

abrdn Alternative Investments Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2023
Registration number: 00794936

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Company Information

Directors

P Branner

X B M Meyer

Company secretary

abrdn Corporate Secretary Limited

Registered office

280 Bishopsgate

London

EC2M 4AG

Auditor

KPMG LLP

Chartered Accountants and Statutory Auditor

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

Strategic Report for the Year Ended 31 December 2023

The Directors present their strategic report on abrdrn Alternative Investments Limited ("the Company") for the year ended 31 December 2023, in accordance with section 414A of the Companies Act 2006.

Business review and future developments

The Company's principal activity is the provision of investment management services across a number of asset classes and is part of abrdrn plc ("abrdrn plc" or, together with its subsidiaries, "the abrdrn Group").

During the year the Company has continued to novate clients to other abrdrn Group companies in preparation for liquidation. The company does not intend to seek replacement trade and consequently the financial statements are not prepared on a going concern basis.

Key performance indicators ("KPIs")

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

	2023	2022
	£ 000	£ 000
AUM	117,724	3,706,684
Revenue	872	16,324
Operating loss	(538)	(196)
Equity attributable to equity holders of the parent	40,546	41,813
Regulatory capital surplus	34,961	30,421

AUM

AUM contracted with the Company has decreased by £3,588,960k (97%), predominantly due to novations to other abrdrn Group companies.

Revenue

Revenue has decreased by £15,452k (95%), largely as a result of the aforementioned novations to other abrdrn Group companies.

Strategic Report for the Year Ended 31 December 2023 (continued)

Key performance indicators ("KPIs") (continued)

Operating loss

The operating loss increased by £342k (174%), as a result of aforementioned decrease in revenue, partly offset by an associated reduction in operating costs. Operating costs fell by less than revenue due to elements of fixed costs that have been retained by the Company. An expense of £1,105k has been recognised in respect of revenue sharing, driven by an expected credit loss in another abrdn Group company where the margin impact has been partly shared with the Company.

Equity attributable to equity holders of the parent

Equity attributable to equity holders of the parent has decreased by £1,267k (3%) primarily as a result of the dividend paid.

Regulatory capital surplus

The regulatory capital surplus at 31 December 2023 has increased by £4,540k (15%), largely as a result of a reduction in the regulatory capital base requirement.

Enhancing our governance

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

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

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

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

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

The likely consequence of any decision in the long term - The Board of Directors of the Company operate the Company in accordance with the Company's Articles, the Board Charter and the overall abrdn plc business plan, which considers the long term success of the Company and abrdn Group as a whole, and the likely long term consequences of any decisions by the Company are taken into account. When all the trade and assets of the Company are transferred to other abrdn Group companies, the directors intend to liquidate the Company.

Strategic Report for the Year Ended 31 December 2023 (continued)

Enhancing our governance (continued)

The need to foster the Company's business relationships with suppliers, customers and others - Supplier relationships within the abrdrn Group of companies are managed under the Outsourcing and Third Party Management Policies, which apply to all subsidiary companies. Engagement with suppliers, customers and others is considered at group level and engagement matters have been disclosed in the abrdrn plc Annual Report and Accounts which does not form part of this report. As part of the plans to liquidate the Company, the directors are considering relationships with suppliers, customers and others and novating contracts to other abrdrn Group companies where necessary to do so.

The impact of the Company's operations on the community and the environment - Engagement on environmental and community matters is considered at abrdrn plc level and such matters have been disclosed in the abrdrn plc Annual Report and Accounts which does not form part of this report. The Directors have determined that there are no company specific matters appropriate to disclose, as the disclosures contained within the abrdrn plc Annual report and Accounts, which do not form part of this report, adequately reflect the engagement by the Company in respect of environmental and community matters.

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

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

Risk management

A strong risk and compliance culture supports the abrdrn Group's commitment to put clients and customers first and safeguard the interests of shareholders. The abrdrn Group, of which the Company is a part, has responsibility for risk management and oversees the effectiveness of the Enterprise Risk Management ("ERM") framework.

ERM framework

The ERM framework underpins risk management throughout the abrdrn Group. This involves operating a 'three lines of defence' model with defined roles and responsibilities. The ERM framework is constantly evolving to meet the changing needs of the abrdrn Group and to make sure it keeps pace with industry best practice. In 2023, improvements to the framework included:

- Delivering a new approach to Risk and Control Self Assessments, focussed on key business outcomes and executive accountability;
- Improving the abrdrn Group's risk acceptance process;
- Improved management information to better measure how the framework is applied in practice;
- Reviewing risk taxonomy;
- Strengthening capabilities within Enterprise Risk;
- Further embedding of capabilities to support Operational Resilience and Consumer Duty outcomes; and
- Updating the Global Code of Conduct.

Strategic Report for the Year Ended 31 December 2023 (continued)

Risk management (continued)

Business risk environment

The commercial environment remained challenging during 2023 given the market and economic environment and geopolitical events and risks. Inflation remained high, accompanied by the continued tightening of monetary policy. These conditions adversely impacted market levels and client flows over the year. The abrdrn Group has also continued to simplify its business model, delivering on recent transformation projects. This includes simplifying and focussing investment capabilities on areas where there is both the skill and the scale to capitalise on the key themes shaping the market.

There continues to be a lot of change that is being managed across the business, to simplify and achieve sustainable growth. The volume of change may create bandwidth issues and operational stretch on top of core activities whilst balancing the demands of the business simplification and growth agendas. Heightened vigilance over risks to operations from financial crime and cyber intrusion remains. In-house dedicated teams monitor and manage these risks as they evolve, with the support of external specialists.

Client and customer interests are at the heart of the investment vector. Focus continues to be on good outcomes which are delivered across the vector. During 2023, the abrdrn Group implemented the FCA's new Consumer Duty requirements, which came into force on 31st July. This is embedded in the Global Code of Conduct and was supported by the Consumer Duty mandatory training module and Client and Customer Policy.

The Consumer Duty requirements place specific obligations on the abrdrn Group's vectors to demonstrate value for money for its clients. This is achieved by avoiding biased incentive schemes and by the value for money framework, underpinned by the abrdrn Group's culture and strategy.

Evolving and emerging risks

The abrdrn Group is vigilant to risks that could crystallise over different horizons and impact strategy, operations and clients. These risks vary in nature as they cover geopolitical, economic, societal, technological, legal, regulatory, and environmental themes. Internal and external research is reviewed to consider how risks could emerge and evolve.

Clients and customers are provided with fair and transparent fee structures and the abrdrn Group continues to engage with the Financial Conduct Authority on interest retained on cash balances. Some notable risks (and opportunities) for the abrdrn Group include adoption of modern technologies, uncertainty driven by geo-politics, unprecedented market shifts, evolving cyber threats and climate change.

Principal risks and uncertainties

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

Strategic Report for the Year Ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Strategic risk

The current external geopolitical and macroeconomic environment presents a wider range of risks that could impact business plans and the implementation of strategies. The volume of internal change also poses a risk to the delivery of business plans. These could include failing to meet client expectations, poor strategic decision-making, poor implementation, or failure to adapt. During the year the abrdn Group continued to simplify its business model, increase efficiency and improve the blend of capabilities, technology and processes. Acquisitions and disposals were completed to simplify the business operating model and strengthen capabilities for future growth. Inorganic opportunities are assessed for their contribution towards core strategy and client needs. Market and competitor intelligence has aided decision-making. Focus remains on geopolitical and macroeconomic developments to understand and manage implications.

Financial risk

This is the risk of having insufficient financial resources, suffering losses from adverse markets or the failure or default of counterparties. It is impacted by flows experience, global market conditions and the fees charged on investment mandates. Strong available capital and liquidity enabled the continuation of paying dividends to other abrdn group companies. During 2023, the Company continued to operate under applicable regulatory regimes which determines regulatory capital and liquidity requirements for the abrdn Group and its key entities. Treasury Policy includes minimum standards for managing liquidity, market and counterparty risks, including the credit quality of key counterparties.

Conduct risk

The business relies on its ability to deliver good service and fair client and customer outcomes, and there is a risk that it fails to achieve this through operational activities and the implementation of change programmes. This could lead to customer and client harm, reputational damage, and loss of income. Being client and customer-led is a commitment and an essential aspect of the abrdn Group's culture. This means continuous focus on client and customer outcomes is fundamentally important. The ERM framework supports the management of conduct risk with clear expectations around conduct goals and responsibilities. In 2023, the Global Code of Conduct was updated, as well as implementation of the FCA's new Consumer Duty. Work is continuing to embed the framework, improve management information and ensure compliance of closed book products, required by 31st July 2024.

Regulatory and legal risk

High volumes of regulatory change can create interpretation and implementation risks. Compliance failures can lead to poor customer and client outcomes, sanctions, reputation damage and income loss. During 2023 the abrdn Group continued to respond to and implement regulatory change including in relation to ESG and new Consumer Duty requirements in the UK. There are potential risks of changing capital and liquidity requirements and tax risk is inherent in the nature of how the abrdn Group conducts business across the globe. This could lead to reputational risk and / or financial loss. There is active monitoring and engagement with regulators on the regulatory landscape, as well as investment in compliance and monitoring activity across the abrdn Group. The evolution of regulatory divergence between the UK and EU rulebooks is a particular focus for the abrdn Group and work continues with regulators and tax authorities to address requirements and expectations. Relationships with key regulators are based on trust and transparency while compliance and legal teams support senior managers across the business.

Strategic Report for the Year Ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Process execution and trade errors

This is the risk that processes, systems, or external events could produce operational errors. During 2023 there was continued management focus on process execution and trade errors. There are established processes for reporting and managing incidents, risk events and issues. The underlying causes of error are monitored to identify areas for action, promoting a culture of accountability and continuously improving how issues are addressed.

Technology

There is a risk that technology may fail to keep pace with business needs. There is also the significant risk of unauthorised access to systems and cyber-attacks. These risks are relevant to a wide range of potential threats to the business including internal failure, external intrusion, supplier failure and weather events. The current IT estate is complex and there are dependencies on third party suppliers that need to be managed in a dedicated way. There is an ongoing programme to invest in and enhance IT infrastructure controls. The IT systems environment is benchmarked to identify areas for improvement and further investment.

Heightened vigilance is maintained for cyber intrusion, with dedicated teams monitoring and managing cyber security risks. There is regular testing on penetration and crisis management.

Business resilience and continuity

Incidents that can impact business resilience and continuity include environmental issues, terrorism, economic instabilities, cyber-attacks, and operational incidents. The risk of disruption from inside the organisation is broadly stable. However, tools for exploiting IT vulnerabilities are becoming more widely available globally and are frequently used by criminal groups to enable ransomware attacks. The abrdn Group continues to strengthen operational resilience. Crisis management and contingency planning processes are regularly reviewed and tested to strengthen resilience and responsiveness. Changes relating to the new EU Digital Operational Resilience Act are preparing to be implemented, due in January 2025.

Fraud and financial crime

As a business that handles clients' money, the abrdn Group is exposed to the risk of fraudulent and dishonest activity. Engaging with a wide number of external parties means the abrdn Group has to be vigilant to the risk that these parties are connected with criminal behaviour, or subject to sanctions by national or global authorities. The control environment has been improved for anti-money laundering. Processes are in place to identify client activity linked with financial crime, globally. These include controls for anti-money laundering, anti-bribery, fraud, and other areas of financial crime. Work continues with financial authorities and industry peers to assist those targeted by scams.

Change management

As a diverse, global investment firm, the abrdn Group is continually implementing change to improve the business, meet regulatory expectations and respond to change in the economic environment. As well as being costly, failure to deliver change effectively, can lead to poor client and customer outcomes and/or regulatory non-compliance. The ongoing simplification of the abrdn Group business model enables more agility and the ability to respond at pace to changes in the economic environment. The ongoing commitment to transformation is positioning the abrdn Group for a long term sustainable future where resources and capabilities are being aligned accordingly. For major change projects, the abrdn Group has established governance processes with project resources and clearly defined roles across the three lines of defence.

Strategic Report for the Year Ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Third party management

Various activities are outsourced to third party suppliers and are exposed to a variety of delivery, regulatory and reputational risks as a result. The Third Party Risk Management framework continues to evolve in line with external developments, industry practice and regulatory developments.

Financial management process

The abrdrn Group has extensive financial reporting obligations to clients, customers, shareholders, regulators, and other stakeholders. Failures in these processes could impact decision-making and lead to regulatory and litigation risk. Financial reporting activities align to external reporting standards and industry best practice. These activities are subject to extensive Internal control and external assurance.

Approved by the Board and signed on its behalf by:



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X B M Meyer
Director

24 April 2024

Directors' Report for the Year Ended 31 December 2023

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2023.

Directors of the Company

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

N A Slater (resigned 28 September 2023)

D E Thomas (resigned 23 November 2023)

P Branner (appointed 26 October 2023)

X B M Meyer (appointed 6 June 2023)

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

Company secretary

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

Going concern

The Company is currently novating all remaining clients to other abrdn Group entities with no alternative business being sought. Consequently, the financial statements are not prepared on a going concern basis.

Dividends

The Directors recommended and paid dividend of £1,312k (2022: nil) to the Company's immediate parent company, namely abrdn Investment Group Limited ("aIGL").

Political donations

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

Modern slavery act

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

Independent auditor

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

Disclosure of information to the auditors

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

Directors' Report for the Year Ended 31 December 2023 (continued)

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 ("FRS 101") Reduced Disclosure Framework.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so (as explained in note 1 the Directors do not believe it is appropriate to prepare these financial statements on a going concern basis).

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board and signed on its behalf by:



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X B M Meyer
Director

24 April 2024

Independent Auditor's Report to the Members of abrdn Alternative Investments Limited

Opinion

We have audited the financial statements of abrdn Alternative Investments Limited ('the Company') for the year ended 31 December 2023 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and related notes including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading Board minutes to assess for any discussion of fraud.

Independent Auditor's Report to the Members of abrdn Alternative Investments Limited (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we have rebutted the fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on high risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted by senior finance management and those posted to unusual accounts, as well as those which comprised unexpected posting combinations. We have also tested all material post year end closing journals.

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

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

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

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

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

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

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

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

Independent Auditor's Report to the Members of abrdn Alternative Investments Limited (continued)

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

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

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

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors responsibilities

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

Independent Auditor's Report to the Members of abrdn Alternative Investments Limited (continued)

Auditor's responsibilities

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

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

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

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



.....
Sarah Marchant (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

24 April 2024

Profit and Loss Account for the Year Ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Revenue	3	872	16,324
Administrative expenses		(1,410)	(16,520)
Operating loss		(538)	(196)
Impairment of investments		(251)	-
Net finance income	5	927	154
Profit / (loss) before tax		138	(42)
Tax credit/(expense)	6	(93)	8
Profit / (loss) for the year		45	(34)

The Company has not recorded any other comprehensive income during the years to 31 December 2023 or 31 December 2022. A separate statement of comprehensive income is therefore not disclosed.

Profits for the year were derived wholly from discontinued operations.

The notes on pages 18 to 29 form an integral part of these financial statements.

Balance Sheet as at 31 December 2023

	Note	2023 £ 000	2022 £ 000
Assets			
Non-current assets			
Investments in subsidiaries	8	179	430
Deferred tax assets	7	5	5
Other non-current financial assets		18	18
Total non-current assets		202	453
Current assets			
Trade and other receivables	9	36,007	28,517
Cash and cash equivalents		23,503	20,188
Total current assets		59,510	48,705
Total assets		59,712	49,158
Equity and liabilities			
Equity			
Share capital	10	20,125	20,125
Share premium		20,375	20,375
Retained earnings		46	1,313
Equity attributable to equity holders of the parent		40,546	41,813
Current liabilities			
Trade and other payables	11	19,166	7,345
Total current liabilities		19,166	7,345
Total liabilities		19,166	7,345
Total equity and liabilities		59,712	49,158

Approved by the Board and signed on its behalf by:



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X B M Meyer
Director

24 April 2024

Registration number: 00794936

The notes on pages 18 to 29 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2023

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	20,125	20,375	1,347	41,847
Loss for the year	-	-	(34)	(34)
At 31 December 2022	20,125	20,375	1,313	41,813

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2023	20,125	20,375	1,313	41,813
Profit for the year	-	-	45	45
Dividends	-	-	(1,312)	(1,312)
At 31 December 2023	20,125	20,375	46	40,546

The notes on pages 18 to 29 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2023

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for period ended 31 December 2023 have been prepared in accordance with FRS 101 Reduced Disclosure Framework as issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions

Summary of disclosure exemptions

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

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

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

- Certain disclosures required by IFRS 7 Financial Instrument Disclosures and IFRS 13 Fair Value Measurement.
- International Tax Reform - Pillar Two Model Rules - Amendments to IAS12.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Accounting policies (continued)

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

Going concern

The Company is currently novating all remaining clients to other abrdn Group entities with no alternative business being sought. Consequently, the financial statements are not prepared on a going concern basis.

Changes in accounting policy

No new standards, interpretations and amendments effective for the first time from 1 January 2023 are deemed to have had an impact on the Company.

Revenue recognition

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

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

Rebates are payable based on agreed rates as a percentage of AUM in accordance with the performance obligations of the agreement and are included as a deduction to management fees.

Other revenue mainly represents income from the recharge of costs to other abrdn Group companies. Other revenue is recognised when it is highly probable that a significant reversal will not be required.

Dividends

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

Net finance income

Interest income and costs are derived on cash and cash equivalents. Interest is recognised on an accruals basis using the effective interest rate method.

Administrative expenses

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

Restructuring costs

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

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Accounting policies (continued)

Foreign currency transactions and balances

(i) Functional currency

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

(ii) Transactions and balances

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

Financial assets

(i) Amortised cost

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

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

Impairment of financial assets

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

Financial liabilities

(i) Amortised cost

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

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and includes cash at bank and highly liquid investments. Cash and cash equivalents are initially measured at fair value and subsequently at amortised cost.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Accounting policies (continued)

Current & deferred tax

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

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

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

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

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

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

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

In May 2023, amendments to IAS 12 were issued which were endorsed by the UK endorsement board on 19 July 2023. The amendments were effective immediately.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development, including tax law that implements qualified domestic minimum top-up taxes. However, the amendments also introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes which the Company and Group have applied.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Accounting policies (continued)

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses. An impairment charge is recognised when the carrying amount of the investment exceeds its recoverable amount. Any gain or loss on disposal of a subsidiary, is recognised in profit for the year.

Contingent liabilities

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

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with FRS 101, may require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In the process of applying the Company's accounting policies, management has made no key estimates or judgements.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

3 Revenue

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

	2023	2022
	£ 000	£ 000
Management fees	872	9,557
Performance fees	-	5,850
Other revenue	-	917
Total revenue	872	16,324

4 Operating profit / (loss)

Arrived at after (charging)/crediting

	2023	2022
	£ 000	£ 000
Foreign exchange (losses)	(11)	(2)

Fees payable to the Company's Independent Auditors:

	2023	2022
	£ 000	£ 000
Audit of the financial statements	41	37

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

All directors of the Company are employed by other abrdrn Group companies. Their services cover several companies within the abrdrn Group therefore no apportionment of emoluments has been made to the Company.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

5 Net finance income

	2023 £ 000	2022 £ 000
Finance income		
Interest income on bank deposits	929	155
Finance expense		
Interest expense paid	(2)	(1)
Net finance income	<u>927</u>	<u>154</u>

6 Current taxation

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

	2023 £ 000	2022 £ 000
Current taxation		
UK corporation tax charge / (credit)	91	(8)
UK corporation tax adjustment to prior periods	2	1
	93	(7)
Deferred taxation		
Arising from origination and reversal of temporary differences	-	(1)
Tax charge / (credit) in the profit and loss account	<u>93</u>	<u>(8)</u>

The tax charge assessed for the year is higher (2022: equal to) as the standard rate of corporation tax in the UK of 23.5% (2022 - 19%).

	2023 £ 000	2022 £ 000
Profit / (loss) before tax	138	(42)
Corporation tax charge / (credit) at standard rate	32	(8)
Increase due to non-deductible expenses	59	-
Adjustment in respect of prior years	2	-
Total tax expense / (credit)	<u>93</u>	<u>(8)</u>

The standard UK Corporation Tax rate for the accounting period is 23.5%. The rate of UK Corporation Tax increased from 19% to 25% with effect from 1 April 2023.

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

7 Deferred tax

	2023	2022
	£ 000	£ 000
As at 1 January	5	4
Credit through profit and loss account	-	1
As at 31 December	<u>5</u>	<u>5</u>
Deferred tax assets	<u>5</u>	<u>5</u>

The deferred tax asset relates to accelerated capital allowances.

8 Investments in subsidiaries

	2023	2022
	£ 000	£ 000
As at 1 January	430	430
Impairment	(251)	-
As at 31 December	<u>179</u>	<u>430</u>

The Company recognised an impairment of £122k on its investment in PU Retail Luxembourg Management Company S.A.R.L. (“PURLM”) which is in liquidation. The carrying value of PURLM at 31 December 2023 is £27k. This was determined based on Fair Value Less Costs of Disposal (“FVLCD”). The FVLCD considered a number of valuation approaches, the primary approach being based on the net assets. This is a level 3 measurement as it is measured using inputs which are not based on observable market data.

The Company recognised an impairment of £129k on its investment in abrdn Investments Luxembourg Corporate Manager S.A.R.L. (“aILCM”). The carrying value of aILCM at 31 December 2023 is £152k This was determined based on Fair Value Less Costs of Disposal (“FVLCD”) due to limited future profitability forecast for the entity. The FVLCD considered a number of valuation approaches, the primary approach being based on the net assets. This is a level 3 measurement as it is measured using inputs which are not based on observable market data.

9 Trade and other receivables

	2023	2022
	£ 000	£ 000
Current trade and other receivables:		
Trade receivables	536	3
Amounts owed by abrdn Group undertakings	34,839	23,136
Accrued income	632	5,378
Total current trade and other receivables	<u>36,007</u>	<u>28,517</u>

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

9 Trade and other receivables (continued)

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

10 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	20,125	20,125	20,125	20,125

The company is a private company limited by share capital, incorporated and domiciled in United Kingdom. The address of its registered office is: 280 Bishopsgate, London, United Kingdom, EC2M 4AG, United Kingdom.

11 Trade and other payables

	2023	2022
	£ 000	£ 000
Current trade and other payables:		
Accruals and deferred income	-	573
Amounts owed to abrdrn Group undertakings	19,123	5,585
Other payables	43	1,187
Total current trade and other payables	19,166	7,345

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

12 Contingent liabilities

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

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

12 Contingent liabilities (continued)

The Company, like other financial organisations, is subject to legal proceedings, complaints and regulatory discussions, reviews and challenges in the normal course of its business. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Company incurring a liability. Where it is concluded that it is more likely than not that a material outflow will be made a provision is established based on management’s best estimate of the amount that will be payable. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly investigate, and no provisions are held for such matters. It is not possible to predict with certainty the extent and timing of the financial impact of legal proceedings, complaints and related regulatory matters.

13 Related party transactions

In the normal course of business, the Company enters into transactions with related parties in respect of investment management business.

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

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

The following are details of significant transactions with related parties (excluding fellow wholly owned subsidiaries and key management personnel) during the year and the year end balances arising from such transactions.

	*2023	
	Revenue	Receivables
	£ 000	£ 000
	-	-

	*There are no Related Party transactions in 2023	
	2022	
	Revenue	Receivables
	£ 000	£ 000
Management fees	7	-
	7	-

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

14 Parent and ultimate parent undertaking

The Company's immediate parent company is abr dn Investments Group Limited and its ultimate parent company is abr dn plc, both of which are incorporated in the United Kingdom and registered in Scotland.

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

15 Events after the balance sheet date

To the knowledge of the Directors, there have been no material events after the reporting period.

16 Investment holdings

Direct and indirect holdings of the Company are listed below. Holdings are at 100%, unless stated otherwise.

Name of undertaking	Country of registration	Percentage owned	
		Direct \ Indirect	other than 100%
abr dn Investments Luxembourg Corporate Manager S.à r.l. ¹	Luxembourg	Direct	
PURetail Luxembourg Management Co S.a r.l. ¹ Registered office ¹ 80 Route d'Esch, L-1470, Luxembourg	Luxembourg	Direct	50%

17 Country by country reporting

Country	Company	Nature of activities	Number of employees	Income £'000	Profit Corporation	
					before tax £ 000	tax paid £ 000
Luxembourg	abr dn Investments Luxembourg Corporate Manager S.a.r.l	Corporate Director	2	62	-	-
Luxembourg	PURetail Luxembourg Management Company S.a.r.l	Fund management	-	2	(37)	-

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

17 Country by country reporting (continued)

Country by Country disclosures are included for branches or subsidiaries that are directly or indirectly held by the Company, are financial institutions and operate in territory or country outside of the United Kingdom.

Taxation paid does not consider intercompany payments as part of group relief transactions, instead reporting payments made directly by companies to local tax authorities.

The below provides a brief outline of our approach to the country by country reporting (CBCR) disclosure:

Country	We have determined the country based on tax residence.
Nature of activities	We have classified our activities into fund management.*
Number of employees	The number of employees reported is the average number of full time employees who were permanently employed by the entity during the period. Contractors are excluded.
Income	The approach to income disclosed in these CBCR disclosures is consistent with that applied in the underlying financial statements of the entity. It should be noted however that the disclosures have been prepared including inter-company transactions.
Profit/(loss) before tax	This is the accounting profit or loss before tax. As noted above for 'turnover', these numbers include inter-company transactions.
Tax paid	This is the amount of corporation tax paid during the period to taxation authorities.
Public subsidies received	There were no public subsidies received by any entities during the period.

*In May 2023 the company relinquished its fund management activities.