334.1	–	–	334.1	202.0	–	–	202.0
Bank overdraft	(364.0)	–	–	(364.0)	(442.1)	–	–	(442.1)
Other investments held at amortised cost	–	3.5	12.4	15.9	–	3.5	12.4	15.9
	(29.9)	3.5	12.4	(14.0)	(240.1)	3.5	12.4	(224.2)

vii) Sensitivity analysis

The following analysis provides an indication of the impact of changes in the significant market risk variables on the fair value and cash flows of the Group's financial instruments.

The sensitivity analysis covers the financial instruments at each of the balance sheet dates and assumes changes in market variables. It should however be noted that due to the inherent uncertainty in world financial markets the assumptions made may differ significantly from the actual outcome particularly as market risks tend to be interdependent and are therefore unlikely to move in isolation.

The following assumptions have been made in respect of the market risks:

- sterling exchange rates are assumed to increase or decrease by 10%;
- market prices are assumed to increase or decrease by 10%; and
- market interest rates are assumed to increase or decrease by 1% at each reporting date.

The impact of the assumptions on profit or loss and equity, net of tax, are as follows:

Group

As at 30 September 2014	Impact on profit or loss £m	Impact on profit or loss £m	Impact on equity £m	Impact on equity £m
Exchange rate movement	**+10%**	**-10%**	**+10%**	**-10%**
Currency				
Sterling/US dollar	**15.9**	**(15.9)**	**15.6**	**(15.6)**
Sterling/Euro	**7.5**	**(7.5)**	**4.3**	**(4.3)**
Sterling/Nordic currencies	**1.9**	**(1.9)**	**1.9**	**(1.9)**
Sterling/Singapore dollar	**7.4**	**(7.4)**	**9.7**	**(9.7)**
Market price movement	**+10%**	**-10%**	**+10%**	**-10%**
Financial investments held for trading	**4.8**	**(4.8)**	**–**	**–**
Financial investments available for sale	**–**	**–**	**3.0**	**(3.0)**
Interest rate movement	**+1%**	**-1%**	**+1%**	**-1%**
Market interest rates	**3.6**	**(3.6)**	**–**	**–**

As at 30 September 2013				
Exchange rate movement	+10%	-10%	+10%	-10%
Currency				
Sterling/US dollar	13.0	(13.0)	12.1	(12.1)
Sterling/Euro	7.5	(7.5)	4.1	(4.1)
Sterling/Nordic currencies	2.3	(2.3)	2.4	(2.4)
Sterling/Singapore dollar	17.5	(17.5)	22.5	(22.5)
Market price movement	+10%	-10%	+10%	-10%
Financial investments held for trading	5.7	(5.7)	–	–
Financial investments available for sale	–	–	3.2	(3.2)
Interest rate movement	+1%	-1%	+1%	-1%
Market interest rates	3.2	(3.2)	–	–

The market price movement sensitivity excludes investments in funds to hedge deferred bonus liabilities, as described in note 20. Changes in the market price of these investments are offset by movements in deferred bonus liabilities, therefore there is no impact on profit or loss. This also applies to the Company.

The Group and Company interest rate movement sensitivity has been calculated based on average cash balances held during the year.

30 Financial risk management (continued)

Company

As at 30 September 2014	Impact on profit or loss £m	Impact on profit or loss £m	Impact on equity £m	Impact on equity £m
Exchange rate movement	+10%	-10%	+10%	-10%
Currency				
Sterling/US dollar	1.1	(1.1)	–	–
Sterling/Euro	0.7	(0.7)	–	–
Market price movement	+10%	-10%	+10%	-10%
Financial investments held for trading	2.2	(2.2)	–	–
Financial investments available for sale	–	–	0.5	(0.5)
Interest rate movement	+1%	-1%	+1%	-1%
Market interest rates	(2.4)	2.4	–	–

As at 30 September 2013				
Exchange rate movement	+10%	-10%	+10%	-10%
Currency				
Sterling/US dollar	1.9	(1.9)	–	–
Sterling/Euro	1.4	(1.4)	–	–
Market price movement	+10%	-10%	+10%	-10%
Financial investments held for trading	4.1	(4.1)	–	–
Financial investments available for sale	–	–	0.1	(0.1)
Interest rate movement	+1%	-1%	+1%	-1%
Market interest rates	(1.8)	1.8	–	–

viii) Capital management

The Board's policy with respect to capital is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to provide a sufficient base to sustain the future development of the business while at the same time ensuring compliance with all regulatory capital requirements. The Board receives regular updates on headroom over regulatory capital and supervises key decisions that may impact the future capital position of the Group. Further information on the Group's regulatory capital position is given below.

The Group's capital structure consists of equity (share capital and share premium) of £1,030.1 million, retained earnings and £321.6 million perpetual capital securities. The perpetual capital notes satisfy the requirements of financial reporting standards for treatment as equity and are treated as an element of tier 2 capital for regulatory purposes.

The Group uses cash generated from its operations to pay a progressive dividend. The Board seeks to avoid further dilutive issuance of new shares and has, since 2010, satisfied vesting of deferred bonus awards by purchasing shares in the market through the EBT. The EBT now holds sufficient shares to cover all outstanding awards as at 30 September 2014.

Regulatory capital requirements

In accordance with the Capital Requirements Directive ("CRD IV"), as implemented in the UK by the Financial Conduct Authority ("FCA"), the Group is required to maintain a minimum level of capital. In common with many other independent asset managers, the Group had operated under the terms of a waiver from the requirement to meet the full consolidated supervision rules of the CRD. The waiver was granted by the FCA with effect from January 2007 and remained in place until August 2014. The Group achieved its objective of eliminating reliance on this waiver and chose not to apply for a renewal of the waiver.

The Group is required to undertake an Internal Capital Adequacy Assessment Process ("ICAAP"), under which the Board quantifies the level of capital required to meet operational risks; this is referred to as the Pillar 2 capital requirement. The objective of this process is to ensure that firms have adequate capital to enable them to manage their risks which may not be adequately covered under the Pillar 1 requirements. This is a forward looking exercise which includes stress testing for the effects of major risks, such as those discussed on pages 44 to 47. These tests consider how the Group would cope with a significant market downturn, for example, and include an assessment of the Group's ability to mitigate the risks.

During the year to 30 September 2014 the acquisition of SWIP added five regulated subsidiaries to the Group's existing five regulated subsidiaries in the United Kingdom. Each of the UK subsidiaries is regulated by the FCA, except for Aberdeen Asset Management Life and Pensions Limited, which is regulated by the Prudential Regulatory Authority ("PRA") as well as the FCA. There are a further 30 entities in the Group which are subject to regulation in a number of overseas jurisdictions. With the exception of Aberdeen Asset Management Life and Pensions Limited, all others are regulated investment firms and are part of the Group consolidation for regulatory capital reporting purposes. The overseas regulated companies are subject to regulatory capital requirements which are determined by the respective local regulators.

All the regulated companies in the Group maintained surpluses over their respective regulatory capital requirements throughout the year.

31 Related party transactions

In the ordinary course of business, the Company and its subsidiary undertakings carry out transactions with related parties, as defined by IAS 24 *Related Party Disclosures*. Material transactions for the year are set out below.

The principal subsidiary undertakings of the Company are shown in note 16. During the year, the Group entered into the following transactions with related parties:

a) Compensation of key management personnel of the Group

	2014 £m	2013 £m
Short-term employee benefits	**11.2**	10.1
Share-based payments	**14.9**	13.7
Pension contributions	**0.7**	0.5
Total	**26.8**	24.3
Deferred elements of employee benefits outstanding at the year end:		
Amounts owed to related parties (including amounts deferred from previous years)	**45.4**	40.7

The remuneration policy is described in more detail in the remuneration report on pages 66 to 80.

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31 Related party transactions (continued)

b) Transactions with subsidiaries

Details of transactions between the Company and its subsidiaries, which are related parties of the Company are shown below:

	2014 £m	2013 £m
Interest receivable	**0.8**	0.8
Interest payable	**0.1**	0.3
Management fees	**145.8**	126.4
Dividends	**440.0**	331.3
Amounts due from subsidiaries	**151.3**	121.3
Amounts due to subsidiaries	**143.9**	134.4

Included within amounts due from subsidiaries is a long term loan of £62.9 million (2013: £37.5 million) to Aberdeen Investments Ltd. Interest is calculated at GBP Libor 3 month average rate plus 152.53 basis points. The interest on this loan is included with amounts due from subsidiaries due within one year.

c) Post employment benefit plans

The Group operates and participates in several post employment benefit plans as detailed in note 32.

The Group contributed the following amounts to defined benefit and defined contribution plans and had amounts outstanding at 30 September each year as follows:

	Employer contributions		Outstanding at 30 September	
	2014 £m	2013 £m	2014 £m	2013 £m
Murray Johnstone Limited Retirement Benefits Plan	**4.1**	18.8	**–**	–
Edinburgh Fund Managers Group plc Retirement & Death Benefits Plan	**3.3**	3.3	**–**	–
DEGI Pension Plan	**0.3**	0.3	**–**	–
Other defined benefit plans	**0.8**	0.8	**–**	–
Defined contribution schemes	**27.3**	22.4	**–**	–

The contribution to the Murray Johnstone Limited Retirement Benefits Plan in 2013 included a one-off additional contribution offered by the Group to enhance the funding of the scheme.

d) Asset management vehicles

The Group provides investment management services for a number of collective investment schemes where Group companies directly sponsor or are investment advisors of underlying funds, which meet the criteria or related parties. In return the Group receives management fees for provision of these services.

These asset management vehicles and the investment management fees are summarised below:

	Gross Revenues 2014 £m	Outstanding at 30 Sep 2014 £m	Gross Revenues 2013 £m	Outstanding at 30 Sep 2013 £m
Collective investment schemes	**358.4**	**41.8**	281.3	26.8

32 Retirement benefits

The Group's principal form of pension provision is by way of defined contribution schemes operated worldwide. The Group also operates a small number of legacy defined benefit schemes including: the Murray Johnstone Limited Retirement Benefits Plan, the Edinburgh Fund Managers Group plc Retirement & Death Benefits Scheme and the DEGI Pension Plan. These defined benefit schemes are closed to new membership and to future service accrual.

The main defined benefit schemes in the UK are based on final salary payments with benefits being adjusted in line with the schemes rules once in payment after retirement. The level of benefits paid is dependant on a members' length of service and salary prior to retirement. A funding plan, which aims to eliminate any shortfall in funding, has been agreed between the Trustees of the schemes and the employer. Annual contributions to the UK schemes under these funding plans are currently £7.5 million. The defined benefit schemes operated by the Group expose the Group to actuarial risks, including longevity risk, interest rate risk and market (investment risk). Where appropriate, the investment strategy takes the make up of the schemes' membership into account (for example investing in assets that broadly aim to partially match some of the liability outflows), which reduces the effect of market movements on funding levels. Risk in relation to gilt yields has also been mitigated by investing a proportion of the schemes' assets in gilts/bonds/LDI assets, which will help to offset some of the risk associated with gilt yields.

The total contributions charged to the income statement in respect of the schemes operated by the Group were as follows:

			2014 £m	2013 £m
i)	In respect of the Group's defined contribution schemes:			
	Pension cost charged to operating profit:	UK schemes	**16.3**	11.8
		Overseas schemes	**11.0**	10.6
			27.3	22.4
ii)	In respect of the Group's defined benefit schemes:			
	Pension cost charged to operating profit:	UK and DEGI schemes	**0.4**	1.2
		Other schemes	**1.2**	1.5
			1.6	2.7
Total pension expense			**28.9**	25.1

The pension deficits are recognised as non-current liabilities in the balance sheet and are stated before deduction of the related deferred tax asset. The pension surplus is recognised as a non-current asset in the balance sheet and is stated before deduction of the deferred tax liability.

The pension surplus and deficits of the Group are summarised as follows:

	2014 £m	2013 £m
Pension surplus (deficits)		
Edinburgh Fund Managers Retirement & Death Benefits Plan	**16.6**	9.7
Murray Johnstone Limited Retirement Benefits Plan	**(9.8)**	(4.9)
DEGI Pension Plan	**(7.1)**	(6.4)
Net deficit in main schemes (see (4) below)	**(0.3)**	(1.6)
Other defined benefit pension schemes	**(3.3)**	(2.8)
Net deficit	**(3.6)**	(4.4)

32 Retirement benefits (continued)

Disclosure relating to the Group's defined benefit obligations
The information given in (1) and (4) below reflects the aggregate disclosures in respect of the Group's three UK defined benefit pension arrangements and the DEGI scheme in Germany. The information given in (2) reflects the three UK schemes only. The information provided in (3) relates to the DEGI pension scheme.

1) Plan assets

	2014		2013	
	£m	%	£m	%
Plan assets				
Equities and alternatives	72.4	37.7	63.3	35.9
Gilts and other bonds	6.9	3.6	12.6	7.2
LDI funds	105.1	54.7	86.6	49.1
Other	6.0	3.1	12.2	6.9
Cash	1.6	0.9	1.7	0.9
	192.0	100.0	176.4	100.0

Basis used to determine the expected rate of return on plan assets
To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for the future returns of each asset class. The expected return for each asset class was then weighted, based on the target asset allocation, to develop the expected long term rate of return on assets assumptions for the portfolio.

2) Principal assumptions used by UK schemes' actuaries

	2014 %	2013 %
Expected rate of return		
Equities and alternatives	6.0	6.6
Gilts	3.0	3.6
Corporate bonds	4.0	–
LDI funds	2.8	3.3
Cash	0.5	0.5
Discount rate	4.0	4.5
Pension increases		
– pre July 1997 accrual (Edinburgh 3%)	3.2	3.4
– post July 1997 accrual	3.2	3.4
Contributory salary increases (applies to Murray Johnstone only)	5.2	5.4
Rate of price inflation (RPI)	3.2	3.4
Rate of price inflation (CPI)	2.4	2.9

The weighted average assumptions used to determine the net pension cost are as follows:

	2014 %	2013 %
Discount rate	**4.5**	4.6
Rate of compensation increase (applies to Murray Johnstone only)	**5.4**	4.8
Rate of price inflation (RPI)	**3.4**	2.8
Rate of price inflation (CPI)	**2.9**	2.3

Mortality assumptions
The mortality assumptions for the UK defined benefit schemes at 30 September 2014 follow the SINA LIGHT CMI 2009 1.25% (YOB) tables. The impact of these assumptions on life expectancies is shown in the table below:

	2014 Years	2013 Years
Impact of mortality assumptions		
Expected age at death for a male currently aged 40 retiring in the future at age 60	**90.5**	90.6
Expected age at death for a female currently aged 40 retiring in the future at age 60	**92.0**	91.9
Expected age at death for a current male pensioner aged 60	**88.6**	88.7
Expected age at death for a current female pensioner aged 60	**90.0**	89.9

3) Principal assumptions used by the DEGI scheme actuaries

	2014 %	2013 %
Discount rate	**3.6**	3.6
Rate of compensation increase	**2.0**	2.0
Rate of price inflation	**2.0**	2.0
Assumed retirement age	**RVAGAnpG 2007**	RVAGAnpG 2007

The mortality tables used for the DEGI scheme were RT 2005 G with 80% invalidity.

32 Retirement benefits (continued)

4) Aggregate disclosure obligations

The following disclosure relates to the Group's three UK schemes plus the DEGI scheme in Germany:

	2014 £m	2013 £m
Change in benefit obligation		
Benefit obligation at beginning of year	178.0	161.8
Interest expense	7.5	6.9
Effect of changes in demographic assumptions	3.7	–
Effect of changes in financial assumptions	13.2	13.5
Effect of experience adjustments	3.3	–
Benefits paid from scheme	(6.0)	(4.8)
Benefit obligations transferred out[1]	(6.6)	–
Effect of changes in foreign exchange rates	(0.8)	0.6
Benefit obligation at end of year	192.3	178.0
Change in scheme assets		
Fair value of plan assets at beginning of year	176.4	150.5
Interest income	7.1	5.7
Remeasurement gains	13.8	2.3
Employer contributions	7.7	22.4
Benefits paid from scheme	(6.0)	(4.8)
Assets transferred out[1]	(6.6)	–
Effect of changes in foreign exchange rates	(0.4)	0.3
Fair value of scheme assets at end of year	192.0	176.4
Deficit recognised at end of year	(0.3)	(1.6)

[1] Benefit obligations and assets transferred out follows the buy out of the CGA Staff Pension Fund and formal wind-up of that scheme.

	2014 £m	2013 £m
Movement in deficit during the year		
Deficit in schemes at beginning of year	(1.6)	(11.3)
Movement in year:		
Employer contributions	7.7	22.4
Pension expense recognised in income statement	(0.4)	(1.2)
Amounts recognised in the statement of comprehensive income	(6.4)	(11.2)
Effect of changes in foreign exchange rates	0.4	(0.3)
Net deficit in schemes at end of year	(0.3)	(1.6)
Surplus in scheme at end of year	16.6	9.7
Deficits in schemes at end of year	(16.9)	(11.3)
	(0.3)	(1.6)

Amounts recognised in the statement of comprehensive income in the year include the amount shown above for the Group's main defined benefit schemes plus a remeasurement gain of £0.5 million for other schemes.

The Group expects to pay approximately £7.5 million to the UK defined benefit schemes in the next financial year.

	2014 £m	2013 £m
Expense recognised in the income statement		
Interest expense on defined benefit obligations	7.5	6.9
Interest income on plan assets	(7.1)	(5.7)
	0.4	1.2
Amounts recognised in the statement of comprehensive income		
Return on plan assets	13.8	2.3
Actuarial losses due to change in demographic assumptions	(3.7)	–
Actuarial losses due to change in financial assumptions	(13.2)	(13.5)
Actuarial losses due to experience	(3.3)	–
	(6.4)	(11.2)

32 Retirement benefits (continued)

Significant acturial assumptions for the determination of the defined benefit obligation are discount rate, expected pension increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Assumption	Assumption change	2014 Estimated impact on scheme liabilities %	2013 Estimated impact on scheme liabilities %
Discount rate	Increase/decrease by 0.1% per annum	**Decrease/increase by 2.0**	Decrease/increase by 2.0
Expected rate of pension increases in payment	Increase/decrease by 0.1% per annum	**Increase/decrease by 0.9**	Increase/decrease by 0.9
Life expectancy	Increase/decrease by 1 year	**Increase/decrease by 3.1**	Increase/decrease by 2.7

Relationships between Aberdeen Asset Management and the trustees of the defined benefit schemes
The schemes assets are held in separate trustee-administered funds to meet long term pension liabilities to past employees. The trustees of the funds are required to act in the best interests of the funds' beneficiaries.

Independent auditor's report to the members of Aberdeen Asset Management PLC only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Aberdeen Asset Management PLC for the year ended 30 September 2014 set out on pages 86 to 146. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above in the financial statements, the risks of material misstatement that had the greatest effect on our audit are set out below:

Accounting for the Acquisition of SWIP

Refer to page 62 (Audit Committee Report), page 87 (accounting policy) and note 14 (financial disclosures).

Valuation of earn-out payment (£50.7m)

- **The risk:** The purchase consideration for the Group's acquisition of Scottish Widows Investment Partnership ('SWIP') includes an earn-out payment based on incremental revenues in the investment solutions business and subject to a maximum cash payment of £100.0 million. This liability is stated at fair value, being based on a probability-weighted expected return analysis of cash flow assumptions, which relates to expected performance and growth, discounted to a present value. Post-acquisition true-ups of the liability will flow through the income statement. Given that and the judgement involved in deriving forecast revenues and associated probability weightings, and determining an appropriate discount rate, this is an area considered to be at risk of material misstatement.
- **Our response:** Our procedures included critically assessing the appropriateness of the assumptions used to value the earn-out payment, including the cash flows and probability weightings used in each of the revenue scenarios and the discount rate applied. We evaluated the assumptions used by comparing these to externally derived data. The cash flows were compared to growth expectations for market participants that are comparable to the business, while the discount rate was benchmarked against those of comparable quotable companies. We also considered wider publicly available data on other variables such as the risk free rate element of the discount rate. We used our own valuation specialists to support our procedures.

Identification and valuation of intangible assets acquired in the period (£394.5m)

- **The risk:** Significant judgement is involved in the identification and valuation of the intangible assets acquired as part of the SWIP acquisition, including the identification of all relevant management contracts and consideration of other possible assets that could meet the definition of intangible assets for recognition under applicable accounting standards. The valuation of these intangible assets is based on discounted cash flow models for each contract. The judgement involved in applying the appropriate assumptions for cash flows and determining an appropriate discount rate leads to a risk of material misstatement. There is further judgement around the assessment of the estimated useful lives, which should reflect the period of expected future economic benefits arising from each contract and will determine the future amortisation profile of these assets.
- **Our response:** Our procedures included using our own valuation specialists to support us in critically challenging the valuations. We assessed the completeness of the intangibles identified by considering the underlying current and prospective revenue streams in the acquired entities.

  With regard to the valuation of the intangibles, we evaluated the assumptions (including cash flows, discount rate and risk free rate) using the same method described in our response to the earn-out valuation risk above.

  In evaluating the appropriateness of the estimated useful lives, we considered the Group's forecast of the expected future economic benefits associated with each asset. We compared these to the projected cash flows and the contractual lives of the assets. We also considered whether the amortisation methodology adopted best represented the profile of expected future economic benefits.

Assessment of impairment of Intangible Assets (£1,552.2m)
Refer to page 62 (Audit Committee Report), page 90 (accounting policy) and note 13 (financial disclosures).

The risk: We concentrate our audit on the components of intangible assets which contain the following key judgemental areas; goodwill, and management contracts and distribution agreements. An impairment assessment of goodwill and indefinite life intangibles is carried out annually, while definite life intangibles are assessed for indicators of impairment.

Due to the range of judgements and assumptions used in the models and impairment assessments, as well as the significant carrying amount of the intangible assets, which represent 28.8% of the total assets on the Balance Sheet, this is an area considered to be at risk of material misstatement.

Our response to goodwill: Our procedures included critically assessing the assumptions and methodologies used by the Group in their value-in-use model. We compared the Group's assumptions to externally derived data and our own assessments of key inputs such as projected economic growth, cost inflation and discount rates and assessed sensitivities, as well as performing break-even analysis on key assumptions. We tested the Group's procedures around the preparation of the budget, upon which the value-in-use model is based, as well as comparing the sum of projected discounted cash flows to the market capitalisation of the Group to assess whether the projected cash flows appear reasonable. We used our own valuation specialists to support our procedures.

Our response to indefinite life intangibles: Our procedures included critically assessing the assumptions and methodologies used by the Group in their fair value less costs to sell model, by comparing the key assumptions – fee rates, projected assets under management (AUM) and revenue multipliers on projected cash flows – against data derived from internal sources, such as the Group's own implied fee rates and reported AUM, and external sources, including recent transactions, which were used to derive an appropriate revenue multiple. We performed a sensitivity analysis based on the key assumptions of the models. We used our own valuation specialists to support our procedures.

Our response to definite life intangibles: We reviewed Group's assessment for indicators of impairment in consideration of business activities such as fund outflows and associated results for the year. Where indicators of impairment were identified, we critically assessed the Group's value-in-use models, using our work over goodwill described above. We assessed the useful lives of each definite life asset to determine if they remained appropriate in the context of the expected future period of economic consumption.

For all of the risks noted above we have assessed whether the Group's disclosures about the sensitivity of the estimates to changes in key assumptions reflected the risks inherent in these judgements.

In our audit report for the year ended 30 September 2013 we included share-based payments as one of the risks of material misstatement that had the greatest effect on our audit. We considered this risk to be less significant in the current year as there are no new schemes and the model for quantifying the expense and underlying assumptions is now well established.

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

The materiality for the Group financial statements as a whole was set at £20 million, determined with reference to a benchmark of Group profit before tax, normalised to exclude the one-off SWIP acquisition costs as disclosed in note 4, of £392.3 million, of which it represents 5%.

We report to the Audit Committee any uncorrected identified misstatements exceeding £1 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We performed audits for group reporting purposes, covering 89% of total Group revenue, 100% of Group profit before tax and 93% of total Group assets. These audits included 34 of the Group's reporting components, which, in total, number over 100 (including branches, dormant subsidiaries and non-trading subsidiaries). Five audits were performed by component auditors and 29 by the Group audit team.

For the remaining components, we performed analysis at the aggregated group level to re-examine our assessment that there are no significant risks of material misstatement within these.

The Group audit team instructed reporting component auditors as to the significant areas to be covered including the relevant risks detailed above, and the information to be reported back. The Group audit team approved the component materiality of £10.8 million, having regard to the mix of size and risk profile of the businesses within the Group.

The Group audit team visited two reporting component locations in the USA and Singapore to assess the audit risk and strategy. Telephone meetings were also held with the auditors of these components and the other reporting components that were not physically visited. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4 **Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 **We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee section of the Corporate Governance report does not appropriately address matters communicated by us to the Audit Committee.

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 82, in relation to going concern; and
- the part of the Corporate Governance Statement on page 58 in the Corporate Governance Report relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 83, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
37 Albyn Place
AB10 1JB

28 November 2014

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the annual report and financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

R C Cornick
Chairman

W J Rattray
Finance Director

28 November 2014

Five year summary

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Net revenue	**1,117.6**	1,078.5	869.2	784.0	638.2
Operating expenses					
– Operating costs	**(627.2)**	(589.3)	(516.5)	(474.7)	(416.3)
– Acquisition and integration costs	**(33.1)**	(19.2)	–	–	(18.2)
– Amortisation and impairment of intangible assets	**(99.4)**	(73.2)	(78.1)	(77.8)	(66.2)
Total operating expenses	**(759.7)**	(681.7)	(594.6)	(552.5)	(500.7)
Operating profit before amortisation, impairment, acquisition costs and exceptional items	**490.4**	489.2	352.7	309.3	221.9
Amortisation and impairment of intangible assets	**(99.4)**	(73.2)	(78.1)	(77.8)	(66.2)
Acquisition and integration costs	**(33.1)**	(19.2)	–	–	(18.2)
Operating profit	**357.9**	396.8	274.6	231.5	137.5
Net finance costs	**(2.7)**	(3.5)	(5.1)	(7.4)	(11.9)
(Losses) gains on investments	**(0.6)**	(3.0)	0.2	–	–
Profit before taxation	**354.6**	390.3	269.7	224.1	125.6
Tax on profit on ordinary activities	**(47.5)**	(61.5)	(46.1)	(40.2)	(18.3)
Profit for the year	**307.1**	328.8	223.6	183.9	107.3
Earnings per share – IAS 33 basis					
– Basic	**23.54p**	27.16p	18.88p	15.01p	8.32p
– Diluted	**22.79p**	26.22p	17.55p	14.06p	8.04p
Underlying profit before taxation	**£490.3m**	£482.7m	£347.8m	£301.9m	£210.0m
Underlying earnings per share					
– Basic	**32.17p**	33.71p	24.45p	20.13p	14.09p
– Diluted	**31.14p**	32.48p	22.62p	18.73p	13.28p
Dividend per share	**18.0p**	16.0p	11.5p	9.0p	7.0p
Assets under management at year end	**£324.4bn**	£200.4bn	£187.2bn	£169.9bn	£178.7bn

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Financial Calendar

Annual General Meeting
3 February 2015

Payment of final dividend
6 February 2015

Announcement of interim results
May 2015

Payment of interim dividend
June 2015

Aberdeen Asset Management PLC Annual Report and Accounts 2014

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